

## Consolidated Statement of Earnings and Comprehensive Income

(dollars and shares in thousands except per share data)

| Year Ended December 31  | 2001         | 2000         | 1999         |
|---|--------------|--------------|--------------|
| Net Sales   | \$16,285,246 | \$13,745,916 | \$13,177,625 |
| Cost of products sold   | 7,748,382    | 6,238,646    | 5,977,183    |
| Research and development  | 1,577,552    | 1,351,024    | 1,193,963    |
| Acquired in-process research and development  | 1,330,400    | —            | —            |
| Selling, general and administrative   | 3,734,880    | 2,894,178    | 2,857,104    |
| Gain on sale of agricultural business   | —            | (138,507)    | —            |
| Total Operating Cost and Expenses   | 14,391,214   | 10,345,341   | 10,028,250   |
| Operating Earnings  | 1,894,032    | 3,400,575    | 3,149,375    |
| Net interest expense  | 234,759      | 23,221       | 81,765       |
| Income from TAP Pharmaceutical Products Inc. joint venture                              | (333,767)    | (481,340)    | (390,152)    |
| Net foreign exchange (gain) loss  | 31,351       | 7,287        | 26,238       |
| Other (income) expense, net   | 78,541       | 35,000       | 34,636       |
| Earnings Before Taxes   | 1,883,148    | 3,816,407    | 3,396,888    |
| Taxes on earnings   | 332,758      | 1,030,430    | 951,129      |
| Net Earnings  | \$ 1,550,390 | \$ 2,785,977 | \$ 2,445,759 |
| Basic Earnings Per Common Share   | \$1.00       | \$1.80       | \$1.59       |
| Diluted Earnings Per Common Share   | \$0.99       | \$1.78       | \$1.57       |
| Average Number of Common Shares Outstanding<br>Used for Basic Earnings Per Common Share | 1,550,408    | 1,548,015    | 1,536,762    |
| Dilutive Common Stock Options   | 15,555       | 17,564       | 20,893       |
| Average Number of Common Shares Outstanding<br>Plus Dilutive Common Stock Options       | 1,565,963    | 1,565,579    | 1,557,655    |
| Outstanding Common Stock Options Having No Dilutive Effect                              | 768          | 1,038        | 1,807        |
| Comprehensive Income, net of tax:   |              |              |              |
| Foreign currency translation adjustments  | \$ (5,029)   | \$ (198,951) | \$ (171,231) |
| Unrealized gains (losses) on marketable equity securities                               | 21,107       | 18,752       | (6,377)      |
| Net gains (losses) on derivative instruments designated as cash flow hedges             | 11,408       | —            | —            |
| Reclassification adjustments for realized gains   | (18,984)     | (17,712)     | —            |
| Other comprehensive income (loss)   | 8,502        | (197,911)    | (177,608)    |
| Net Earnings  | 1,550,390    | 2,785,977    | 2,445,759    |
| Comprehensive Income  | \$ 1,558,892 | \$ 2,588,066 | \$ 2,268,151 |
| Supplemental Comprehensive Income Information, net of tax:                              |              |              |              |
| Cumulative foreign currency translation loss adjustments                                | \$ 635,922   | \$ 630,893   | \$ 431,942   |
| Cumulative unrealized (gains) on marketable equity securities                           | (29,804)     | (27,681)     | (26,641)     |
| Cumulative (gains) losses on derivative instruments<br>designated as cash flow hedges   | (11,408)     | —            | —            |

The accompanying notes to consolidated financial statements are an integral part of this statement.

