

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**  
SEC Accession No. **0000912057-94-001717**

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### FILER

#### **ABBOTT LABORATORIES**

CIK: **1800** | IRS No.: **360698440** | State of Incorpor.: **IL** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-02189** | Film No.: **94528159**  
SIC: **2834** Pharmaceutical preparations

Business Address  
*ONE ABBOTT PARK RD  
ABBOTT PARK IL 60064  
7089376100*

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

(Mark One)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-2189

ABBOTT LABORATORIES

An Illinois Corporation

I.R.S. Employer Identification  
No. 36-0698440

One Abbott Park Road  
Abbott Park, Illinois 60064-3500

Telephone: (708) 937-6100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .  
-----

As of April 30, 1994, the Corporation had 815,359,828 common shares without par value outstanding.

PART 1 FINANCIAL INFORMATION  
 ABBOTT LABORATORIES AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

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ABBOTT LABORATORIES AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENT OF EARNINGS  
 (UNAUDITED)

(Dollars in Thousands Except Per Share Data)

<TABLE>  
 <CAPTION>

	THREE MONTHS ENDED MARCH 31	
	1994	1993
<S>	<C>	<C>
Net Sales.....	\$2,215,248	\$2,045,613
Cost of products sold.....	964,272	933,175
Research and development.....	226,797	202,110
Selling, general and administrative.....	497,184	464,823
Total Operating Cost and Expenses.....	1,688,253	1,600,108
Operating Earnings.....	526,995	445,505
Interest expense.....	11,496	14,170
Interest and dividend income.....	(8,430)	(9,686)
Other (income) expense, net.....	738	(38,890)
Earnings Before Taxes.....	523,191	479,911
Taxes on earnings.....	156,957	134,375
Net Earnings.....	\$ 366,234	\$ 345,536

Net Earnings Per Common Share.....	\$ .45	\$ .41
Cash Dividends Declared Per Common Share.....	\$ .19	\$ .17

</TABLE>

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

ABBOTT LABORATORIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

<TABLE>  
<CAPTION>

	MARCH 31	DECEMBER 31
	1994	1993
	(unaudited)	
	<C>	<C>
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 171,063	\$ 300,676
Investment securities.....	36,543	78,149
Trade receivables, less allowances of \$117,365 in 1994 and \$116,925 in 1993.....	1,350,307	1,336,222
Inventories:		
Finished products.....	509,341	476,548
Work in process.....	224,006	216,493
Materials.....	249,892	247,492
Total Inventories.....	983,239	940,533
Prepaid income taxes.....	466,673	458,026
Other prepaid expenses and receivables.....	512,659	471,929
Total Current Assets.....	3,520,484	3,585,535
Investment Securities Maturing after One Year.....	289,563	221,815

Property and Equipment, at Cost.....	6,407,647	6,221,146
Less: accumulated depreciation and amortization.....	2,823,906	2,710,155
	-----	-----
Net Property and Equipment.....	3,583,741	3,510,991
Deferred Charges and Other Assets.....	353,628	370,228
	-----	-----
	\$ 7,747,416	\$ 7,688,569
	-----	-----
	-----	-----
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt.....	\$ 675,432	\$ 843,594
Trade accounts payable.....	602,829	638,509
Salaries, income taxes, dividends payable, and other accruals...	1,775,869	1,612,830
	-----	-----
Total Current Liabilities.....	3,054,130	3,094,933
	-----	-----
Long-Term Debt.....	306,855	306,840
	-----	-----
Other Liabilities and Deferrals.....	634,673	611,867
	-----	-----
Shareholders' Investment:		
Preferred shares, \$1 par value		
Authorized - 1,000,000 shares, none issued	--	--
Common shares, without par value		
Authorized - 1,200,000,000 shares		
Issued at stated capital amount -		
1994: 826,455,175 shares; 1993: 830,941,614 shares.....	480,310	469,828
Earnings employed in the business.....	3,422,903	3,364,952
Cumulative translation adjustments.....	(93,278)	(100,716)
	-----	-----
	3,809,935	3,734,064
Less:		
Common shares held in treasury, at cost -		
1994 and 1993: 9,811,930 shares.....	51,783	51,783
Unearned compensation - restricted stock awards.....	6,394	7,352
	-----	-----
Total Shareholders' Investment.....	3,751,758	3,674,929
	-----	-----
	\$ 7,747,416	\$ 7,688,569
	-----	-----
	-----	-----

