

ABBOTT REPORTS FOURTH-QUARTER 2016 RESULTS

- Fourth-quarter GAAP EPS from continuing operations of \$0.51; adjusted EPS from operations of \$0.65
- Issues EPS outlook for 2017, reflecting double-digit growth at the mid-point
- Completed acquisition of St. Jude Medical, creating a premier medical device business with leading positions in several large and high-growth areas

ABBOTT PARK, Ill., Jan. 25, 2017 / [PRNewswire](#)/ -- Abbott (NYSE: ABT) today announced financial results for the fourth quarter ended Dec. 31, 2016.

- Reported diluted EPS from continuing operations under GAAP was \$0.51 in the fourth quarter. Excluding specified items, adjusted diluted EPS from continuing operations was \$0.65 in the fourth quarter, in-line with the previous guidance range.
- Fourth-quarter worldwide sales of \$5.3 billion increased 2.8 percent on a reported basis and 3.8 percent on an operational basis.
- Full-year worldwide sales increased 2.2 percent on a reported basis and 4.8 percent on an operational basis.
- Abbott issues full-year 2017 guidance range for diluted EPS from continuing operations under GAAP of \$0.92 to \$1.02, including intangible amortization and integration expenses related to the acquisition of St. Jude Medical. Excluding specified items, projected full-year 2017 adjusted diluted EPS from continuing operations is \$2.40 to \$2.50.
- In the fourth quarter, Abbott obtained CE Mark for four new major diagnostics systems, including "Alinity™ s" for blood and plasma screening, "Alinity i" for immunoassay diagnostics, "Alinity c" for clinical chemistry diagnostics and "i-STAT® Alinity" for point of care blood testing. Abbott's Alinity family of solutions are designed to be more efficient – running more tests in less space, generating test results faster and minimizing human errors – while continuing to provide quality results.
- On Jan. 4, 2017, Abbott completed the acquisition of St. Jude Medical, establishing the company as a leader in the broad medical device arena and providing expanded opportunities for future growth. With the acquisition, Abbott now competes in nearly every area of the \$30 billion cardiovascular device market and holds No. 1 or 2 positions across several large and high-growth cardiovascular device areas.

"2016 was a very important year for Abbott," said Miles D. White, chairman and chief executive officer, Abbott. "We achieved our financial commitments, advanced our internal pipeline, and took important strategic steps to shape the company for balance and growth."

FOURTH-QUARTER BUSINESS OVERVIEW

Following are sales by business segment and commentary for the fourth quarter and the full year:

Total Company

(\$ in millions)

| | Sales 4Q16 | | | % Change vs. 4Q15 | | | | |
|--------------------------------|------------|-------|-------|-------------------|----------|-------------|----------|-------|
| | U.S. | Int'l | Total | Int'l | | Total | | |
| | | | | U.S. | Reported | Operational | Reported | |
| Total * | 1,655 | 3,678 | 5,333 | 3.2 | 2.6 | 4.1 | 2.8 | 3.8 |
| Nutrition | 745 | 988 | 1,733 | 2.7 | (8.1) | (6.3) | (3.7) | (2.6) |
| Diagnostics | 375 | 881 | 1,256 | 2.0 | 3.3 | 4.8 | 2.9 | 3.9 |
| Established Pharmaceuticals | -- | 979 | 979 | n/a | 10.6 | 12.6 | 10.6 | 12.6 |
| Medical Devices | 527 | 827 | 1,354 | 4.7 | 4.2 | 4.7 | 4.4 | 4.7 |

* Total Abbott Sales from continuing operations include Other Sales of \$11 million.

