Abbott Laboratories

S&P Recommendation | HOLD ★★★★★
Price | $36.80 (as of May 3, 2013)
12-Mo. Target Price | $40.00
Investment Style | Large-Cap Growth

GICS Sector: Health Care
Sub-Industry: Health Care Equipment

Summary: This diversified healthcare products company is now focused on nutrionals, diagnostics, generic drugs, and medical devices, following the spinoff of its R&D based prescription pharmaceuticals business at the beginning of 2013.

Key Stock Statistics (Source: S&P, Vickers, company reports):

- 52-Wk Range: $72.47 - 31.64
- Trailing 12-Month EPS: $3.28
- P/E on S&P Oper. EPS 2013E: 2.04
- Market Capitalization (B): $57.801
- Beta: 0.19

Price Performance:

- 30-Week MOV Avg:
- 10-Week MOV Avg:
- GAAP Earnings vs. Previous Year:
- Volume Above Avg:
- STARS:
- LOWEST = 1
- HIGHEST = 99

Qualitative Risk Assessment:

Our risk assessment reflects Abbott’s operations in competitive markets and its exposure to rising pricing pressures in global markets. However, we believe the company has relatively strong positions in key healthcare product categories, with prospects brightened by ongoing launches of new medical products, and expansion in emerging markets. We also view the company as financially strong, with a sound balance sheet.

Quantitative Evaluations:

- S&P Quality Ranking: A
- Relative Strength Rank: WEAK

Revenue/Earnings Data:

- Revenue (Million U.S. $)
  - 1Q 2Q 3Q 4Q Year
  - 2013 $5,378 -- -- -- --
  - 2012 $9,457 $9,807 $9,773 $10,837 $39,874
  - 2011 $9,041 $9,161 $9,817 $10,377 $38,851
  - 2010 $7,698 $8,826 $6,975 $9,988 $35,167
  - 2009 $6,718 $7,495 $7,761 $8,790 $30,765
  - 2008 $7,766 $7,214 $7,498 $7,950 $29,528

Earnings Per Share (U.S. $)

- 2013 $0.34 $0.44 $0.55 $0.63 $2.04
- 2012 $0.78 $1.08 $1.21 $0.66 $3.72
- 2011 $0.55 $1.23 $0.19 $1.02 $3.01
- 2010 $0.64 $0.83 $0.57 $0.92 $2.96
- 2009 $0.92 $0.83 $0.95 $0.98 $3.69
- 2008 $0.60 $0.65 $0.69 $0.69 $3.93

Fiscal year ended Dec. 31. Next earnings report expected: Mid July. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy):

- Amount ($) | Date Decl. | Ex-Div. Date | Stk. of Record | Payment Date
- 0.140 | 11/28 | 01/02 | 12/12 | 01/01/13
- 0.140 | 12/14 | 01/11 | 01/15 | 02/15/13
- 0.140 | 12/14 | 01/11 | 01/15 | 02/15/13
- 0.140 | 02/15 | 04/14 | 05/15 | 05/15/13

Dividends have been paid since 1926. Source: Company reports.
CORPORATE OVERVIEW. Following the early January 2013 spinoff of its research-based pharmaceuticals operations in the form shares in a new company called Abbvie, Abbott’s businesses are now largely concentrated in nutritionals, medical products and generic drugs. These diverse operations are largely a result of strategic acquisitions made over the years, as well as from internal R&D programs. Abbott commands leading market positions in immunoassay and blood screening products, coronary metallic drug-eluting stents, LASIK devices, and pediatric nutritionals (in the U.S.). The company is the worldwide leader in adult nutritionals.

On a pro forma basis, indicated sales of about $21.8 billion in 2012 were divided as follows: nutritionals 30%, established pharmaceuticals 23%, diagnostics 20%, vascular products 14%, and other products 13%. The United States accounted for an indicated 30% of company sales in 2012, developed markets outside of the U.S. for 20%, and emerging markets for 40%. Abbott expects emerging markets to represent about 50% of its total sales by 2015.