</TABLE>

The accompanying notes to condensed consolidated financial statements are an

integral part of this statement.

ABBOTT LABORATORIES AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)  
(Dollars in Thousands)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31	
	1994	1993
	-----	-----
<S>	<C>	<C>
Cash Flow from (Used in) Operating Activities:		
Net earnings.....	\$ 366,234	\$ 345,536
Adjustments to reconcile net earnings to net cash from operating activities -		
Depreciation and amortization.....	132,340	119,292
Trade receivables.....	(17,441)	(126,252)
Inventories.....	(39,850)	(29,575)
Other, net.....	105,562	126,952
	-----	-----
Net Cash from Operating Activities.....	546,845	435,953
	-----	-----
Cash Flow from (Used in) Investing Activities:		
Acquisitions of property, equipment and businesses.	(212,163)	(211,840)
Investment securities transactions.....	(26,092)	(57,807)
Other.....	12,968	30,623
	-----	-----
Net Cash (Used in) Investing Activities.....	(225,287)	(239,024)
	-----	-----
Cash Flow from (Used in) Financing Activities:		
Borrowing transactions.....	(169,232)	(45,359)
Common share transactions.....	(142,625)	(89,581)
Dividends paid.....	(139,552)	(125,391)
	-----	-----
Net Cash (Used in) Financing Activities.....	(451,409)	(260,331)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents.....	238	(1,658)

	-----	-----
Net (Decrease) in Cash and Cash Equivalents.....	(129,613)	(65,060)
Cash and Cash Equivalents, Beginning of Year.....	300,676	116,576
	-----	-----
Cash and Cash Equivalents, End of Period.....	\$ 171,063	\$ 51,516
	-----	-----
	-----	-----

</TABLE>

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

ABBOTT LABORATORIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1994

(UNAUDITED)

NOTE 1 - BASIS OF PREPARATION:

The accompanying unaudited, condensed consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnote disclosures normally included in audited financial statements. However, in the opinion of management, all adjustments (which include only normal adjustments) necessary to present fairly the financial position, cash flows, and results of operations have been made. It is suggested that these statements be read in conjunction with the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

NOTE 2 - EARNINGS PER COMMON SHARE:

Earnings per common share amounts are computed by using the weighted average number of common shares outstanding. These shares averaged 818,988,000 for the three months ended March 31, 1994 and 834,693,000 for the same period in 1993.

NOTE 3 - TAXES ON EARNINGS:

Taxes on earnings reflect the estimated annual effective tax rates. The effective tax rates are less than the statutory U.S. Federal income tax rate principally due to tax incentive grants related to subsidiaries operating in Puerto Rico and Ireland. The increase in the effective tax rate from 28 percent in 1993 to 30 percent in 1994 is due primarily to the increase in the statutory U.S. federal income tax rate and the reduction in the tax incentive grants for operations in Puerto Rico.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1994  
(Unaudited), Continued

NOTE 4 - LITIGATION AND ENVIRONMENTAL MATTERS:

The Company is involved in various claims and legal proceedings including numerous antitrust suits and investigations in connection with the sale and marketing of infant formula and pharmaceutical products.

The Company is also involved in numerous product liability cases, many of which allege injuries to the offspring of women who ingested a synthetic estrogen (DES) during pregnancy. In addition, the Company has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under federal remediation laws and is voluntarily investigating potential contamination at a number of Company-owned locations.