| | Sales 12M16 | | | % Change vs. 12M15 | | | | |
|----------------|-------------|--------|--------|--------------------|----------|-------------|----------|-----|
| | U.S. | Int'l | Total | Int'l | | Total | | |
| | | | | U.S. | Reported | Operational | Reported | |
| Total * | 6,486 | 14,367 | 20,853 | 3.4 | 1.6 | 5.4 | 2.2 | 4.8 |
| Nutrition | 2,969 | 3,930 | 6,899 | 3.5 | (4.3) | (0.5) | (1.1) | 1.2 |
| Diagnostics | 1,437 | 3,376 | 4,813 | 3.2 | 3.8 | 6.5 | 3.6 | 5.5 |

| | | | | | | | | |
|---------------|-----|-----|-------|-------|-------|-------|-------|-------|
| Laboratory | 225 | 779 | 1,004 | 3.7 | 3.6 | 5.2 | 3.6 | 4.8 |
| Molecular | 44 | 73 | 117 | (5.6) | (8.8) | (7.7) | (7.6) | (6.9) |
| Point of Care | 106 | 29 | 135 | 2.0 | 37.6 | 37.2 | 8.1 | 8.0 |

| | % Change vs. 12M15 | | | | | | | |
|---------------|--------------------|-------|-------|-------|----------|-------------|----------|-------------|
| | Sales 12M16 | | | Int'l | | | Total | |
| | U.S. | Int'l | Total | U.S. | Reported | Operational | Reported | Operational |
| Total | 1,437 | 3,376 | 4,813 | 3.2 | 3.8 | 6.5 | 3.6 | 5.5 |
| Core | | | | | | | | |
| Laboratory | 841 | 3,003 | 3,844 | 3.5 | 3.8 | 6.6 | 3.7 | 5.9 |
| Molecular | 184 | 272 | 456 | (3.9) | (1.2) | 1.4 | (2.3) | (0.8) |
| Point of Care | 412 | 101 | 513 | 6.1 | 19.4 | 19.6 | 8.5 | 8.5 |

Worldwide Diagnostics sales increased 2.9 percent on a reported basis in the fourth quarter, including an unfavorable 1.0 percent effect of foreign exchange, and increased 3.9 percent on an operational basis.

Core Laboratory Diagnostics sales increased 3.6 percent on a reported basis in the fourth quarter, including an unfavorable 1.2 percent effect of foreign exchange, and increased 4.8 percent on an operational basis. During the quarter, Abbott obtained CE Mark for several Alinity core laboratory systems, including "Alinity s" for blood and plasma screening, "Alinity c" for clinical chemistry, and "Alinity i" for immunoassay diagnostics. These instruments belong to Abbott's new Alinity family of harmonized systems, which were designed to be more efficient – running more tests in less space, generating test results faster and minimizing human errors – while continuing to provide quality results.

Molecular Diagnostics sales decreased 7.6 percent on a reported basis in the fourth quarter, including an unfavorable 0.7 percent effect of foreign exchange, and decreased 6.9 percent on an operational basis. As expected, the planned scale down of the genetics business offset growth in the infectious disease testing business.

Point of Care Diagnostics sales increased 8.1 percent on a reported basis in the fourth quarter, including a favorable 0.1 percent effect of foreign exchange, and increased 8.0 percent on an operational basis. Sales growth in the quarter was led by continued adoption of Abbott's i-STAT handheld system in the U.S. and ongoing international market expansion. During the quarter, Abbott obtained CE Mark for its i-STAT Alinity handheld portable blood testing system. By delivering results in ten minutes or less using only two to three drops of blood, i-STAT Alinity provides healthcare professionals the information needed to make fast and accurate medical decisions without ever leaving their patient's side.

Established Pharmaceuticals

(\$ in millions)

| | % Change vs. 4Q15 | | | | | | | |
|----------------------|-------------------|-------|-------|-------|----------|-------------|----------|-------------|
| | Sales 4Q16 | | | Int'l | | | Total | |
| | U.S. | Int'l | Total | U.S. | Reported | Operational | Reported | Operational |
| Total | -- | 979 | 979 | n/a | 10.6 | 12.6 | 10.6 | 12.6 |
| Key Emerging Markets | -- | 777 | 777 | n/a | 10.6 | 13.0 | 10.6 | 13.0 |
| Other | -- | 202 | 202 | n/a | 10.8 | 10.6 | 10.8 | 10.6 |

| | % Change vs. 12M15 | | | | | | | |
|----------------------|--------------------|-------|-------|-------|----------|-------------|----------|-------------|
| | Sales 12M16 | | | Int'l | | | Total | |
| | U.S. | Int'l | Total | U.S. | Reported | Operational | Reported | Operational |
| Total | -- | 3,859 | 3,859 | n/a | 3.7 | 10.5 | 3.7 | 10.5 |
| Key Emerging Markets | -- | 2,912 | 2,912 | n/a | 4.7 | 13.3 | 4.7 | 13.3 |
| Other | -- | 947 | 947 | n/a | 0.9 | 2.0 | 0.9 | 2.0 |