**Consolidated Statement of Shareholders' Investment**

(dollars in thousands except per share data)

| Year Ended December 31  | 2001         | 2000         | 1999         |
|---|--------------|--------------|--------------|
| <b>Common Shares:</b>   |              |              |              |
| <b>Beginning of Year</b>  |              |              |              |
| Shares: 2001: 1,563,436,372;<br>2000: 1,564,670,440; 1999: 1,548,382,682                                | \$ 2,218,234 | \$ 1,939,673 | \$ 1,310,500 |
| Issued shares: 1999: 9,000,000  | —            | —            | 329,490      |
| <b>Issued under incentive stock programs</b>  |              |              |              |
| Shares: 2001: 12,571,697; 2000: 11,424,234; 1999: 11,476,536  | 363,492      | 245,668      | 240,897      |
| <b>Tax benefit from option shares and vesting of restricted stock awards (no share effect)</b>          |              |              |              |
|   | 70,223       | 50,219       | 62,458       |
| <b>Retired — Shares: 2001: 4,191,093;<br/>2000: 12,658,302; 1999: 4,188,778</b>                         |              |              |              |
|   | (8,506)      | (17,326)     | (3,672)      |
| <b>End of Year</b>  |              |              |              |
| Shares: 2001: 1,571,816,976;<br>2000: 1,563,436,372; 1999: 1,564,670,440                                | \$ 2,643,443 | \$ 2,218,234 | \$ 1,939,673 |
| <b>Common Shares Held in Treasury:</b>  |              |              |              |
| <b>Beginning of Year</b>  |              |              |              |
| Shares: 2001: 17,502,239; 2000: 17,650,834; 1999: 17,710,838  | \$ (255,586) | \$ (257,756) | \$ (46,735)  |
| <b>Private transaction in 1999</b>  |              |              |              |
| Shares purchased: 5,099,720; shares issued: 4,985,475   | —            | —            | (211,822)    |
| <b>Issued under incentive stock programs</b>  |              |              |              |
| Shares: 2001: 215,555; 2000: 148,595; 1999: 174,249   | 3,148        | 2,170        | 801          |
| <b>End of Year</b>  |              |              |              |
| Shares: 2001: 17,286,684; 2000: 17,502,239; 1999: 17,650,834  | \$ (252,438) | \$ (255,586) | \$ (257,756) |
| <b>Unearned Compensation — Restricted Stock Awards:</b>   |              |              |              |
| <b>Beginning of Year</b>  |              |              |              |
|   | \$ (18,116)  | \$ (23,028)  | \$ (25,796)  |
| <b>Issued at market value —</b>   |              |              |              |
| Shares: 2001: 198,000; 2000: 133,000; 1999: 162,500   | (10,222)     | (5,479)      | (7,186)      |
| <b>Lapses — Shares: 2001: 52,000; 2000: 8,500</b>   |              |              |              |
|   | 2,126        | 320          | —            |
| <b>Amortization</b>   |              |              |              |
|   | 7,954        | 10,071       | 9,954        |
| <b>End of Year</b>  |              |              |              |
|   | \$ (18,258)  | \$ (18,116)  | \$ (23,028)  |
| <b>Earnings Employed in the Business:</b>   |              |              |              |
| <b>Beginning of Year</b>  |              |              |              |
|   | \$ 7,229,586 | \$ 6,174,007 | \$ 4,743,315 |
| <b>Net earnings</b>   |              |              |              |
|   | 1,550,390    | 2,785,977    | 2,445,759    |
| <b>Cash dividends declared on common shares<br/>(per share — 2001: \$.84; 2000: \$.76; 1999: \$.68)</b> |              |              |              |
|   | (1,303,534)  | (1,176,694)  | (1,038,895)  |
| <b>Cost of common shares retired in excess of stated capital amount</b>                                 |              |              |              |
|   | (202,926)    | (557,628)    | (194,990)    |
| <b>Cost of treasury shares issued below market value</b>  |              |              |              |
|   | 7,879        | 3,924        | 218,818      |
| <b>End of Year</b>  |              |              |              |
|   | \$ 7,281,395 | \$ 7,229,586 | \$ 6,174,007 |
| <b>Accumulated Other Comprehensive Loss:</b>  |              |              |              |
| <b>Beginning of Year</b>  |              |              |              |
|   | \$ (603,212) | \$ (405,301) | \$ (227,693) |
| <b>Other comprehensive income (loss)</b>  |              |              |              |
|   | 8,502        | (197,911)    | (177,608)    |
| <b>End of Year</b>  |              |              |              |
|   | \$ (594,710) | \$ (603,212) | \$ (405,301) |

The accompanying notes to consolidated financial statements are an integral part of this statement.

