Abbott Laboratories

Stock Report | November 9, 2013 | NYS Symbol: ABT | ABT is in the S&P 500

S&P Recommendation
BUY ★ ★ ★ ★

GICS Sector Health Care
Sub-Industry Health Care Equipment

Price $38.12 (as of Nov 8, 2013)
12-Mo. Target Price $42.00
Investment Style Large-Cap Growth

Summary This diversified health care products company is now focused on nutritional, diagnostics, generic drugs, and medical devices, following the spinoff of its R&D-based prescription pharmaceuticals business at the beginning of 2012.

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

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>52-Wk Range</td>
<td>$66.85–31.64</td>
</tr>
<tr>
<td>Trailing 12-Month EPS</td>
<td>$1.89</td>
</tr>
<tr>
<td>Trailing 12-Month P/E</td>
<td>20.2</td>
</tr>
<tr>
<td>$10K Invested 5 Yrs Ago</td>
<td>NA</td>
</tr>
<tr>
<td>S&amp;P Oper. EPS 2013E</td>
<td>2.04</td>
</tr>
<tr>
<td>Market Capitalization(B)</td>
<td>$59,243</td>
</tr>
<tr>
<td>Beta</td>
<td>0.24</td>
</tr>
<tr>
<td>S&amp;P 3-Yr. Proj. EPS CAGR(%)</td>
<td>11</td>
</tr>
<tr>
<td>Institutional Ownership (%)</td>
<td>67</td>
</tr>
</tbody>
</table>

Price Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>30-Week Mov. Avg.</th>
<th>10-Week Mov. Avg.</th>
<th>GAAP Earnings vs. Previous Year</th>
<th>Volume Above Avg</th>
<th>Relative Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>J</td>
<td>J</td>
<td>S</td>
<td>M</td>
<td>Down</td>
</tr>
<tr>
<td>2011</td>
<td>J</td>
<td>J</td>
<td>S</td>
<td>M</td>
<td>Down</td>
</tr>
<tr>
<td>2012</td>
<td>J</td>
<td>M</td>
<td>S</td>
<td>M</td>
<td>No Change</td>
</tr>
<tr>
<td>2013</td>
<td>J</td>
<td>J</td>
<td>S</td>
<td>M</td>
<td>Up</td>
</tr>
</tbody>
</table>

Analysis prepared by Equity Analyst Jeffrey Loo, CFA on Oct 29, 2013, when the stock traded at $37.28.

Highlights

- We expect 2013 sales, including an adverse 2.5% foreign exchange impact, to grow 4.1%, to $32.0 billion. This forecast also accounts for the pediatric nutrition supplier disruption that occurred in August in China, which we see cutting sales by $200 million or 1% of sales growth in 2013. The supplier has determined that the product had been safe for consumption but we think the adverse impact will continue for several months as parents had already switched to another product. We see sales driven by robust growth in emerging markets, which account for about 40% of sales, tempered by modest growth in developed countries. By segment, we expect nutritional products to grow 4.8% and diagnostics 6.4%, while established pharmaceuticals are expected to decline 2.3% and medical devices 2.5%. We look for gross margins to expand 0.2 of a percentage point, to 59.8%, and operating margins to grow 1.3 percentage points to 18.6% on leverage.

- In August, ABT acquired OptiMedica, an ophthalmic device maker, for $400 million, and IDEV, a medical device maker, for $310 million.

- Our forecast for 2013 operating EPS is $2.04.

Investment Rationale/Risk

- We recently raised our recommendation on the shares to buy, from hold. We see ABT as well positioned within the global health care markets, particularly in the emerging markets, which could account for over 45% of sales by 2015, while U.S. sales decline to less than 30% of sales. We expect solid growth in the nutritional products, diagnostics segments to offset softness in established pharmaceuticals and medical devices. We believe the latter two segments will return to modest growth in 2014, with devices aided by acquisitions. In October, ABT announced it is raising its quarterly dividend 57%, to $0.22 a share from $0.14.