Established Pharmaceuticals sales increased 10.6 percent on a reported basis in the fourth quarter, including an unfavorable 2.0

percent effect of foreign exchange, and increased 12.6 percent on an operational basis.

Key Emerging Markets include Brazil, Russia, India and China (BRIC), along with several additional emerging markets that represent the most attractive long-term growth opportunities for Abbott's branded generics product portfolio. Sales in these key geographies increased 10.6 percent on a reported basis and 13.0 percent on an operational basis in the fourth quarter. Operational sales growth was led by double-digit growth in BRIC, which comprises approximately 45 percent of Abbott's Established Pharmaceuticals sales, as well as strong growth in several countries throughout Latin America, including Colombia, Mexico, Peru and Argentina.

Medical Devices

(\$ in millions)

| | Sales 4Q16 | | | % Change vs. 4Q15 | | | | |
|--------------------------------|------------|-------|-------|-------------------|----------|-------------|----------|-------------|
| | | | | Int'l | | Total | | |
| | U.S. | Int'l | Total | U.S. | Reported | Operational | Reported | Operational |
| Total | 527 | 827 | 1,354 | 4.7 | 4.2 | 4.7 | 4.4 | 4.7 |
| Vascular | 307 | 414 | 721 | 6.9 | 0.1 | 0.6 | 2.9 | 3.2 |
| Diabetes Care | 87 | 223 | 310 | (14.1) | 14.1 | 16.3 | 4.5 | 6.0 |
| Medical Optics | 133 | 190 | 323 | 15.4 | 2.9 | 1.5 | 7.7 | 6.9 |
| Vascular Product Lines: | | | | | | | | |
| Coronary Devices ^{a)} | 202 | 348 | 550 | 2.6 | (1.4) | (1.0) | -- | 0.3 |
| Endovascular ^{b)} | 77 | 65 | 142 | 7.1 | 8.9 | 10.3 | 8.0 | 8.6 |

^{a)}Includes DES / BVS product portfolio, structural heart, guidewires, balloon catheters and other coronary products.

^{b)}Includes vessel closure, carotid stents and other peripheral products.

| | Sales 12M16 | | | % Change vs. 12M15 | | | | |
|--------------------------------|-------------|-------|-------|--------------------|----------|-------------|----------|-------------|
| | | | | Int'l | | Total | | |
| | U.S. | Int'l | Total | U.S. | Reported | Operational | Reported | Operational |
| Total | 2,047 | 3,186 | 5,233 | 3.2 | 4.1 | 5.4 | 3.8 | 4.5 |
| Vascular | 1,247 | 1,649 | 2,896 | 8.8 | 0.1 | 1.5 | 3.7 | 4.5 |
| Diabetes Care | 325 | 817 | 1,142 | (17.4) | 13.0 | 15.9 | 2.3 | 4.1 |
| Medical Optics | 475 | 720 | 1,195 | 7.2 | 4.4 | 3.7 | 5.5 | 5.1 |
| Vascular Product Lines: | | | | | | | | |
| Coronary Devices ^{a)} | 799 | 1,387 | 2,186 | 4.0 | (1.5) | (0.2) | 0.5 | 1.3 |
| Endovascular ^{b)} | 303 | 259 | 562 | 7.4 | 9.0 | 11.3 | 8.1 | 9.2 |

^{a)}Includes DES / BVS product portfolio, structural heart, guidewires, balloon catheters and other coronary products.

^{b)}Includes vessel closure, carotid stents and other peripheral products.

Worldwide Medical Devices sales increased 4.4 percent on a reported basis in the fourth quarter, including an unfavorable 0.3 percent effect of foreign exchange, and increased 4.7 percent on an operational basis.