Nutritionals fall under U.S.-based Ross Products and Abbott Nutrition International. Products include leading infant formulas sold under the Similac and Isomil names, as well as adult nutritionals, such as Ensure and ProSure for patients with special dietary needs, including cancer and diabetes patients. Abbott also markets enteral feeding (tube feeding) items. Emerging markets account for close to 45% of the company’s nutritional sales.

The company’s continuing established pharmaceuticals business comprise branded generics which are sold in emerging markets (50% of this division’s sales) and developed markets (50%). Branded generics typically command higher margins than conventional generics, especially in emerging markets, as their branded labels afford them a sense of quality and reliability over unbranded drugs. ABBT’s growth strategy for this business comprises efforts to increase the breadth of product offerings by launching new and improved formulations, and registering products across multiple geographic regions.

ABBOTT offers a wide range of tests and diagnostic systems for blood banks, hospitals, and labs. Principal products include screening tests for hepatitis, HIV, and other infectious diseases, and for cancer; clinical chemistry systems; diagnostic instruments and chemical reagents; immunoassay test kits; hematology systems and reagents; and pregnancy tests.

Abbott Vascular markets coronary and carotid stents, catheters and guide wires, and products used for surgical closure. The principal product is the new Xience drug-eluting stent (DES), which is presently the leading product in the domestic DES market. During 2013, ABBT plans to expand its launch of the new Xience Xpedition stent line in the U.S., launch that line in Japan, and increase global market penetration of newer products such as the MitraClip mitral valve repair system and Absorb bioresorbable vascular scaffold.

Other products include diabetes care items such as the Precision and FreeStyle lines of hand-held glucose monitors for diabetes patients, as well as data management and point-of-care systems, insulin pumps and syringes for diabetics. Glucerna shakes and nutrition bars tailored for diabetics are also offered.

In February 2009, Abbott completed the acquisition of Advanced Medical Optics (AMO) for about $2.8 billion in cash. AMO is a leader in ophthalmic care with the No. 1 position in LASIK surgical devices, the No. 2 position in cataract surgical products, and the No. 3 slot in contact lens care products.

Abbott launched several new products and initiated new clinical trials during the first quarter of 2013. These include 19 new nutritional items; the Accelerator a600 next-generation automation solution for the core laboratory; several new diagnostic tests on the Architect platform; the launch of the Xience Xpedition drug-eluting stent in the U.S. and the launch of the Tecnis OptiBlue cataract intraocular lens in Japan.

FINANCIAL TRENDS. In early 2013, Abbott noted that it had significant cash flow generation potential, upward of $4 billion, which should enable the company with ample resources for investments in future growth and returns to shareholders. In mid-April 2013, Abbott confirmed prior non-GAAP operating EPS guidance for 2013 in the $1.98 to $2.04 range. EPS exclude net specified items of approximately $0.59. Specified items are primarily associated with intangible amortization expense, cost reduction initiatives, and the favorable effect of U.S. tax law changes enacted in 2013 related to 2012 results.
Quantitative Evaluations

S&P Fair Value Rank

<table>
<thead>
<tr>
<th>Rank</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOWEST</td>
<td>HIGHEST</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on S&P’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation

Analysis of the stock’s current worth, based on S&P’s proprietary quantitative model suggests that ABT is slightly undervalued by $6.40 or 17.4%.

Investability Quotient Percentile

LOWEST = 1 HIGHEST = 100

ABT scored higher than 100% of all companies for which an S&P Report is available.

Volatility

LOW AVERAGE HIGH

Technical Evaluation

Since March, 2013, the technical indicators for ABT have been BULLISH.