- Risks to our recommendation and target price include a prolonged adverse impact from ABT’s pediatric nutritional product supplier, greater than expected pricing pressures, and adverse foreign currency impact.

- Our 12-month target price of $42 applies a slight premium-to-peers P/E-to-growth ratio of 1.75X, using our 12-month forward EPS estimate of $2.18, warranted, in our view, by ABT's leadership position in several end-markets.

Please read the Required Disclosures and Analyst Certification on the last page of this report.
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 nutritional products, diagnostics, established pharmaceuticals (branded generics), and medical devices. 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 nutritional supplements (in the U.S.). The company is the worldwide leader in adult nutritions.

On a pro forma basis, indicated sales of about $21.5 billion in 2012 were divided as follows: nutritional products 30%, diagnostics 20%, established pharmaceuticals 24%, and medical devices 26%. The United States accounted for about 30% of company sales in 2012, developed markets outside of the U.S. for 30%, and emerging markets for 40%. Abbott expects emerging markets to represent 45-50% of its total sales by 2015.

Nutritional Products 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 nutritions, 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. Abbott'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, Abbott expanded its launch of the new Xience Xpedition stent line in Japan, and increased global market penetration of newer products such as the Mitra-Clip mitral valve repair system and Absorb bioresorbable vascular scaffold.

Other products include diabetes care devices 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 August 2013, ABT acquired OptiMedica, an ophthalmic device maker, for $400 million, and IDEV Technologies, a medical device maker, for $310 million. In February 2009, Abbott acquired Advanced Medical Optics (AMO) for $2.8 billion. 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 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 October 2013, Abbott announced it is raising its quarterly dividend 57% to $0.22 a share, from $0.14, payable on February 15, 2014, to shareholders of record January 15, 2014. Pro forma 2012 sales were $21.5 billion and adjusted operating EPS was $1.74. We forecast 2013 sales growth of 2.4%, to $22.0 billion, and adjusted operating EPS growth of 17.2%, to $2.04.
### Abbott Laboratories

#### Quantitative Evaluations

<table>
<thead>
<tr>
<th>S&amp;P Fair Value Rank</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on S&amp;P’s proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 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 $3.48 or 9.1%.

#### 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>7.93</td>
<td>8.33</td>
</tr>
<tr>
<td>Price/Pretax Income</td>
<td>16.65</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</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>Past Growth Rate (%)</th>
<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>
<td>9.16</td>
</tr>
<tr>
<td>Net Income</td>
<td>26.09</td>
<td>1.34</td>
<td>6.77</td>
<td>9.66</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 |

#### Company Financials

<table>
<thead>
<tr>
<th>Fiscal Year Ended Dec. 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
</tr>
<tr>
<td>Tangible Book Value</td>
</tr>
<tr>
<td>Cash Flow</td>
</tr>
<tr>
<td>Earnings</td>
</tr>
<tr>
<td>S&amp;P Core Earnings</td>
</tr>
<tr>
<td>Dividends</td>
</tr>
<tr>
<td>Payout Ratio</td>
</tr>
<tr>
<td>Prices:High</td>
</tr>
<tr>
<td>Prices:Low</td>
</tr>
<tr>
<td>P/E Ratio:High</td>
</tr>
<tr>
<td>P/E Ratio:Low</td>
</tr>
</tbody>
</table>

#### Income Statement Analysis

<table>
<thead>
<tr>
<th>(Million U.S.$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Operating Income</td>
</tr>
<tr>
<td>Depreciation</td>
</tr>
<tr>
<td>Interest Expense</td>
</tr>
<tr>
<td>Pretax Income</td>
</tr>
<tr>
<td>Effective Tax Rate</td>
</tr>
<tr>
<td>Net Income</td>
</tr>
<tr>
<td>S&amp;P Core Earnings</td>
</tr>
</tbody>
</table>