Worldwide sales of Vascular products increased 2.9 percent on a reported basis in the fourth quarter, including an unfavorable 0.3 percent effect of foreign exchange, and increased 3.2 percent on an operational basis. Sales growth in Vascular products was led by

double-digit growth of MitraClip[®], Abbott's device for the treatment of mitral regurgitation, as Abbott continues to build the market for this first-in-class device. Strong sales growth in Abbott's Endovascular business was driven by vessel closure products and Supera[®], Abbott's unique stent for the treatment of blockages in the leg.

Worldwide Diabetes Care sales increased 4.5 percent on a reported basis in the fourth quarter, including an unfavorable 1.5 percent effect of foreign exchange, and increased 6.0 percent on an operational basis. Double-digit international sales growth was driven by continued consumer uptake of FreeStyle[®] Libre, Abbott's revolutionary continuous glucose monitoring system that eliminates the need for finger-sticks.

Worldwide Medical Optics sales increased 7.7 percent on a reported basis in the fourth quarter, including a favorable 0.8 percent effect of foreign exchange, and increased 6.9 percent on an operational basis. Operational sales growth was driven by the recent U.S. launch of the TECNIS[®] Symphony intraocular lenses, the first and only lenses in the U.S. that provide a full range of continuous high-quality vision following cataract surgery.

ABBOTT ISSUES EARNINGS-PER-SHARE OUTLOOK FOR 2017

Abbott is issuing full-year 2017 guidance for diluted earnings per share from continuing operations under Generally Accepted Accounting Principles (GAAP) of \$0.92 to \$1.02, including amortization and integration expenses related to the acquisition of St. Jude Medical.

Abbott forecasts net specified items for the full year 2017 of approximately \$1.48 per share. Specified items include acquisition-related expenses, intangible amortization expense, charges associated with cost reduction initiatives and other expenses, partially offset by a gain on the sale of the Abbott Medical Optics business (AMO).

Excluding specified items, projected adjusted diluted earnings per share from continuing operations would be \$2.40 to \$2.50 for the full year 2017.

Abbott is issuing first-quarter 2017 guidance for diluted earnings per share from continuing operations under GAAP of \$0.19 to \$0.21. Abbott forecasts specified items for the first quarter 2017 of \$0.23 related to the same items discussed above for the full year 2017. Excluding specified items, projected adjusted diluted earnings per share from continuing operations would be \$0.42 to \$0.44 for the first quarter.

ABBOTT ANNOUNCES INCREASE IN QUARTERLY DIVIDEND

On Dec. 9, 2016, the board of directors of Abbott increased the company's quarterly dividend to \$0.265 per share from \$0.260 per share. Abbott's cash dividend is payable Feb. 15, 2017, to shareholders of record at the close of business on Jan. 13, 2017. This marks the 372nd consecutive quarterly dividend paid by Abbott.

Abbott has increased its dividend payout for 45 consecutive years and is a member of the S&P 500 Dividend Aristocrats Index, which tracks companies that have annually increased their dividend for at least 25 consecutive years.

About Abbott:

Abbott is a global healthcare company devoted to improving life through the development of products and technologies that span the breadth of healthcare. With a portfolio of leading, science-based offerings in diagnostics, medical devices, nutritionals and branded generic pharmaceuticals, Abbott serves people in more than 150 countries and employs approximately 94,000 people.

Visit Abbott at www.abbott.com and connect with us on Twitter at @AbbottNews.

Abbott will webcast its live fourth-quarter earnings conference call through its Investor Relations website at www.abbottinvestor.com at 8 a.m. Central time today. An archived edition of the call will be available later that day.

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

Some statements in this news release may be forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. Abbott cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Economic, competitive, governmental, technological and other factors that may affect Abbott's operations are discussed in Item 1A, "Risk Factors" to our Annual Report on Securities and Exchange Commission Form 10-K for the year ended Dec. 31, 2015, and St. Jude Medical's Annual Report on Form 10-K for the fiscal year ended Jan. 2, 2016, respectively, and under the heading "Risk Factors" in Abbott's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, and St. Jude Medical's Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2016, which are incorporated by reference. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as a result of subsequent events or developments, except as required by law.

Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Earnings

Fourth Quarter Ended December 31, 2016 and 2015

(in millions, except per share data)

(unaudited)

| | <u>4Q16</u> | <u>4Q15</u> | <u>% Change</u> |
|---|---------------|---------------|-----------------|
| Net Sales | \$5,333 | \$5,188 | 2.8 |
| Cost of products sold, excluding amortization expense | 2,312 | 2,206 | 4.8 |
| Amortization of intangible assets | 121 | 143 | (15.0) |
| Research and development | 343 | 369 | (7.3) |
| Selling, general, and administrative | 1,609 | 1,655 | (2.8) |
| Total Operating Cost and Expenses | <u>4,385</u> | <u>4,373</u> | 0.3 |
| Operating earnings | 948 | 815 | 16.3 |
| Interest expense, net | 129 | 9 | n/m 1) |
| Net foreign exchange (gain) loss | (2) | (30) | (94.0) |
| Other (income) expense, net | (54) | 6 | n/m |
| Earnings from Continuing Operations before taxes | <u>875</u> | <u>830</u> | 5.4 |
| Taxes on Earnings from Continuing Operations | 110 | 135 | (17.9) |
| Earnings from Continuing Operations | <u>765</u> | <u>695</u> | 9.9 |
| Earnings from Discontinued Operations, net of taxes | <u>33</u> | <u>72</u> | (54.4) 2) |
| Net Earnings | <u>\$798</u> | <u>\$767</u> | 3.9 |
| Net Earnings from Continuing Operations, excluding Specified Items, as described below | <u>\$971</u> | <u>\$932</u> | 4.2 3) |
| Diluted Earnings per Common Share from: | | | |
| Continuing Operations | \$0.51 | \$0.46 | 10.9 |
| Discontinued Operations | 0.02 | 0.05 | (60.0) |
| Total | <u>\$0.53</u> | <u>\$0.51</u> | 3.9 |
| Diluted Earnings per Common Share from Continuing Operations, excluding Specified Items, as described below | <u>\$0.65</u> | <u>\$0.62</u> | 4.8 3) |
| Average Number of Common Shares Outstanding | | | |
| Plus Dilutive Common Stock Options | 1,483 | 1,498 | |

NOTES:

See tables below for an explanation of certain non-GAAP financial information.

n/m = Percent change is not meaningful.

See footnotes below.

1) 2016 Interest expense, net includes amortization expense associated with bridge facility fees and interest expense associated with \$15.1 billion of debt issued in November 2016.

2) 2016 and 2015 Earnings and Diluted Earnings per Common Share from Discontinued Operations primarily reflect net

favorable adjustments to tax expense as a result of the resolution of various tax positions from previous years related to discontinued operations.

- 3) 2016 Net Earnings from Continuing Operations, excluding Specified Items, excludes net after-tax charges of \$206 million, or \$0.14 per share, for intangible amortization expense, expenses primarily associated with acquisitions, including bridge facility fees and other debt related costs, charges related to cost reduction initiatives and other expenses.

2015 Net Earnings from Continuing Operations, excluding Specified Items, excludes net after-tax charges of \$237 million, or \$0.16 per share, for intangible amortization expense, expenses associated with cost reduction initiatives and other expenses related to acquisitions.

Abbott Laboratories and Subsidiaries
Condensed Consolidated Statement of Earnings
Fiscal Year Ended December 31, 2016 and 2015
(in millions, except per share data)
(unaudited)