The matters above are discussed more fully in Item 1, Business - Environmental Matters, and Item 3, Legal Proceedings, in the Annual Report on Form 10-K, which is available upon request, and in Part II, Item 1, Legal Proceedings, in this Form.

While it is not feasible to predict the outcome of such pending claims, proceedings, investigations and remediation activities with certainty, management is of the opinion that their ultimate disposition should not have a material adverse effect on the Company's financial position.

FINANCIAL REVIEW

RESULTS OF OPERATIONS - FIRST QUARTER 1994 COMPARED WITH FIRST QUARTER 1993

Worldwide sales for the first quarter increased 8.3 percent to \$2.215 billion from \$2.046 billion in 1993. Net earnings and earnings per share increased 6.0 percent and 9.8 percent, respectively, over the prior year quarter.

Gross profit margin (sales less cost of products sold, including freight and distribution expenses) of 56.5 percent for the first quarter was up from 54.4 percent a year ago. This increase was primarily due to product mix and continued productivity improvements.

Research and development expenses increased to \$226.8 million in the first quarter 1994. This represented 10.2 percent of net sales, compared to 9.9 percent in 1993. The majority of research and development expenditures continues to be concentrated on pharmaceutical and diagnostic products.

Selling, general and administrative expenses increased 7.0 percent over the comparable 1993 quarter. The increase reflects additional selling and marketing support for new and existing products, primarily for pharmaceutical and



nutritional products, and litigation expenses.

Other (income) expense, net, includes exchange losses of \$12.2 million in the 1994 first quarter, compared with net losses of \$4.3 million in the same quarter last year. Also included in the 1993 first quarter is the gain on the sale of the Company's peritoneal dialysis product line.

The effective income tax rate increased from 28 percent in 1993 to 30 percent in 1994 due primarily to the increase in the statutory U.S. federal income tax rate and the reduction in tax incentive grants for Puerto Rico operations.

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FINANCIAL REVIEW  
(continued)

INDUSTRY SEGMENTS

Industry segment sales for the first quarter 1994 and the related change from the comparable 1993 period are shown in the table below. The Pharmaceutical and Nutritional Products segment includes a broad line of adult and pediatric pharmaceuticals and nutritionals, which are sold primarily on the prescription or recommendation of physicians or other health care professionals; consumer products; agricultural and chemical products; and bulk pharmaceuticals. The Hospital and Laboratory Products segment includes diagnostic systems for blood banks, hospitals, commercial laboratories and alternate-care testing sites; intravenous and irrigation fluids and related administration equipment; drugs and drug delivery systems; anesthetics; critical care products; and other medical specialty products for hospitals and alternate-care sites.

Domestic and international sales for the first quarter reflect unit growth, and international sales were adversely affected 4.3 percent due to the relatively stronger U.S. dollar.

<TABLE>  
<CAPTION>

	First Quarter	
SEGMENT SALES (in millions of dollars)	1994 Sales	Percent Increase
<S>	<C>	<C>
Pharmaceutical and Nutritional Products:		
Domestic	\$ 845.1	15.7
International	379.1	7.6
	1,224.2	13.1
Hospital and Laboratory Products:		
Domestic	563.4	2.8
International	427.6	3.1
	991.0	2.9
Total All Segments:		

Domestic	1,408.5	10.2
-----	-----	-----
International	806.7	5.2
-----	-----	-----
	\$2,215.2	8.3
-----	-----	-----
-----	-----	-----

</TABLE>

FINANCIAL REVIEW  
(continued)

LIQUIDITY AND CAPITAL RESOURCES AT MARCH 31, 1994  
COMPARED WITH DECEMBER 31, 1993

Net cash from operating activities for the first quarter 1994 totaled \$547 million. The Company expects annual cash flow from operating activities to continue to approximate or exceed the Company's capital expenditures and cash dividends.