#### Balance Sheet & Other Financial Data

<table>
<thead>
<tr>
<th>(Million U.S. $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Current Assets</td>
</tr>
<tr>
<td>Total Assets</td>
</tr>
<tr>
<td>Current Liabilities</td>
</tr>
<tr>
<td>Long Term Debt</td>
</tr>
<tr>
<td>Common Equity</td>
</tr>
<tr>
<td>Total Capital</td>
</tr>
<tr>
<td>Capital Expenditures</td>
</tr>
<tr>
<td>Cash Flow</td>
</tr>
<tr>
<td>Current Ratio</td>
</tr>
<tr>
<td>% Long Term Debt of Capitalization</td>
</tr>
<tr>
<td>% Net Income of Revenue</td>
</tr>
<tr>
<td>% Return on Assets</td>
</tr>
<tr>
<td>% Return on Equity</td>
</tr>
</tbody>
</table>

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 and more irregularly than they did prior to the recent recession. We remain concerned about continued weak demand for elective medical procedures. In addition, growth in procedure rates has slowed in areas we normally view as non-elective, such as cardiac rhythm management, interventional cardiology and orthopedics. However, some equipment makers believe procedure rates for their products may be stabilizing in these 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. However, since the levy is income tax deductible, its after-tax effect will be lower, and we therefore view its impact as manageable. Many equipment makers have implemented cost reduction initiatives to help offset the levy.

We expect 2013 and 2014 revenues to rise in constant currency at a mid- to upper-single digit pace, aided by new products, expansion into emerging markets, and, in some cases, acquisitions. Still, we expect extended replacement cycles at U.S. hospitals in some areas, pricing pressures, European austerity measures, lower demand in certain product categories and unfavorable foreign exchange to continue to affect reported growth. In addition, until recently, we had seen sales gains in equipment that hospitals believe can differentiate them from one another and/or offer a possible high return on investment. We now think U.S. hospitals have become more cautious regarding their capital budgets amid the shift in some procedures from inpatient to outpatient settings and pending 2014 health care reform rules.

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

Year to date to October 18, the S&P Health Care Equipment Index grew 22.2%, versus a 23.0% rise in the S&P 1500 Composite Index. The gains so far in 2013 suggest to us that while the sub-industry has been benefiting from the market’s growth, investors have been less pleased with the health care equipment makers’ performance. It is the second slowest advancer in the Health Care group of indices year to date, due, we believe, to the aforementioned headwinds.