Notes to Consolidated Financial Statements

**Note 1 — Summary of Significant Accounting Policies**

*Nature of Business and Concentration of Risk* — Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products and services. Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations.

Abbott does not have material exposures to off-balance sheet arrangements, including special purpose entities, or activities that include non-exchange-traded contracts accounted for at fair value.

*Basis of Consolidation* — The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions. The accounts of foreign subsidiaries are consolidated as of November 30, due to the time needed to consolidate these subsidiaries. No events occurred related to these foreign subsidiaries in December 2001, 2000 and 1999 that materially affected the financial position or results of operations.

*Use of Estimates* — The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for litigation, income taxes, sales rebates, and inventory and accounts receivable exposures.

*Cash, Cash Equivalents and Investment Securities* — Cash equivalents consist of time deposits and certificates of deposit with original maturities of three months or less. Investments in marketable equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in accumulated other comprehensive income (loss). Impairment losses are charged to income for other than temporary declines in fair value of equity securities. Investments in debt securities are classified as held-to-maturity, as management has both the intent and ability to hold these securities to maturity, and are reported at cost, net of any unamortized premium or discount. Income relating to these securities is reported as a component of interest income.

*Inventories* — Inventories are stated at the lower of cost (first-in, first-out basis) or market. Cost includes material and conversion costs.

*Long-Lived Assets* — Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The following table shows estimated useful lives of property and equipment:

| Classification | Estimated Useful Lives            |
|----------------|-----------------------------------|
| Buildings      | 10 to 50 years (average 29 years) |
| Equipment      | 3 to 20 years (average 11 years)  |

Intangible assets, primarily purchased intangible assets and goodwill resulting from business acquisitions, are amortized on a straight-line basis over 10 to 40 years (average 24 years). Accumulated amortization as of December 31, 2001, 2000, and 1999, was \$728 million, \$334 million, and \$228 million, respectively.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable based on projected undiscounted cash flows associated with the affected assets. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference. Fair value is determined based on market quotes, if available, or is based on valuation techniques.

*Product Liability* — Provisions are made for the portions of probable losses that are not covered by product liability insurance.

*Translation Adjustments* — For foreign operations in highly inflationary economies, translation gains and losses are included in net foreign exchange (gain) loss. For remaining foreign operations, translation adjustments are included as a component of accumulated other comprehensive income (loss).

*Revenue Recognition* — Revenue from product sales is recognized upon passage of title to customers. Provisions for discounts and rebates to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales of product rights are recorded as revenue upon disposition of the rights. Revenue from license of product rights, or for performance of research or selling activities, is recorded over the periods earned.

*Research and Development* — Internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved.

**Note 2 — Supplemental Financial Information**

(dollars in thousands)

|  |                    |                    |                    |
|--|--------------------|--------------------|--------------------|
| Other prepaid expenses and receivables | 2001               | 2000               | 1999               |
| Receivables purchased from             |                    |                    |                    |
| TAP Pharmaceutical Products Inc.       |                    |                    |                    |
| under a service agreement              | \$ 540,914         | \$ 514,200         | \$ 431,801         |
| All other                              | 1,027,726          | 888,458            | 794,757            |
| <b>Total</b>                           | <b>\$1,568,640</b> | <b>\$1,402,658</b> | <b>\$1,226,558</b> |
| Other liabilities and deferrals        |                    |                    |                    |
| Accrued post-employment costs          | \$ 692,003         | \$ 597,910         | \$ 537,309         |
| All other                              | 1,282,678          | 740,530            | 652,640            |
| <b>Total</b>                           | <b>\$1,974,681</b> | <b>\$1,338,440</b> | <b>\$1,189,949</b> |
| Net interest expense                   |                    |                    |                    |
| Interest expense                       | \$ 307,336         | \$ 113,938         | \$ 144,689         |
| Interest income                        | (72,577)           | (90,717)           | (62,924)           |
| <b>Total</b>                           | <b>\$ 234,759</b>  | <b>\$ 23,221</b>   | <b>\$ 81,765</b>   |