The Company has maintained its favorable bond ratings (AAA by Standard & Poor's Corporation and Aa1 by Moody's Investors Service) and continues to have readily available financial resources, including unused domestic lines of credit of \$300 million at March 31, 1994.

During the first quarter 1994, the Company continued its program to purchase its common shares. The Company purchased and retired 5,355,000 shares during this period at a cost of \$154 million. As of March 31, 1994, an additional 8,746,000 shares may be purchased in future periods under authorization granted by the Board of Directors in September 1993.

LEGISLATIVE ISSUES

The Company's primary markets are highly competitive and subject to substantial government regulation. In the U.S., comprehensive legislation may be enacted that could make significant changes to the availability, delivery and payment for health care products and services. International operations are also subject to a significant degree of government regulation. It is not possible to predict the extent to which the Company or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, in the Annual Report on Form 10-K, which is available upon request.

ITEM 1. LEGAL PROCEEDINGS

The Company's 10-K for the fiscal year ended December 31, 1993 described 7 antitrust suits and 6 investigations (as of January 31, 1994) regarding the Company's marketing and sale of infant formula products. Five new antitrust suits regarding the Company's marketing and sale of infant formula products have commenced since January 31, 1994: on February 11, 1994, a case was filed in the District Court of Harrison County, Texas; on March 2, 1994, a case was filed in the Circuit Court for Okaloosa County, Florida; on March 2, 1994, a case was filed in the Circuit Court for Milwaukee County, Wisconsin (the defendants have removed this case to federal court in Milwaukee); on March 9, 1994, a case was filed in the Circuit Court for the County of Calhoun, Michigan; and on March 10, 1994, a case was filed in the Eighteenth Judicial District court for Sedgwick County, Kansas. Each purports to be a state consumer class action; alleges violation of state antitrust and trade practices laws; asks for unspecified actual and punitive damages, injunctive relief, and declaratory judgment; and names the Company and certain other infant formula manufacturers as defendants. In addition, a purported class action filed on behalf Texas consumers, which had been originally brought as a part of a case filed by the State of Texas and which had been severed for appeal of the defendants' successful motion for summary judgment, has been reinstated as a separate case, SEGURA V. ABBOTT LABORATORIES, ET. AL., and is now pending in state court in Travis County, Texas. The Company intends to defend itself in these suits and to deny all substantive allegations. As of March 31, 1994 there are 13 antitrust suits and 6 investigations pending in connection with the Company's sale and marketing of infant formula products.

The Company's 10-K for the fiscal year ended December 31, 1993 described 22 antitrust suits (as of January 31, 1994) regarding the Company's sale of prescription pharmaceuticals. Additional lawsuits were filed in various federal courts after January 31, 1994. On February 4, 1994 all pending federal cases were consolidated in the United States District Court for the Northern District of Illinois under Multidistrict Litigation rules. All of the federal class action cases, except for BACON-NORMANDI V. ABBOTT LABORATORIES, ET AL., were withdrawn and refiled on March 7, 1994 in the United States District Court for the Northern District of Illinois as a single purported class action known as HJB, ET AL. V. ABBOTT LABORATORIES, ET AL.. Plaintiffs seek unspecified treble damages, attorneys' fees, and declaratory and injunctive relief. As of March 31, 1994, there are 16 antitrust suits pending in connection with the Company's sale of prescription pharmaceuticals. The Company intends to defend itself in these suits and to deny all substantive allegations.

On February 23, 1994, the United States Environmental Protection Agency (the "EPA") instituted a civil administrative proceeding by filing a complaint alleging that the Company burned hazardous waste at its North Chicago facility in violation of the Resource Conservation and Recovery Act ("RCRA"). The complaint seeks penalties of \$991,775. The EPA simultaneously issued an Administrative Order requiring the Company to take certain actions to ensure future compliance with the RCRA. The Company filed an answer to the complaint denying all substantive allegations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Shareholders on April 29, 1994. The following is a summary of the matters voted on at that meeting.