--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 10/31/13

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

Peer Group

<table>
<thead>
<tr>
<th>Stock Symbol</th>
<th>Stk. Mkt. Cap. (Mill. $)</th>
<th>Recent Stock Price($)</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>59,243 38.12 66.85/33.64</td>
<td>0.24</td>
<td>2.3</td>
<td>20</td>
<td>41.60</td>
<td>A</td>
<td>99</td>
<td>15.0</td>
<td>40.0</td>
</tr>
<tr>
<td>CareFusion Corp</td>
<td>CFN</td>
<td>8,071 37.65 39.65/26.34</td>
<td>NA</td>
<td>Nil</td>
<td>22</td>
<td>44.10</td>
<td>NR</td>
<td>95</td>
<td>11.0</td>
<td>21.1</td>
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<tr>
<td>DexCom Inc</td>
<td>DDXM</td>
<td>2,266 33.05 33.87/12.03</td>
<td>0.67</td>
<td>0.67</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>NR</td>
<td>78</td>
<td>9.5</td>
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<tr>
<td>Edwards Lifesciences</td>
<td>EW</td>
<td>7,259 64.26 94.98/62.17</td>
<td>0.49</td>
<td>0.49</td>
<td>Nil</td>
<td>18</td>
<td>73.30</td>
<td>B+</td>
<td>98</td>
<td>15.4</td>
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<tr>
<td>Globus Medical</td>
<td>GMED</td>
<td>1,699 18.50 19.32/10.26</td>
<td>NA</td>
<td>Nil</td>
<td>25</td>
<td>NA</td>
<td>NR</td>
<td>94</td>
<td>19.1</td>
<td></td>
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<tr>
<td>HeartWare International</td>
<td>HTWR</td>
<td>1,465 30.36 99.85/39.31</td>
<td>-0.23</td>
<td>-0.23</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>NR</td>
<td>64</td>
<td>99.5</td>
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<tr>
<td>Insulet Corp</td>
<td>PODD</td>
<td>1,733 36.43 40.50/19.86</td>
<td>1.48</td>
<td>1.48</td>
<td>Nil</td>
<td>NM</td>
<td>18.20</td>
<td>NR</td>
<td>15</td>
<td>63.9</td>
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<tr>
<td>MAKO Surgical</td>
<td>Mako</td>
<td>1,260 29.70 29.89/10.00</td>
<td>0.56</td>
<td>0.56</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>NR</td>
<td>74</td>
<td>NM</td>
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<tr>
<td>Masimo Corp</td>
<td>MASI</td>
<td>1,596 27.40 29.08/19.03</td>
<td>0.80</td>
<td>0.80</td>
<td>Nil</td>
<td>25</td>
<td>27.60</td>
<td>NR</td>
<td>69</td>
<td>12.6</td>
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<tr>
<td>Novadag Technologies</td>
<td>NDQG</td>
<td>775 15.94 18.77/2.89</td>
<td>NA</td>
<td>Nil</td>
<td>18.60</td>
<td>NA</td>
<td>NR</td>
<td>56</td>
<td>NA</td>
<td>13.2</td>
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<tr>
<td>Sirona Dental Sys</td>
<td>SIRQ</td>
<td>4,051 71.28 75.81/55.27</td>
<td>1.52</td>
<td>1.52</td>
<td>Nil</td>
<td>30</td>
<td>71.40</td>
<td>NR</td>
<td>83</td>
<td>13.7</td>
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<td>Sunshine Heart</td>
<td>SSN</td>
<td>18,849 9.91 13.80/4.95</td>
<td>NA</td>
<td>Nil</td>
<td>18</td>
<td>NM</td>
<td>NA</td>
<td>NR</td>
<td>33</td>
<td>NA</td>
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<tr>
<td>Teleflex Inc</td>
<td>TFX</td>
<td>3,823 92.97 93.65/65.46</td>
<td>0.78</td>
<td>0.78</td>
<td>1.5</td>
<td>27</td>
<td>84.30</td>
<td>B+</td>
<td>58</td>
<td>25.1</td>
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<td>Tornier NV</td>
<td>TRNX</td>
<td>784 16.41 21.87/14.53</td>
<td>1.32</td>
<td>1.32</td>
<td>Nil</td>
<td>NM</td>
<td>NA</td>
<td>NR</td>
<td>10</td>
<td>NA</td>
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<tr>
<td>Volcano Corp</td>
<td>VOLC</td>
<td>1,038 19.63 27.90/16.37</td>
<td>0.20</td>
<td>0.20</td>
<td>Nil</td>
<td>NM</td>
<td>10.10</td>
<td>NR</td>
<td>55</td>
<td>2.0</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.

Source: S&P
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.

November 29, 2012

11:33 am ET ... RETRANSMIT - S&P RETRANSMITS BUY OPINION ON SHARES OF ABBOTT LABORATORIES TO HOLD FROM BUY (ABT 64.87****): ABT’s board approves the spin-off of its research-based pharmaceutical business named AbbVie Inc. ABT shareholders will receive one share of AbbVie (NYSE symbol ABBV) for each share of ABT held. The distribution will be on Jan. 1, 2013, to stockholders of record on Dec. 12. Our $76 target for the presently combined firm remains unchanged. We see shareholder values of legacy Abbott and Abbvie enhanced by the split, with investors now able to better focus on the growth potentials of each firm. ABBV plans to pay a $1.60 annual dividend, and ABT a $0.56 annual dividend. /H. Saftlas