Notes to Consolidated Financial Statements

Note 3 — Taxes on Earnings

(dollars in thousands)

Deferred income taxes reflect the tax consequences on future years of temporary differences between the tax bases of assets and liabilities and their financial reporting amounts. U.S. income taxes are provided on those earnings of foreign subsidiaries and subsidiaries operating in Puerto Rico under tax incentive grants, which are intended to be remitted to the parent company. Undistributed earnings reinvested indefinitely in foreign subsidiaries as working capital and plant and equipment aggregated \$4,681,735 at December 31, 2001. Deferred income taxes not provided on these earnings would be approximately \$1,019,447.

Earnings before taxes, and the related provisions for taxes on earnings, were as follows:

| Earnings Before Taxes | 2001        | 2000         | 1999         |
|-----------------------|-------------|--------------|--------------|
| Domestic              | \$ 442,150  | \$ 2,773,244 | \$ 2,505,060 |
| Foreign               | 1,440,998   | 1,043,163    | 891,828      |
| Total                 | \$1,883,148 | \$3,816,407  | \$3,396,888  |

| Taxes on Earnings            | 2001       | 2000        | 1999       |
|------------------------------|------------|-------------|------------|
| Current:                     |            |             |            |
| U.S. Federal and Possessions | \$ 633,684 | \$ 825,608  | \$ 785,709 |
| State                        | 74,087     | 67,898      | 70,376     |
| Foreign                      | 388,950    | 194,944     | 235,459    |
| Total current                | 1,096,721  | 1,088,450   | 1,091,544  |
| Deferred:                    |            |             |            |
| Domestic                     | (741,213)  | (70,383)    | (112,398)  |
| Foreign                      | (21,563)   | 11,812      | (30,215)   |
| Enacted tax rate changes     | (1,187)    | 551         | 2,198      |
| Total deferred               | (763,963)  | (58,020)    | (140,415)  |
| Total                        | \$ 332,758 | \$1,030,430 | \$ 951,129 |

Differences between the effective income tax rate and the U.S. statutory tax rate were as follows:

|  | 2001   | 2000  | 1999  |
|--|--------|-------|-------|
| Statutory tax rate   | 35.0%  | 35.0% | 35.0% |
| Benefit of tax exemptions in Puerto Rico, the Dominican Republic, Ireland, the Netherlands, and Costa Rica | (14.6) | (5.0) | (5.2) |
| State taxes, net of federal benefit  | 0.8    | 1.2   | 1.4   |
| Domestic dividend exclusion  | (5.0)  | (3.5) | (3.2) |
| All other, net   | 1.5    | (0.7) | —     |
| Effective tax rate   | 17.7%  | 27.0% | 28.0% |

As of December 31, 2001, 2000, and 1999, total deferred tax assets were \$2,412,064, \$1,458,707, and \$1,364,867, respectively, and total deferred tax liabilities were \$913,614, \$463,406, and \$441,404, respectively. Valuation allowances for deferred tax assets were not significant.