(a) The shareholders elected the Company's entire Board of Directors. The persons elected to the Company's Board of Directors and the number of shares cast for, and the number of shares withheld, with respect to each of these persons were as follows:

<TABLE>  
<CAPTION>

Director - - - - -	For ---	Withheld -----
<S>	<C>	<C>
K. Frank Austen, M.D.	703,219,794	2,946,586
Duane L. Burnham	701,988,161	4,178,219
H. Laurance Fuller	703,311,909	2,854,471
The Lord Hayhoe PC	703,169,923	2,996,457
Thomas R. Hodgson	703,182,785	2,983,595
Allen F. Jacobson	702,405,668	3,760,712
David A. Jones	702,162,220	4,004,160
Boone Powell, Jr.	703,332,637	2,833,743
Addison Barry Rand	703,250,380	2,916,000
W. Ann Reynolds, Ph.D.	701,744,361	4,422,019
William D. Smithburg	703,303,070	2,863,310
John R. Walter	702,335,593	3,830,787
William L. Weiss	701,585,671	4,580,709

</TABLE>

(b) The shareholders ratified the appointment of Arthur Andersen & Co. as auditors of the Company.

For ---	Against -----	Abstaining -----
701,969,583	2,016,938	2,179,859

(c) The shareholders approved the Amendment of the Company's Articles of Incorporation which limits certain liabilities of directors and provides for the indemnification of the Company's directors, officers and employees to the extent permitted by Illinois law.

For ---	Against -----	Abstaining -----
673,596,537	27,969,380	4,600,463

(d) The shareholders rejected a shareholder proposal that requested the Company's Board of Directors to create and adopt a price policy for its pharmaceutical products and to report to the shareholders on such policy.

For ---	Against -----	Abstain -----	Broker Non-Vote -----
16,569,362	602,533,406	11,735,125	75,328,487

(e) The shareholders rejected a shareholder proposal regarding infant formula supply to hospitals.

For ---	Against -----	Abstain -----	Broker Non-Votes -----
23,076,687	551,757,669	56,003,537	75,328,487

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

3.1 Articles of Incorporation

3.2 Amendment to Articles of Incorporation

11 Statement re: computation of per share earnings - attached hereto.

12 Statement re: computation of ratio of earnings to fixed charges.

b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 1994.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ABBOTT LABORATORIES

Date: May 13, 1994

/s/Theodore A. Olson

-----  
Theodore A. Olson, Vice President  
and Controller (Principal  
Accounting Officer)

A B B O T T

L A B O R A T O R I E S

RESTATED ARTICLES OF INCORPORATION

RESTATED ARTICLE R-I

1. The name of the corporation is: Abbott Laboratories.
2. The corporation was incorporated March 6, 1900 under the name: The Abbott Alkaloidal Company.
3. Subsequent corporate names and the dates of their adoption are:

Name	Date Adopted
-----	-----
Abbott Laboratories	May 29, 1915

RESTATED ARTICLE R-II

The address of its registered office in the State of Illinois on the date of adoption of this Amendment and Restatement of Articles of Incorporation was: 14th Street and Sheridan Road, North Chicago, Illinois, County of Lake, and the name of its Registered Agent at said address was: Laurence R. Lee.

RESTATED ARTICLE R-III

The duration of the corporation is: Perpetual.