January 23, 2013

12:03 pm ET ... S&P RETRANSMITS HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 37.34***): This spin-off from Abbott Laboratories (ABT 32.88****) ranks among the world’s leading drugmakers. Still, we note that some 45% of sales comes from one drug—Humira, a rheumatoid arthritis treatment whose patent expires in 2016. We also see generics impacting Abbv’s lipid lowering and HIV franchises. On the plus side, we like AbbV’s robust pipeline, which we think has promising therapies for hepatitis C, Parkinson’s disease and cancer. Our target price of $40 applies a modest premium-to-peers P/E of 12.8X to our 2013 EPS estimate of $3.12. The $1.60 dividend provides a 4.3% yield. /H. Saftlas

January 30, 2013

TH A HOLD OPINION (ABBV 37.34***): This spin-off from Abbott Laboratories (ABT 33.09****) ranks among the world’s leading drugmakers. Still, we note that some 45% of sales comes from one drug—Humira, a rheumatoid arthritis treatment whose patent expires in 2016. We also see generics impacting Abbv’s lipid lowering and HIV franchises. On the plus side, we like AbbV’s robust pipeline, which we think has promising therapies for hepatitis C, Parkinson’s disease and cancer. Our target price of $40 applies a modest premium-to-peers P/E of 12.8X to our 2013 EPS estimate of $3.12. The $1.60 dividend provides a 4.3% yield. /H. Saftlas

April 18, 2013

UP 0.17 to 37.45... ABT announces Tecnis Toric 1-Piece intraocular lens (IOL) has received FDA approval and is launching in the U.S. for the treatment of cataract patients with pre-existing corneal astigmatism.

April 17, 2013

11:33 am ET ... S&P RETRANSMITS BUY OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 64.87****): ABT’s board approves the spin-off of its research-based pharmaceuticals business named AbbVie Inc. ABT shareholders will receive one share of AbbVie (NYSE symbol ABBV) for each share of ABT held. The distribution will be on Jan. 1, 2013, to stockholders of record on Dec. 12. Our $76 target for the presently combined firm remains unchanged. We see shareholder values of legacy Abbott and Abbvie enhanced by the split, with investors now able to better focus on the growth potentials of each firm. ABBV plans to pay a $1.60 annual dividend, and ABT a $0.56 annual dividend. /H. Saftlas

April 17, 2013

11:14 am ET ... S&P RETRANSMITS HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 37.2899***): We keep our 12-month target price at $40 and our 2013 EPS estimate at $2.04, Q2 adjusted EPS of $0.46, vs. $0.43, is $0.02 above our estimate. Sales, including 1.7% adverse forex, rose 2.5% with robust 8.4% growth in Nutritional products, aided by 18.4% international growth, and 7.6% growth in Diagnostics. However, Pharmaceutical products rose only 0.2% as sales in developed markets fell 2.4%, and medical devices sales were flat, as we anticipated. We view the results as solid, amid a challenging macro environment but believe expanding emerging market sales will drive growth. /Jeffrey Loo, CFA

April 17, 2013

10:54 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 36.33***): We keep our 12-month target price at $40 and our 2013 EPS estimate at $2.04. Q2 adjusted EPS of $0.42, is $0.02 above our estimate. Sales, including a 2.3% adverse forex impact, rose 2%. Sales were also hurt by $90M or 2% due to a recall in its intimate nutritional unit that we seeing impacting Q4 sales by $100M. However, we are encouraged by the robust 8% growth in diagnostics on key account wins and the improvement in medical devices, particularly medical optics. We look for continued margin improvement in Q4 in spite of forex and a product recall. /Jeffrey Loo, CFA