Insider Activity

UNFAVORABLE NEUTRAL FAVORABLE

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. $)

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible Book Value</td>
<td>1.50</td>
<td>NM</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>5.49</td>
<td>4.96</td>
</tr>
<tr>
<td>Earnings</td>
<td>3.72</td>
<td>3.01</td>
</tr>
<tr>
<td>S&amp;P Core Earnings</td>
<td>3.85</td>
<td>3.82</td>
</tr>
<tr>
<td>Dividends</td>
<td>2.01</td>
<td>1.88</td>
</tr>
<tr>
<td>Payout Ratio</td>
<td>54%</td>
<td>63%</td>
</tr>
<tr>
<td>Prices High</td>
<td>72.47</td>
<td>56.44</td>
</tr>
<tr>
<td>Prices Low</td>
<td>53.96</td>
<td>45.07</td>
</tr>
<tr>
<td>P/E Ratio: High</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>P/E Ratio: Low</td>
<td>19</td>
<td>19</td>
</tr>
</tbody>
</table>

Income Statement Analysis (Million U.S. $)

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>39,874</td>
<td>38,851</td>
</tr>
<tr>
<td>Operating Income</td>
<td>11,595</td>
<td>11,119</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,783</td>
<td>3,044</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>592</td>
<td>445</td>
</tr>
<tr>
<td>Pretax Income</td>
<td>6,263</td>
<td>5,199</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
<td>4.79%</td>
<td>9.04%</td>
</tr>
<tr>
<td>Net Income</td>
<td>5,963</td>
<td>4,729</td>
</tr>
<tr>
<td>S&amp;P Core Earnings</td>
<td>6,122</td>
<td>5,985</td>
</tr>
</tbody>
</table>

Balance Sheet & Other Financial Data (Million U.S. $)

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>15,174</td>
<td>8,097</td>
</tr>
<tr>
<td>Current Assets</td>
<td>31,323</td>
<td>23,769</td>
</tr>
<tr>
<td>Total Assets</td>
<td>67,235</td>
<td>60,277</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>13,280</td>
<td>15,480</td>
</tr>
<tr>
<td>Long Term Debt</td>
<td>18,085</td>
<td>12,040</td>
</tr>
<tr>
<td>Common Equity</td>
<td>26,721</td>
<td>24,440</td>
</tr>
<tr>
<td>Total Capital</td>
<td>45,207</td>
<td>37,593</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>1,795</td>
<td>1,492</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>8,746</td>
<td>7,772</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td>% Long Term Debt of Capitalization</td>
<td>40.0%</td>
<td>Nil</td>
</tr>
<tr>
<td>% Net Income of Revenue</td>
<td>15.0%</td>
<td>12.2%</td>
</tr>
<tr>
<td>% Return on Assets</td>
<td>9.4%</td>
<td>NA</td>
</tr>
<tr>
<td>% Return on Equity</td>
<td>23.1%</td>
<td>NA</td>
</tr>
</tbody>
</table>

Expanded Ratio Analysis

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price/Sales</td>
<td>2.61</td>
<td>2.27</td>
<td>2.12</td>
</tr>
<tr>
<td>Price/EBITDA</td>
<td>8.99</td>
<td>7.95</td>
<td>8.33</td>
</tr>
<tr>
<td>Price/Pretax Income</td>
<td>16.85</td>
<td>16.95</td>
<td>13.05</td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>17.49</td>
<td>18.64</td>
<td>16.12</td>
</tr>
<tr>
<td>Avg. Diluted Shares Outstanding (M)</td>
<td>1,591.8</td>
<td>1,567.4</td>
<td>1,556.0</td>
</tr>
</tbody>
</table>

Key Growth Rates and Averages

<table>
<thead>
<tr>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>9 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2.63</td>
<td>9.17</td>
<td>9.30</td>
</tr>
<tr>
<td>Net Income</td>
<td>26.09</td>
<td>1.34</td>
<td>6.77</td>
</tr>
</tbody>
</table>

Ratio Analysis (Annual Avg.)