RESTATED ARTICLE R-IV

The purpose or purposes for which the corporation is organized are:

- (1) To manufacture, purchase or otherwise acquire, own, sell, mortgage, pledge, assign, convey, transfer, or otherwise dispose of, to invest, trade,

deal in and deal with all kinds of medicines, medicinal preparations and supplies; chemical products, pharmaceutical products, drugs, druggists' sundries, surgical instruments, dressings and supplies, dental instruments, dressings and supplies, dentifrices, preparations used by dentists, and in dentistry and oral surgery; hospital preparations and supplies; medicines, preparations and instruments used in the cure and care

of animals; perfumes and perfumery, toilet preparations, and other articles generally dealt in the retail drug trade; instruments, supplies and preparations used for medicinal, sanitary and other health purposes; and in general all instruments, preparations and supplies that appertain to pharmacy, pharmacology, medicines, drugs, sanitation and health.

(2) To own and operate laboratories for experimentation and research in the fields of chemistry, pharmacology, biology and physics, or such other fields as the corporation may engage in under its charter.

(3) To manufacture, purchase, or in any manner acquire, own, mortgage, pledge, sell, assign, convey, transfer, or otherwise dispose of, to invest, trade, deal in and deal with, goods, wares and merchandise, and personal property of every class and description wherever situated or located.

(4) To develop, apply for, purchase, lease, acquire, hold, use, take or grant licenses in respect of, mortgage, pledge, lease, sell, assign or otherwise dispose of, letters patent of the United States or any foreign country, patent rights, licenses, privileges, inventions, devices, improvements, and processes, formulas, copyrights, trade marks and trade names.

(5) To purchase or otherwise acquire the whole or any part of the property, assets, business, good will and rights and to undertake or assume the whole or any part of the bonds, mortgages, franchises, leases, contracts, indebtedness, liabilities and obligations of any person, firm, association, corporation or organization, and to pay for the same or any part or combination thereof in cash, shares of the capital stock, bonds, debentures, debenture stock, notes, or other obligations of the corporation or otherwise, or by undertaking and assuming the whole or any part of the liabilities or obligations of the transferor; and to hold or in any manner dispose of the whole or any part of the property and assets so acquired, and to conduct in any lawful manner the whole or any part of the business so acquired and to exercise all the powers necessary or convenient in and about the conduct, management and carrying on of such business.

(6) To purchase, subscribe for, acquire, own, hold, sell, exchange, assign, transfer, mortgage, pledge or otherwise dispose of shares of voting trust certificates for shares of the capital stock, or any bonds, notes, securities or evidence of indebtedness created by any other corporation or corporations organized under the laws of this state or any other state or district or country, nation or government to issue in exchange therefor shares of the capital stock, bonds, notes or other obligations of the corporation and

while the owners thereof to exercise all the rights, powers and privileges of ownership including the right to

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vote on any shares of stock or voting trust certificates so owned; to promote, lend money to any corporation or association of which any bonds, stocks, voting trust certificates, or other securities or evidences of indebtedness shall be held by or for this corporation, or in which or in the welfare of which, this corporation shall have any interest, and to do any acts and things permitted by law and designed to protect, preserve, improve or enhance the value of any such bonds, stocks or other securities or evidences of indebtedness or the property of this corporation.

(7) In general, to carry on any other lawful business whatsoever in connection with the foregoing or which is calculated directly or indirectly to promote the interest of the corporation or to enhance the value of its properties and to have and exercise all the rights, powers and privileges, which are now or may hereafter be conferred by the laws of Illinois, to execute, from time to time, general or special powers of attorney to persons, firms, associations or corporations either in the United States or in any other country, state or locality, and to revoke same as and when the Board of Directors may determine; and so far as law will permit, to do any or all of the things hereinbefore set forth to the same extent as natural persons might or could do, and in any part of the world, either as principal, agent, contractor, or otherwise, or through corporations of which it may own the stock or securities, or any part thereof, or otherwise, and either alone or in company with others.

(8) To have all other powers possessed by corporations organized or operating under the general corporation law of the State of Illinois.