The temporary differences that give rise to deferred tax assets and liabilities were as follows:

|  | 2001        | 2000       | 1999       |
|--|-------------|------------|------------|
| Compensation and employee benefits   | \$ 434,549  | \$ 344,641 | \$ 293,893 |
| Trade receivable reserves  | 219,387     | 155,178    | 178,157    |
| Inventory reserves   | 140,762     | 124,759    | 150,100    |
| Deferred intercompany profit   | 254,276     | 204,052    | 184,687    |
| State income taxes   | 100,265     | 53,610     | 46,964     |
| Depreciation   | (168,499)   | (204,595)  | (174,396)  |
| Other, primarily acquired in-process research and development and other accruals and reserves not currently deductible, and the excess of book basis over tax basis of intangible assets | 504,649     | 277,033    | 215,433    |
| Total  | \$1,485,389 | \$ 954,678 | \$ 894,838 |

Note 4 — Investment Securities

(dollars in thousands)

The following is a summary of investment securities at December 31:

| Current Investment Securities  | 2001      | 2000       | 1999       |
|--|-----------|------------|------------|
| Time deposits and certificates of deposit  | \$ 20,000 | \$ 232,500 | \$ 95,000  |
| Other, primarily debt obligations issued or guaranteed by various governments or government agencies       | 36,162    | 10,000     | 20,199     |
| Total  | \$ 56,162 | \$ 242,500 | \$ 115,199 |
| Long-Term Investment Securities  | 2001      | 2000       | 1999       |
| Time deposits and certificates of deposit, maturing through 2003   | \$100,000 | \$120,000  | \$391,500  |
| Corporate debt obligations, maturing through 2003  | 70,000    | 70,000     | 73,037     |
| Debt obligations issued or guaranteed by various governments or government agencies, maturing through 2023 | 134,099   | 158,301    | 183,184    |
| Equity securities  | 343,115   | 289,678    | 307,057    |
| Total  | \$647,214 | \$637,979  | \$954,778  |

Of the investment securities listed above, \$323,974, \$590,678, and \$742,610 were held at December 31, 2001, 2000, and 1999, respectively, by subsidiaries operating in Puerto Rico under tax incentive grants expiring in 2015 and 2020. In addition, these subsidiaries held cash equivalents of \$0, \$85,925, and \$11,900 at December 31, 2001, 2000, and 1999, respectively.

Notes to Consolidated Financial Statements

Note 5 — Post-Employment Benefits

(dollars in thousands)

Retirement plans consist of defined benefit, defined contribution, and medical and dental plans.

Information for Abbott's major defined benefit plans and post-employment medical and dental benefit plans is as follows:

|  | Defined Benefit Plans |             |             | Medical and Dental Plans |             |             |
|--|-----------------------|-------------|-------------|--------------------------|-------------|-------------|
|  | 2001                  | 2000        | 1999        | 2001                     | 2000        | 1999        |
| Projected benefit obligations, January 1   | \$2,572,226           | \$2,259,741 | \$2,348,620 | \$ 741,372               | \$ 635,700  | \$ 714,946  |
| Service cost — benefits earned during the year   | 144,982               | 118,863     | 131,670     | 33,133                   | 30,034      | 31,933      |
| Interest cost on projected benefit obligations   | 199,067               | 171,790     | 157,004     | 59,954                   | 50,216      | 44,297      |
| Losses (gains), primarily changes in discount and medical trend rates, plan design changes, and differences between actual and estimated health care costs | 127,509               | 162,753     | (283,135)   | 165,251                  | 65,375      | (124,269)   |
| Benefits paid  | (132,137)             | (109,589)   | (97,399)    | (43,599)                 | (39,953)    | (31,207)    |
| Acquisition of the pharmaceutical business of BASF   | 331,003               | —           | —           | 7,300                    | —           | —           |
| Other, primarily translation   | (2,127)               | (31,332)    | 2,981       | —                        | —           | —           |
| Projected benefit obligations, December 31   | \$3,240,523           | \$2,572,226 | \$2,259,741 | \$ 963,411               | \$ 741,372  | \$ 635,700  |
| Plans' assets at fair value, January 1, principally listed securities  | \$2,828,801           | \$3,100,222 | \$2,550,971 | \$ 35,335                | \$ 77,749   | \$ 82,528   |
| Actual return on plans' assets   | (198,581)             | (154,748)   | 608,805     | 4,646                    | (6,097)     | 23,407      |
| Company contributions  | 44,770                | 23,639      | 24,623      | 3,911                    | 3,636       | 3,021       |
| Benefits paid  | (132,137)             | (109,589)   | (97,399)    | (43,599)                 | (39,953)    | (31,207)    |
| Acquisition of the pharmaceutical business of BASF   | 123,755               | —           | —           | —                        | —           | —           |
| Other, primarily translation   | (22,904)              | (30,723)    | 13,222      | —                        | —           | —           |
| Plans' assets at fair value, December 31   | \$2,643,704           | \$2,828,801 | \$3,100,222 | \$ 293                   | \$ 35,335   | \$ 77,749   |
| Projected benefit obligations less than (greater than) plans' assets, December 31  | \$ (596,819)          | \$ 256,575  | \$ 840,481  | \$(963,118)              | \$(706,037) | \$(557,951) |
| Unrecognized actuarial (gains) losses, net   | 289,405               | (287,242)   | (837,234)   | 287,176                  | 136,188     | 63,324      |
| Unrecognized prior service cost  | 21,518                | 834         | 3,210       | (58,079)                 | (64,390)    | (68,682)    |
| Unrecognized transition obligation   | (1,062)               | (1,808)     | (10,486)    | —                        | —           | —           |
| Accrued benefit cost   | \$ (286,958)          | \$ (31,641) | \$ (4,029)  | \$(734,021)              | \$(634,239) | \$(563,309) |
| Service cost — benefits earned during the year   | \$ 144,982            | \$ 118,863  | \$ 131,670  | \$ 33,133                | \$ 30,034   | \$ 31,933   |
| Interest cost on projected benefit obligations   | 199,067               | 171,790     | 157,004     | 59,954                   | 50,216      | 44,297      |
| Expected return on plans' assets   | (261,753)             | (233,056)   | (200,260)   | (1,940)                  | (6,176)     | (6,813)     |
| Net amortization   | (213)                 | (3,994)     | (3,082)     | 2,589                    | (1,573)     | 1,396       |
| Net cost   | \$ 82,083             | \$ 53,603   | \$ 85,332   | \$ 93,736                | \$ 72,501   | \$ 70,813   |

The projected benefit obligations for certain foreign defined benefit plans that do not have plan assets were \$276,000, \$65,000, and \$64,000 at December 31, 2001, 2000, and 1999, respectively.

Assumptions used for major benefit plans as of December 31 include:

|   | 2001 | 2000 | 1999 |
|---|------|------|------|
| Discount rate for determining obligations and interest cost | 7¼%  | 7½%  | 7¾%  |
| Expected aggregate average long-term change in compensation | 5%   | 5%   | 5%   |
| Expected long-term rate of return on assets                 | 9½%  | 9½%  | 9½%  |

A seven percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002. This rate is assumed to decrease gradually to five percent in 2006.

A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2001, by \$170,941/\$(103,550), and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately \$19,334/\$(12,046).

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were \$97,000 in 2001, \$86,000 in 2000, and \$76,000 in 1999.

Abbott provides certain other post-employment benefits, primarily salary continuation plans, to qualifying domestic employees, and accrues for the related cost over the service lives of the employees.

## Reports of Independent Public Accountants and Management

### Report of Independent Public Accountants

*To the Shareholders of Abbott Laboratories:*

We have audited the accompanying consolidated balance sheet of Abbott Laboratories (an Illinois corporation) and Subsidiaries as of December 31, 2001, 2000, and 1999, and the related consolidated statement of earnings and comprehensive income, shareholders' investment, and cash flows for the years then ended. These financial statements are the responsibility of Abbott's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Abbott Laboratories and Subsidiaries as of December 31, 2001, 2000, and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Chicago, Illinois

Arthur Andersen LLP

January 15, 2002

### Management Report on Financial Statements

Management has prepared, and is responsible for, Abbott's consolidated financial statements and related notes. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. All financial information in this annual report is consistent with the consolidated financial statements.