Net Margin (%) | 14.95 | 13.43 | 15.00 | 14.20 |
% LT Debt to Capitalization | 40.01 | 35.27 | 34.46 | 32.05 |
Return on Equity (%) | 23.13 | NA | NA | NA |


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### Sub-Industry Outlook

Our fundamental outlook for the health care equipment sub-industry for the next 12 months is neutral. We continue to view many product categories as historically recession-resistant, and we expect they will continue to grow, albeit more slowly than they did prior to the recent recession. We remain concerned about continued weak demand for elective medical procedures. In addition, procedure rates have declined in areas we would not normally view as elective, such as cardiac rhythm management, interventional cardiology and orthopedics, partly due to a U.S. Justice Dept. probe of improper defibrillator implantation impacting the first category, and a still-soft economy. On the other hand, a number of orthopedic product makers have been expressing the view that procedure rates for their products appear to be stabilizing and/or recovering modestly in certain categories.

We believe the new medical device tax required by the health care reform law and that took effect this year has prompted the sub-industry to align its cost structure to partially offset the impact of the tax. We note, though, that since the levy is income tax deductible, its after-tax effect will be lower, and we therefore view the impact of health care reform as manageable. Many equipment makers have implemented cost reduction initiatives to help offset the levy.

We expect 2013 revenues to rise in constant currency at a mid- to high single digit pace, aided by expansion into emerging markets, and, in some cases, acquisitions. Still, we expect extended replacement cycles at U.S. hospitals in some areas, pricing pressures, the continuation of European austerity measures, lower demand in certain important product categories and unfavorable currency exchange to continue to affect growth.

However, we are seeing sales gains, albeit uneven ones, in equipment that hospitals believe can differentiate them from one another and/or offer a possible high return on investment.

We see positive longer-term fundamentals, including increasing global demand for quality health care, aging populations and rising R&D outlays, leading to a steady flow of new diagnostic and therapeutic products in cardiology, orthopedics, and other areas.

Year to date to April 19, the S&P Health Care Equipment Index was up 10.9%, versus a 9.1% increase in the S&P 1500 Composite Index. In 2012, the sub-industry index rose 16.8%, versus a 13.7% increase in the S&P 1500. The advances in 2012 and so far in 2013 suggest to us that investors have been generally pleased with the health care equipment makers’ performance and may view the momentum as sustainable through 2013.

--Phillip M. Seligman

### Stock Performance

#### GICS Sector: Health Care

**Sub-Industry: Health Care Equipment**

Based on S&P 1500 Indexes

Month-end Price Performance as of 4/30/13

Note: All sector & sub-industry information is based on the Global Industry Classification Standard (GICS)