| | <u>12M16</u> | <u>12M15</u> | <u>% Change</u> |
|--|----------------|----------------|-----------------|
| Net Sales | \$20,853 | \$20,405 | 2.2 |
| Cost of products sold, excluding amortization expense | 9,024 | 8,747 | 3.2 |
| Amortization of intangible assets | 550 | 601 | (8.4) |
| Research and development | 1,422 | 1,405 | 1.2 |
| Selling, general, and administrative | 6,672 | 6,785 | (1.7) |
| Total Operating Cost and Expenses | <u>17,668</u> | <u>17,538</u> | 0.7 |
| Operating earnings | 3,185 | 2,867 | 11.1 |
| Interest expense, net | 332 | 58 | n/m 1) |
| Net foreign exchange (gain) loss | 495 | (93) | n/m 2) |
| Other (income) expense, net | 945 | (281) | n/m 3) |
| Earnings from Continuing Operations before taxes | <u>1,413</u> | <u>3,183</u> | (55.6) |
| Taxes on Earnings from Continuing Operations | 350 | 577 | (39.2) 4) |
| Earnings from Continuing Operations | <u>1,063</u> | <u>2,606</u> | (59.2) |
| Earnings from Discontinued Operations, net of taxes | 321 | 65 | n/m |
| Gain on Sale of Discontinued Operations, net of taxes | 16 | 1,752 | (99.1) |
| Net Earnings from Discontinued Operations, net of taxes | <u>337</u> | <u>1,817</u> | (81.4) 5) |
| Net Earnings | <u>\$1,400</u> | <u>\$4,423</u> | (68.4) |
| Net Earnings from Continuing Operations, excluding Specified Items, as described below | <u>\$3,281</u> | <u>\$3,258</u> | 0.7 6) |
| Diluted Earnings per Common Share from: | | | |
| Continuing Operations | \$0.71 | \$1.72 | (58.7) |
| Discontinued Operations | 0.23 | 1.20 | (80.8) 5) |
| Total | <u>\$0.94</u> | <u>\$2.92</u> | (67.8) |

| | | | |
|---|--------|--------|--------|
| Diluted Earnings per Common Share from Continuing Operations, excluding Specified Items, as described below | \$2.20 | \$2.15 | 2.3 6) |
| Average Number of Common Shares Outstanding | | | |
| Plus Dilutive Common Stock Options | 1,483 | 1,506 | |

NOTES:

See tables below for an explanation of certain non-GAAP financial information.

n/m = Percent change is not meaningful.

See footnotes below.

- 1) 2016 Interest expense, net includes amortization expense primarily associated with bridge facility fees.
- 2) 2016 Net foreign exchange (gain) loss includes a loss of \$480 million related to the revaluation of Abbott's net monetary assets in Venezuela using the Dicom exchange rate, which is the Venezuelan government's official floating exchange rate.
- 3) 2016 Other (income) expense, net includes a charge of \$947 million related to an adjustment of Abbott's holdings of Mylan N.V. ordinary shares to reflect the share price as of Sept. 30, 2016.

2015 Other (income) expense, net includes a gain on the sale of a portion of Abbott's position in Mylan stock and a decrease in the fair value of contingent consideration related to a business acquisition, both reported as specified items.

- 4) 2016 Tax expense on Earnings from Continuing Operations includes the impact of a net tax benefit of approximately \$225 million, primarily as a result of the resolution of various tax positions from prior years, partially offset by the unfavorable impact of non-deductible foreign exchange losses related to Venezuela and an adjustment to the equity investment in Mylan and the recognition of deferred taxes associated with the pending sale of AMO.
- 5) 2016 Earnings, net of taxes and Diluted Earnings per Common Share from Discontinued Operations primarily reflect the impact of a net tax benefit of \$325 million as a result of the resolution of various tax positions from prior years.

2015 Earnings, net of taxes and Diluted Earnings per Common Share from Discontinued Operations reflect the after-tax gain of \$1.752 billion on the sale of the developed markets branded generics pharmaceuticals and animal health businesses to Mylan on Feb. 27, 2015 and Zoetis on Feb. 10, 2015, respectively; the first-quarter financial results from these businesses up to the date of sale; and a favorable adjustment to tax expense as a result of the resolution of various tax positions from previous years related to discontinued operations.

- 6) 2016 Net Earnings from Continuing Operations, excluding Specified Items, excludes net after-tax charges of \$2.218 billion, or \$1.49 per share, for intangible amortization expense, the foreign exchange loss related to Venezuela, an adjustment to the equity investment in Mylan, expenses associated with acquisitions, including bridge facility fees, other charges related to cost reduction initiatives and other expenses and the recognition of deferred taxes associated with the pending sale of AMO, partially offset by the favorable impact of a net tax benefit as a result of the resolution of various tax positions from prior years.