July 17, 2013

10:54 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF ABBOTT LABORATORIES (ABT 36.33***): We keep our 12-month target price at $40 and our 2013 EPS estimate at $2.04. Q2 adjusted EPS of $0.42, is $0.02 above our estimate. Sales, including 1.7% adverse forex, rose 2.5% with robust 8.4% growth in Nutritional products, aided by 18.4% international growth, and 7.6% growth in Diagnostics. However, Pharmaceutical products rose only 0.2% as sales in developed markets fell 2.4%, and medical devices sales were flat, as we anticipated. We view the results as solid, amid a challenging macro environment but believe expanding emerging market sales will drive growth. /Jeffrey Loo, CFA

April 16, 2013

UP 0.55 vs. $0.42 Q3 EPS from cont. ops (excl. specified items) on 2.0% sales rise. Capital IQ consensus forecast was $0.52. Confirms its ‘13 ongoing EPS guidance range of $1.98-$2.04. Also raises $0.14 quarterly dividend 57% to $0.22.

October 16, 2013

10:57 am ET ... S&P RAISES RECOMMENDATION ON SHARES OF ABBOTT LABS TO BUY FROM HOLD (ABT 35.68****): We raise our target price by $2 to $42 but keep our 2013 and 2014 EPS estimates at $2.04 and $2.24. Q2 adjusted EPS of $0.55, vs. $0.42, is $0.02 above our estimate. Sales, including a 2.3% adverse forex impact, rose 2%. Sales were also hurt by $90M or 2% due to a recall in its intimate nutritional unit that we seeing impacting Q4 sales by $100M. However, we are encouraged by the robust 8% growth in diagnostics on key account wins and the improvement in medical devices, particularly medical optics. We look for continued margin improvement in Q4 in spite of forex and a product recall. /Jeffrey Loo, CFA

October 16, 2013

UP 0.00 to 33.71... ABT posts $0.55 vs. $0.42 Q3 EPS from cont. ops (excl. specified items) on 2.0% sales rise. Capital IQ consensus forecast was $0.52. Confirms its ‘13 ongoing EPS guidance range of $1.98-$2.04. Also raises $0.14 quarterly dividend 57% to $0.22.
### Analysts' Recommendations

<table>
<thead>
<tr>
<th>Monthly Average Trend</th>
<th>Buy</th>
<th>Buy/Hold</th>
<th>Hold</th>
<th>Weak Hold</th>
<th>Sell</th>
<th>No Opinion</th>
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<tr>
<td></td>
<td>B</td>
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<td>H</td>
<td>WH</td>
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#### Wall Street Average

- **Buy**: D
- **Buy/Hold**: H
- **Hold**: WH
- **Weak Hold**: B
- **Sell**: S
- **No Opinion**: N

#### Number of Analysts Following Stock

- **2012**: 27
- **2013**: 27

#### Stock Price ($)

- **2012**: 20
- **2013**: 30

Of the total 35 companies following ABT, 27 analysts currently publish recommendations.

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<tr>
<th>No. of Ratings</th>
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### Wall Street Consensus Estimates

#### Fiscal Years

- **2014**: Avg Est. 2.23, High Est. 2.43, Low Est. 2.06, # of Est. 25, Est. P/E 17.1
- **2013**: Avg Est. 2.01, High Est. 2.04, Low Est. 1.97, # of Est. 26, Est. P/E 19.0

#### 2014 vs. 2013

- **Increase**: +11%, +19%, +5%, -4%, -10%

#### Q4'14 vs. Q4'13

- **Increase**: +10%, +13%, +11%, -43%, -9%

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 Opinion

**BUY/HOLD**

**Companies Offering Coverage**

- Argus Research Company
- Atlantic Equities LLP
- Axia Financial research
- BMO Capital Markets, U.S. Equity Research
- Barclays
- BofA Merrill Lynch
- Brean Capital LLC
- Citigroup Inc
- Cowen and Company, LLC
- Credit Suisse
- Daiwa Capital Markets America Inc.
- Daiwa Securities Co. Ltd.
- Davenport & Company
- Day By Day
- Deutsche Bank
- Erste Group Bank AG
- First Global Stockbroking (P) Ltd.
- Gabelli & Company, Inc.
- Goldman Sachs
- Hilliard Lyons
- JP Morgan
- Jefferies LLC
- Leerink Swann LLC
- Morgan Keegan & Company
- Morgan Stanley
- Morningstar Inc.
- Noble Financial Group
- RBC Capital Markets
- Raymond James & Associates
- S&P Capital IQ Equity Research

### Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that ABT will earn $2.01. For the 3rd quarter of fiscal year 2013, ABT announced earnings per share of $0.61, representing 30% of the total annual estimate. For fiscal year 2014, analysts estimate that ABT’s earnings per share will grow by 11% to $2.23.

Source: S&P Capital IQ Estimates, Inc.
Glossary

S&P STARS
Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has used STARS® methodology to rank Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 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. In determining a stock's 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 Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, 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-to-price, cash flow-to-price, dividend yield and sales-to-price). 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 Capital IQ EPS Estimates
S&P Capital IQ 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 Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ 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 tax rate changes and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, 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
S&P Capital IQ 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 S&P Capital IQ definition are employee stock option grants and the extraordinary items. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ 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 tax rate changes and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, 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.

Qualitative Risk Assessment
The S&P Capital IQ 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 Capital IQ 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 Capital IQ 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 Capital IQ 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 (also known as S&P Earnings & Dividend Rankings)
Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's Earnings and Dividend Rankings for common stocks, which are designed to capitalize the nature of this record 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
- A High
- A- Above Average
- B+ Average
- B Below Average
- B- Lower
- C- Average
- D Below Average
- NR In Reorganization

S&P Fair Value Rank
Using S&P Capital IQ's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added 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.

Investability Quotient (IQ)
The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account various variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P Capital IQ proprietary measures.

S&P's IQ Rationale
Abbott Laboratories

<table>
<thead>
<tr>
<th>Proprietary S&amp;P Measures</th>
<th>Raw Score</th>
<th>Max Value</th>
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<tr>
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<tr>
<td>Technical Indicators</td>
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<td>40</td>
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<tr>
<td>Liquididity/Volatility Measurements</td>
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<tr>
<td>Quantitative Measures</td>
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<td>IQ Total</td>
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<td>250</td>
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</tbody>
</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 Capital IQ's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

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Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P Capital IQ's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

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 comment on market price or 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
ASE - 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; OTC - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TVX - TSX Venture Exchange; NEX - NEX Exchange.

S&P Capital IQ Equity Research

Abbreviations Used in S&P Capital IQ Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
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
FOF - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository 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 Capital IQ equity analysts, S&P Capital IQ ranks stocks in accordance with three other ranking methodologies: (a) S&P’s Capital IQ’s quantitative evaluations, which are derived from S&P Capital IQ’s proprietary Fair Value quantitative ranking model. The Fair Value Ranking methodology is a relative ranking methodology. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity. (b) Global Markets Intelligence uses two different quantitative methodologies to determine recommendations for the Trade Detector research report. One methodology is based on a target price model, while the other methodology is based on four separate quantitative strategies. The STARS, quantitative evaluations and Trade Detector methodologies reflect different criteria, assumptions and analytical methods and may have differing recommendations.

S&P Capital IQ Global STARS Distribution as of September 30, 2013

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<thead>
<tr>
<th>Ranking</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Global</th>
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</thead>
<tbody>
<tr>
<td>Buy</td>
<td>35.3%</td>
<td>53.3%</td>
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<td>Hold</td>
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<td>43.5%</td>
<td>55.5%</td>
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<td>Sell</td>
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<td>Total</td>
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5-STARS (Strong Buy): Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

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 is not anticipated to show a gain.

1-STARS (Strong Sell): Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

For All Regions:
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S&P Capital IQ Global Quantitative Model Recommendations Distribution as of September 30, 2013

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Trade Detector Recommendations Distribution as of March 31, 2013

The Trade Detector report was published after March 31, 2013. Ranking distributions will be provided as of June 30, 2013.

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