### Sub-Industry: Health Care Equipment Peer Group*: Based on market capitalizations within GICS Sub-Industry

<table>
<thead>
<tr>
<th>Peer Group</th>
<th>Stock</th>
<th>Cap. (Mil. $)</th>
<th>Recent Stock Price($)</th>
<th>52 Week High/Low($)</th>
<th>Beta</th>
<th>Yield (%)</th>
<th>P/E Ratio</th>
<th>Fair Value Calc.($)</th>
<th>Quality Ranking %ile</th>
<th>Return on Revenue (%)</th>
<th>LTD to Cap (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott Laboratories</td>
<td>ABT</td>
<td>57,801</td>
<td>36.80</td>
<td>72.47/31.64</td>
<td>0.19</td>
<td>1.5</td>
<td>43.20</td>
<td>A</td>
<td>100</td>
<td>15.0</td>
<td>40.0</td>
</tr>
<tr>
<td>CareFusion Corp</td>
<td>CFN</td>
<td>7,599</td>
<td>34.14</td>
<td>35.61/23.77</td>
<td>NA</td>
<td>Nil</td>
<td>35.10</td>
<td>NR</td>
<td>29</td>
<td>10.0</td>
<td>17.6</td>
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<tr>
<td>DexCom Inc</td>
<td>DXCM</td>
<td>1,275</td>
<td>18.60</td>
<td>18.69/9.92</td>
<td>1.07</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>NA</td>
<td>78</td>
<td>8.1</td>
</tr>
<tr>
<td>Edwards Lifesciences</td>
<td>EW</td>
<td>7,212</td>
<td>63.21</td>
<td>110.78/62.34</td>
<td>0.50</td>
<td>Nil</td>
<td>70.10</td>
<td>B+</td>
<td>96</td>
<td>15.4</td>
<td>11.3</td>
</tr>
<tr>
<td>Globus Medical</td>
<td>GMED</td>
<td>1,506</td>
<td>16.30</td>
<td>19.93/10.26</td>
<td>NA</td>
<td>Nil</td>
<td>20.10</td>
<td>NA</td>
<td>94</td>
<td>19.1</td>
<td>NA</td>
</tr>
<tr>
<td>HeartWare International</td>
<td>HTWR</td>
<td>1,351</td>
<td>94.74</td>
<td>99.26/47.77</td>
<td>-0.29</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>NA</td>
<td>72</td>
<td>NA</td>
</tr>
<tr>
<td>Insulet Corp</td>
<td>PODD</td>
<td>1,213</td>
<td>25.50</td>
<td>26.87/16.95</td>
<td>1.48</td>
<td>Nil</td>
<td>12.80</td>
<td>NA</td>
<td>14</td>
<td>72</td>
<td>83.9</td>
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<tr>
<td>MAKO Surgical</td>
<td>MAKO</td>
<td>425</td>
<td>10.65</td>
<td>41.48/10.00</td>
<td>0.46</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>NA</td>
<td>70</td>
<td>NA</td>
</tr>
<tr>
<td>Maximus Corp</td>
<td>MAKS</td>
<td>1,243</td>
<td>21.34</td>
<td>25.36/18.20</td>
<td>0.77</td>
<td>Nil</td>
<td>25.40</td>
<td>NA</td>
<td>73</td>
<td>12.6</td>
<td>NA</td>
</tr>
<tr>
<td>NxStage Medical</td>
<td>NXTM</td>
<td>650</td>
<td>11.86</td>
<td>17.15/15.15</td>
<td>0.66</td>
<td>Nil</td>
<td>20.00</td>
<td>NA</td>
<td>41</td>
<td>NA</td>
<td>41.0</td>
</tr>
<tr>
<td>Sirona Dental Sys</td>
<td>SIRD</td>
<td>4,177</td>
<td>73.50</td>
<td>75.72/40.59</td>
<td>1.53</td>
<td>Nil</td>
<td>70.90</td>
<td>NR</td>
<td>79</td>
<td>13.7</td>
<td>7.0</td>
</tr>
<tr>
<td>Sunshine Heart</td>
<td>SSN</td>
<td>5,196</td>
<td>5.10</td>
<td>17.25/2.50</td>
<td>NA</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>NA</td>
<td>77</td>
<td>NA</td>
</tr>
<tr>
<td>Teleflex Inc</td>
<td>TFX</td>
<td>3,210</td>
<td>78.34</td>
<td>87.46/57.26</td>
<td>0.78</td>
<td>1.7</td>
<td>74.50</td>
<td>B+</td>
<td>46</td>
<td>25.1</td>
<td>NA</td>
</tr>
<tr>
<td>Turnier NV</td>
<td>TRNX</td>
<td>754</td>
<td>18.07</td>
<td>25.00/14.53</td>
<td>1.85</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>NA</td>
<td>10</td>
<td>20.8</td>
</tr>
<tr>
<td>Volcano Corp</td>
<td>VOLC</td>
<td>972</td>
<td>18.38</td>
<td>30.59/18.12</td>
<td>0.25</td>
<td>Nil</td>
<td>11.60</td>
<td>NR</td>
<td>68</td>
<td>2.1</td>
<td>48.4</td>
</tr>
</tbody>
</table>

NA: Not Available NM: Not Meaningful NR: Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.
ABBOTT LABORATORIES TO HOLD FROM BUY (ABT 33.37***): We are reducing our
12-month target price by $4 to $36, to reflect the recent spin-off of the
company’s research-based pharmaceuticals business as shares of a new
publicly traded firm called AbbVie. The dividend yields 3.0%. /H. Saftlas

