

Quarterly report for ABT 4th Quarter Date: 2/8/2012

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Percentage change in Sales from year ago quarter 4.1%

Percentage change in Earnings per Share from year ago quarter 12.0%

Is company meeting our target sales & earnings estimates at bottom of p. 1 of SSG? Earnings: yes;
Sales: no

Pre-tax Profit on sales trend? (up, even, down) Down

Return on equity trends? (up, even, down) Down

Debt? (up, even, down) Down

Current P/E ratio is 18.6.

Where does the P/E fall in my estimated High/low range of PE's? Above my high estimate of 15.6
(Rationale:--I used a high est PE of 15.6 because according to S&P, the peer-level multiple is 12.3 on 2012 EPS estimates. I am expecting, as does the S&P analyst, that ABT will retreat to the industry multiple after having enjoyed a higher multiple for many years

Signature PE is 21.45

Club cost basis for this stock is \$48.47. Current price is \$55.61

Has stock met S&P's 12-month target price from a year ago? No, target was \$62.00

Current fair value: Morningstar: \$68.00 S&P: \$61.10 (note: this is lower than S&P fair value in 1st Quarter

My SSG Total Return is 14.5 Projected Average Return is 11.7

What will drive future growth?

ABT will split into 2 companies by the end of this year (a drug company and a diversified health-care company), each having strong competitive advantages. This will be a non-taxable event for shareowners and each owner will receive shares of both new companies and both companies will pay a dividend. Other drivers: success of drug Humira, the nutritional division, efficiency improvements, and R&D.

Additional comments: ABT is definitely a good stock for an individual investor seeking income and total return because of the 3.5 dividend rate. Not as sure about ownership for the club attempting to follow NAIC guidance for 15% annual growth. Other reference points considered—

Morningstar projects PE= 15X 2011 eps. Industry PE=10;

Morningstar = 4 stars and a buy to \$54.40

S&P estimates 12.3 X 2012 EPS estimate of \$4.95; 3-year Proj EPS CAGR% of 10.

Recommend: Buy More _____, **Hold (at least until split), then consider Challenge with a better investment** _____, Sell _____