2015 Net Earnings from Continuing Operations, excluding Specified Items, excludes net after-tax charges of \$652 million, or \$0.43 per share, for intangible amortization expense, expenses associated with cost reduction initiatives and other expenses related to acquisitions, partially offset by a gain on the sale of a portion of Abbott's position in Mylan stock and a decrease in the fair value of contingent consideration related to a business acquisition.

NON-GAAP RECONCILIATION OF FINANCIAL INFORMATION FROM CONTINUING OPERATIONS

Abbott Laboratories and Subsidiaries

Non-GAAP Reconciliation of Financial Information From Continuing Operations

Fourth Quarter Ended December 31, 2016 and 2015

(in millions, except per share data)

(unaudited)

4Q16

| | As Reported (GAAP) | Specified Items | As Adjusted | % to Sales |
|---|-----------------------------------|----------------------------|------------------------|-----------------------|
| Intangible Amortization | \$121 | \$(121) | -- | |
| Gross Margin | 2,900 | 161 | \$3,061 | 57.4% |
| R&D | 343 | (9) | 334 | 6.3% |
| SG&A | 1,609 | (99) | 1,510 | 28.3% |
| Interest expense, net | 129 | (101) | 28 | |
| Net foreign exchange (gain) loss | (2) | 1 | (1) | |
| Other (income) expense, net | (54) | 52 | (2) | |
| Earnings from Continuing Operations before taxes | 875 | 317 | 1,192 | |
| Taxes on Earnings from Continuing Operations | 110 | 111 | 221 | |
| Net Earnings from Continuing Operations | 765 | 206 | 971 | |
| Diluted Earnings per Share from Continuing Operations | \$0.51 | \$0.14 | \$0.65 | |

Specified items reflect intangible amortization expense of \$121 million and other expenses of \$196 million, primarily associated with acquisitions, including bridge facility fees and other debt related costs, charges related to cost reduction initiatives and other expenses.

4Q15

| | As Reported (GAAP) | Specified Items | As Adjusted | % to Sales |
|---|-----------------------------------|----------------------------|------------------------|-----------------------|
| Intangible Amortization | \$143 | \$(143) | -- | |
| Gross Margin | 2,839 | 178 | \$3,017 | 58.2% |
| R&D | 369 | (4) | 365 | 7.0% |
| SG&A | 1,655 | (117) | 1,538 | 29.6% |
| Other (income) expense, net | 6 | (6) | -- | |
| Earnings from Continuing Operations before taxes | 830 | 305 | 1,135 | |
| Taxes on Earnings from Continuing Operations | 135 | 68 | 203 | |
| Net Earnings from Continuing Operations | 695 | 237 | 932 | |
| Diluted Earnings per Share from Continuing Operations | \$0.46 | \$0.16 | \$0.62 | |

Specified items reflect intangible amortization expense of \$143 million and other expenses of \$162 million, primarily associated with cost reduction initiatives and acquisitions.

Abbott Laboratories and Subsidiaries

Non-GAAP Reconciliation of Financial Information From Continuing Operations

Fiscal Year Ended December 31, 2016 and 2015

(in millions, except per share data)

(unaudited)

12M16

| | As Reported (GAAP) | Specified Items | As Adjusted | % to Sales |
|---|-----------------------------------|----------------------------|------------------------|-----------------------|
| Intangible Amortization | \$550 | \$(550) | -- | |
| Gross Margin | 11,279 | 661 | \$11,940 | 57.3% |
| R&D | 1,422 | (77) | 1,345 | 6.5% |
| SG&A | 6,672 | (249) | 6,423 | 30.8% |
| Interest expense, net | 332 | (240) | 92 | |
| Net foreign exchange (gain) loss | 495 | (480) | 15 | |
| Other (income) expense, net | 945 | (910) | 35 | |
| Earnings from Continuing Operations before taxes | 1,413 | 2,617 | 4,030 | |
| Taxes on Earnings from Continuing Operations | 350 | 399 | 749 | |
| Net Earnings from Continuing Operations | 1,063 | 2,218 | 3,281 | |
| Diluted Earnings per Share from Continuing Operations | \$0.71 | \$1.49 | \$2.20 | |