January 23, 2013
12:03 pm ET ... S&P REITERATES HOLD OPINION ON SHARES OF ABBOTT
LABORATORIES (ABT 32.88***): We maintain our target price of $38, and our 2013
operating EPS estimate of $2.00, near the midpoint of ABT’s new $1.98-$2.04
guidance range. Q4 EPS of $1.51, vs. $1.45, was $0.06 below our forecast. While
sales rose 4.4%, we attribute most of the gain to strength in drugs such as Humira
that are now booked by recently spun-off Abbvie (ABBV 37, NR). For 2013, we see
mid-single top line growth, helped by new products such as Absorb vascular
scaffold and MitraClip valve repair system, as well as by greater penetration of
emerging markets. The dividend presently yields 1.7%. /H. Saftlas

January 14, 2013
05:44 pm ET ... S&P DOWNGRADES OPINION ON SHARES OF ABBOTT
LABORATORIES TO HOLD FROM BUY (ABT 33.37***): We are reducing our
12-month target price by $40, to $36, to reflect the recent spin-off of the
company’s research-based pharmaceuticals business as shares of a new
publicly traded firm called AbbVie, Inc. (ABBV 34, NR). Our new target price
applies a premium-to-peers P/E multiple of 18X to our new $2.00 EPS estimate for
2013 (versus our prior pre-spinoff estimate of $5.55). While we view ABT as well
positioned in diversified health care products markets, we think many of those
markets are relatively mature, with future EPS growth likely coming largely from
margin expansion. /H. Saftlas

November 29, 2012
ABT announces that its Board has approved the separation of its research-based
pharmaceuticals business, which will be known as AbbVie Inc., and declared a
special dividend distribution of all the outstanding shares of AbbVie common
stock. For every 1 shares of ABT held, ABT holders will get 1 share of AbbVie
common stock.

Source: S&P
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Of the total 34 companies following ABT, 27 analysts currently publish recommendations.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>No. of Ratings</th>
<th>% of Total</th>
<th>1 Mo. Prior</th>
<th>3 Mos. Prior</th>
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<td>Buy</td>
<td>7</td>
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<td>Buy/Hold</td>
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<td>Hold</td>
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<td>Sell</td>
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<td>Total</td>
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Wall Street Consensus Estimates

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<th>Fiscal Years</th>
<th>Avg Est.</th>
<th>High Est.</th>
<th>Low Est.</th>
<th># of Est.</th>
<th>Est. P/E</th>
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<tr>
<td>2014</td>
<td>2.25</td>
<td>2.54</td>
<td>2.03</td>
<td>21</td>
<td>16.4</td>
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<tr>
<td>2013</td>
<td>2.01</td>
<td>2.08</td>
<td>1.87</td>
<td>23</td>
<td>18.3</td>
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<tr>
<td>2014 vs. 2013</td>
<td>▲ 12%</td>
<td>▲ 22%</td>
<td>▲ 9%</td>
<td>▼ -9%</td>
<td>▼ -10%</td>
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<tr>
<td>Q2'14</td>
<td>0.52</td>
<td>0.57</td>
<td>0.48</td>
<td>20</td>
<td>70.8</td>
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<td>Q2'13</td>
<td>0.44</td>
<td>0.45</td>
<td>0.43</td>
<td>20</td>
<td>83.6</td>
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<tr>
<td>Q2'14 vs. Q2'13</td>
<td>▲ 18%</td>
<td>▲ 27%</td>
<td>▲ 12%</td>
<td>0%</td>
<td>▼ -15%</td>
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</tbody>
</table>

A company’s earnings outlook plays a major part in any investment decision. Standard & Poor’s organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that ABT will earn $2.01. For the 1st quarter of fiscal year 2013, ABT announced earnings per share of $0.34, representing 17% of the total annual estimate. For fiscal year 2014, analysts estimate that ABT’s earnings per share will grow by 12% to $2.25.
Glossary

S&P STARS
Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Standard and Poor's Rating System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P 100 Index, S&P Europe 350 Index or S&P 500 Index), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P 12-Month Target Price
The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic and private market valuation metrics, including S&P Fair Value.