Abbott maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. The design, monitoring and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. Abbott also maintains an internal auditing function that evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

Abbott's consolidated financial statements have been audited by independent public accountants who have expressed their opinion with respect to the fairness of these statements.

Miles D. White

*Chairman of the Board and Chief Executive Officer*

Thomas C. Freyman

*Senior Vice President, Finance and Chief Financial Officer*

Greg W. Linder

*Vice President and Controller*

## Financial Instruments and Risk Management

(Unaudited)

### Interest Rate Sensitive Financial Instruments

In 2001, Abbott entered into interest rate hedge contracts totaling \$2.450 billion to manage its exposure to changes in the fair value of \$2.450 billion of long-term debt due in July 2004 and 2006. Abbott does not currently use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its investment securities. As of December 31, 2001, and 2000, Abbott had \$2.9 billion and \$185 million, respectively, of domestic commercial paper outstanding with an average interest rate of 1.8% and 6.5%, respectively, and with an average remaining life of 14 days and three days, respectively. The fair market value of long-term debt at December 31, 2001, and 2000, amounted to \$4.5 billion and \$1.3 billion, respectively, and consisted primarily of fixed-rate (average of 5.5% and 6.1%, respectively) debt with maturities through 2023. As of December 31, 2001, and 2000, the fair market value of current and long-term investment securities maturing through 2023 amounted to \$345 million and \$571 million, respectively. Approximately 13 percent and 10 percent of these investments as of December 31, 2001, and 2000, respectively, have fixed interest rates (average of 7.4% and 6.9%, respectively), while the remaining investments have variable rates. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or market values. (A 100-basis point change is a reasonably possible near-term change in rates.)

### Market Price Sensitive Financial Instruments

Abbott maintains a portfolio of available-for-sale equity securities from strategic technology acquisitions. The market value of these investments was approximately \$262 million and \$215 million, respectively, as of December 31, 2001, and 2000. A hypothetical 20 percent decrease in the share prices of these investments would decrease the fair value by approximately \$52 million. (A 20 percent decrease is a reasonably possible near-term change in share prices.)

### Non-Exchange-Traded Equity Securities

Abbott maintains a portfolio of equity securities from strategic technology acquisitions that are not traded on public stock exchanges. The carrying value of these investments was approximately \$81 million and \$75 million, respectively, as of December 31, 2001, and 2000. Abbott monitors these investments for other than temporary declines in estimated value, and charges impairment losses to income when an other than temporary decline in estimated value occurs.

### Foreign Currency Sensitive Financial Instruments

Abbott enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated intercompany loans and trade payables and third-party trade payables and receivables. The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed. At December 31, 2001, and 2000, Abbott held \$3.1 billion and \$1.3 billion, respectively, of such contracts, which all mature in the next calendar year.

In addition, certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts are designated as cash flow hedges of the variability of the cash flows due to changes in the foreign exchange rates and are marked-to-market with the resulting gains or losses reflected in accumulated other comprehensive (income) loss. Gains or losses will be included in cost of sales at the time the products are sold, generally through the end of 2002. At December 31, 2001, Abbott held \$571 million of such contracts, which all mature in the next calendar year.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2001, and 2000:

|   | 2001            |                       |                         | 2000            |                       |                         |
|---|-----------------|-----------------------|-------------------------|-----------------|-----------------------|-------------------------|
|   | Contract Amount | Average Exchange Rate | Fair and Carrying Value | Contract Amount | Average Exchange Rate | Fair and Carrying Value |
| <i>(dollars in millions)</i>              |                 |                       |                         |                 |                       |                         |
| Receive primarily                         |                 |                       |                         |                 |                       |                         |
| U.S. Dollars                              |                 |                       |                         |                 |                       |                         |
| in exchange for the following currencies: |                 |                       |                         |                 |                       |                         |
| Euro                                      | \$2,381         | 0.91                  | \$(21.9)                | \$ 318          | 0.87                  | \$ 1.6                  |
| British Pound                             | 752             | 0.71                  | (4.5)                   | 269             | 0.67                  | 13.0                    |
| Japanese Yen                              | 208             | 120.4                 | 2.8                     | 212             | 106.5                 | 5.3                     |
| All other currencies                      | 352             | N/A                   | 0.9                     | 472             | N/A                   | 1.4                     |
| <b>Total</b>                              | <b>\$3,693</b>  |                       | <b>\$(22.7)</b>         | <b>\$1,271</b>  |                       | <b>\$21.3</b>           |

## Shareholder and Corporate Information

### Stock Listing

The ticker symbol for Abbott Laboratories' common stock is ABT. It is listed on the New York, Chicago, Pacific, London and Swiss exchanges. It is traded on the Boston, Cincinnati and Philadelphia exchanges.

### Quarterly Dividend Dates

Dividends are expected to be declared and paid on the following schedule in 2002, pending approval by the Board of Directors:

| QUARTER | DECLARED | RECORD  | PAID    |
|---------|----------|---------|---------|
| First   | 2/15     | 4/15    | 5/15    |
| Second  | 6/7      | 7/15    | 8/15    |
| Third   | 9/13     | 10/15   | 11/15   |
| Fourth  | 12/13    | 1/15/03 | 2/15/03 |

Abbott Laboratories is an Illinois High Impact Business (HIB) and is located in a U.S. federal Foreign Trade Sub-Zone (Sub-Zone 22F). Effective June 15, 2001, dividends may be eligible for a subtraction from base income for Illinois income tax purposes. *If you have any questions, please contact your tax advisor.*

### Dividend Reinvestment Plan

The Abbott Laboratories Dividend Reinvestment Plan offers registered shareholders an opportunity to purchase additional shares, commission-free, through automatic dividend reinvestment and/or optional cash investments. Interested persons may contact the transfer agent, call Abbott's Investor Newline or write Abbott Shareholder Services.

### Dividend Direct Deposit

Shareholders may have quarterly dividends deposited directly into a checking or savings account at any financial institution that participates in the Automated Clearing House system. For more information, please contact the transfer agent, call the Investor Newline or write Abbott Shareholder Services.

### Annual Meeting

The annual meeting of shareholders will be held at Abbott Laboratories' corporate headquarters on Friday, April 26, 2002, at 9 a.m. Questions regarding the annual meeting may be directed to the Corporate Secretary.

A copy of Abbott's 2001 Form 10-K Annual Report, as filed with the Securities and Exchange Commission, is available on the Abbott Web site at [www.abbott.com](http://www.abbott.com), or by contacting the Investor Newline.

### Investor Relations

Dept. 383, AP6D2

### Shareholder Services

Dept. 312, AP6D2

### Corporate Secretary

Dept. 364, AP6D2

### Investor Newline

(847) 937-7300

Abbott Laboratories  
100 Abbott Park Road  
Abbott Park, IL 60064-6400 U.S.A.  
(847) 937-6100

### Web Site

[www.abbott.com](http://www.abbott.com)

### Transfer Agent and Registrar

EquiServe  
P.O. Box 43010  
Providence, RI 02940-3010  
(888) 332-2268  
[www.EquiServe.com](http://www.EquiServe.com)

### Shareholder information

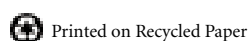
Shareholders with questions about their accounts may contact the transfer agent, call the Investor Newline or write Abbott Shareholder Services.

Individuals who would like to receive additional information or have questions regarding Abbott's business activities may call the Investor Newline, write Abbott Investor Relations or visit Abbott's Web site.

*Address Correction Requested*

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