Specified items reflect intangible amortization expense of \$550 million, an adjustment to the equity investment in Mylan of \$947 million, the impact of the foreign exchange loss in Venezuela of \$480 million, and other expenses of \$640 million, primarily associated with acquisitions, including bridge facility fees, and charges related to cost reduction initiatives and other expenses and the recognition of approximately \$70 million of deferred taxes associated with the pending sale of AMO, partially offset by a net tax benefit of approximately \$225 million, primarily as a result of the resolution of various tax positions from prior years.

12M15

| | As Reported (GAAP) | Specified Items | As Adjusted | % to Sales |
|---|-----------------------------------|----------------------------|------------------------|-----------------------|
| Intangible Amortization | \$601 | \$(601) | -- | |
| Gross Margin | 11,057 | 755 | \$11,812 | 57.9% |
| R&D | 1,405 | (85) | 1,320 | 6.5% |
| SG&A | 6,785 | (272) | 6,513 | 31.9% |
| Other (income) expense, net | (281) | 288 | 7 | |
| Earnings from Continuing Operations before taxes | 3,183 | 824 | 4,007 | |
| Taxes on Earnings from Continuing Operations | 577 | 172 | 749 | |
| Net Earnings from Continuing Operations | 2,606 | 652 | 3,258 | |
| Diluted Earnings per Share from Continuing Operations | \$1.72 | \$0.43 | \$2.15 | |

Specified items reflect intangible amortization expense of \$601 million and other expenses of \$510 million, primarily associated with cost reduction initiatives and acquisitions, partially offset by a gain on the sale of a portion of Abbott's position in Mylan stock of \$207 million and a decrease in the fair value of contingent consideration related to a business acquisition.

RECONCILIATION OF TAX RATE FOR CONTINUING OPERATIONS

A reconciliation of the fourth-quarter tax rates for continuing operations for 2016 and 2015 is shown below:

| | 4Q16 | | |
|----------------------------------|---------------------------|------------------------------|---------------------|
| (\$ in millions) | Pre-Tax Income | Taxes on Earnings | Tax Rate |
| As reported (GAAP) | \$875 | \$110 | 12.7% |
| Specified items | 317 | 111 | |
| Excluding specified items | \$1,192 | \$221 | 18.6% |

4Q15

| (\$ in millions) | Pre-Tax Income | Taxes on Earnings | Tax Rate |
|----------------------------------|---------------------------|------------------------------|----------------------------|
| As reported (GAAP) | \$830 | \$135 | 16.3% |
| Specified items | 305 | 68 | |
| Excluding specified items | \$1,135 | \$203 | 17.9% ¹⁾ |

1) Fourth-quarter 2015 tax rate includes the year-to-date impact of U.S. tax legislation passed in Dec. 2015, including the R&D tax credit.

A reconciliation of the full-year tax rates for continuing operations for 2016 and 2015 is shown below:

| 12M16 | | | |
|----------------------------------|---------------------------|------------------------------|---------------------|
| (\$ in millions) | Pre-Tax Income | Taxes on Earnings | Tax Rate |
| As reported (GAAP) | \$1,413 | \$350 | 24.8% |
| Specified items | 2,617 | 399 | |
| Excluding specified items | \$4,030 | \$749 | 18.6% |

| 12M15 | | | |
|----------------------------------|---------------------------|------------------------------|----------------------------|
| (\$ in millions) | Pre-Tax Income | Taxes on Earnings | Tax Rate |
| As reported (GAAP) | \$3,183 | \$577 | 18.1% |
| Specified items | 824 | 172 | |
| Excluding specified items | \$4,007 | \$749 | 18.7% ²⁾ |

2) Full-year 2015 tax rate includes the impact of U.S. tax legislation passed in Dec. 2015, including the R&D tax credit.

SOURCE Abbott

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