Investment Style Classification
Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book price, cash flow-to-price, dividend yield and price-to-sale). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

S&P EPS Estimates
Standard & Poor's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P EPS estimates reflect either forecasts of S&P equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to Standard & Poor's Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in-process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, as may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Core Earnings
Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations
In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking
Growth and stability of earnings and dividends are deemed key elements in establishing S&P’s Quality Rankings for common stocks, which are designed to capitalize on the nature of this research in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

- A - Highest
- B - Below Average
- Above Average
- C - Lower
- Average
- D - In Reorganization
- NR - Not Ranked

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P’s proprietary quantitative model, is based on a security's value on a security with a (+) to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation
The price at which a stock should trade at, according to S&P’s proprietary model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Investor Activity
Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during abnormal circumstances.

Qualitative Risk Assessment
The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P’s IQ Rationale: Abbott Laboratories

Proprietary S&P Measures

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<tr>
<th>Raw Score</th>
<th>Max Value</th>
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<td>47</td>
<td>115</td>
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<tr>
<td>40</td>
<td>115</td>
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<tr>
<td>68</td>
<td>75</td>
</tr>
<tr>
<td>161</td>
<td>250</td>
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</table>

Volatility
Rates the volatility of the stock's price over the past year.

Technical Evaluation
In researching the past market history of prices and trading volume for each company, S&P’s computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank
Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 15-week basis.

Global Industry Classification Standard (GICS)
An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI), GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating
A Standard & Poor’s Issuer Credit Rating is a current opinion of an obligor’s overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor’s capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not consider the suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor’s from other sources it considers reliable. Standard & Poor’s does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type
AIE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; DTN - Diver GTC (over the counter); DTC - Over the Counter; QB - OTCBB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

S&P Equity Research Services
Abbott Laboratories

offices in Singapore, Standard & Poor's Investment Advisers Limited in Hong Kong, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Abbreviations Used in S&P Equity Research Reports
CAGR - Compound Annual Growth Rate; CAPEX - Capital Expenditure; CV - Calendar Year; DCF - Discounted Cash Flow; EBIT - Earnings Before Interest and Taxes; EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization; EPS - Earnings Per Share; EV - Enterprise Value; FCF - Free Cash Flow; FO - Funds From Operations; FY - Fiscal Year; P/E - Price/Earnings; PEG - Price-to-Growth Ratio; PV - Present Value; R&D - Research & Development; ROSR - Return on Equity; ROI - Return on Investment; ROIC - Return on Invested Capital; ROA - Return on Assets; SG&A - Selling, General & Administrative Expenses; WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Required Disclosures

In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P's quantitative evaluations are derived from S&P's proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst's STARS recommendations. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

S&P Global STARS Distribution

In North America: As of March 31, 2013, research analysts at Standard & Poor's Equity Research Services North America recommended 35.0% of issuers with buy recommendations, 56.0% with hold recommendations and 9.0% with sell recommendations.

In Europe: As of March 31, 2013, research analysts at Standard & Poor's Equity Research Services Europe recommended 37.2% of issuers with buy recommendations, 48.6% with hold recommendations and 18.2% with sell recommendations.

In Asia: As of March 31, 2013, research analysts at Standard & Poor's Equity Research Services Asia recommended 38.7% of issuers with buy recommendations, 30.3% with hold recommendations and 11.0% with sell recommendations.

Globally: As of March 31, 2013, research analysts at Standard & Poor's Equity Research Services globally recommended 34.3% of issuers with buy recommendations, 54.2% with hold recommendations and 11.5% with sell recommendations.

★★★★★ 5-STARS (Strong Sell): Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★★★★ 4-STARS (Buy): Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★ 3-STARS (Hold): Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★ 2-STARS (Sell): Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

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Stock Report | May 4, 2013 | NYS Symbol: ABT

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An investment based upon the models should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor’s shares may be worth more or less than their original cost.

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