#### RESTATED ARTICLE R-V

The aggregate number of shares which the Corporation is authorized to issue is 1,201,000,000 divided into two classes. The designation of each class, the number of shares of each class, and the par value, if any, of the shares of each class, or a statement that the shares of any class are without par value, are as follows:

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<TABLE>  
<CAPTION>

Class	Series (if any)	Number of Shares	Par Value per Share or State- ment that Shares are Without Par Value
<S> Preferred Shares	<C> Issuable in series	<C> 1,000,000	<C> \$1 per share
Common Shares	None	1,200,000,000	Without par value

The preferences, qualifications, limitations, restrictions and the special or relative rights in respect of the shares of each class are:

#### SECTION A

##### The Preferred Shares

1. The Preferred Shares may be issued in one or more series and with such designation for each such series sufficient to distinguish the shares thereof from the shares of all other series and classes, as shall be stated and expressed in the resolution or resolutions providing for the issue of each such series adopted by the Board of Directors. The Board of Directors in any such resolution or resolutions is hereby expressly authorized to divide the Preferred Shares into series and to fix and determine the relative rights and preferences of the shares of any series so established as to:

- (i) The rate per annum at which the holders of shares shall be entitled to receive dividends.
- (ii) The price at and the terms and conditions on which shares may be redeemed.
- (iii) The amount payable upon shares in event of involuntary liquidation.
- (iv) The amount payable upon shares in event of voluntary liquidation.
- (v) The sinking fund provisions, if any, for the redemption or purchase of shares.
- (vi) The terms and conditions on which shares may be converted, if the shares are issued with the privilege of conversion.

The Board of Directors may increase the number of shares designated for any existing series by a resolution adding to such

series authorized and unissued Preferred Shares not designated for any other series.

2. All preferred Shares of any one series shall be identical with each other in all respects, except that shares of any one series issued at different times as provided in paragraph 3 of this Section A, may differ as to the dates from which dividends thereon shall be cumulative.

3. Before any dividends on the Common Shares or on any other class or classes of shares of the Corporation, ranking junior to the Preferred Shares with respect to payment of dividends, shall be paid or declared or set apart for payment, the holders of Preferred Shares shall be entitled to receive when and as declared by the Board of Directors, cumulative cash dividends, out of any funds legally available for the declaration of dividends and in the case of each series at the rate per annum, and no more, for the particular series fixed in the resolution or resolutions providing for the issue of such series of Preferred Shares, adopted by the Board of Directors, payable quarterly on such dates, in each year, as may be fixed in such resolution or resolutions. With respect to each series of the Preferred Shares, such dividends shall be cumulative from the respective dates of issue thereof. No dividends shall be paid on any series of the Preferred Shares in respect of any dividend period unless all cumulative dividends accrued prior to said dividend period with respect to all Preferred Shares of each other series shall have been paid or declared and set aside for payment.

4. The holders of Preferred Shares shall be entitled to vote as a class and otherwise as provided by law.

5. Preferred shares which have been redeemed or shall have been purchased, converted or otherwise acquired by the Corporation may thereafter be reissued under such terms and conditions, not inconsistent with the provisions of this Section A, as the Board of Directors may thereafter determine.

6. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and before any distribution of the assets of the Corporation shall be made to or set apart for the holders of the Common Shares or of any other class of shares of the Corporation ranking junior to the Preferred Shares with respect to payment of dividends or upon dissolution, liquidation or winding up of the Corporation, the holders of the shares of each series of the Preferred Shares then outstanding shall be entitled to receive payment of such amount, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such series; but such holders upon receipt of such payment shall be entitled to no further payment.

7. In case of any liquidation, dissolution or winding up of the Corporation, if the amounts payable with respect to all series of Preferred Shares then outstanding are not paid in full, the shares of all series of the Preferred Shares shall share proportionately in accordance with the respective amounts which would be payable on said shares if all amounts payable were paid in full.

8. A consolidation or merger of the Corporation with or into one or more corporations shall not be deemed to be a liquidation, dissolution or winding up within the meaning of this Section A.

## SECTION B

### The Common Shares

1. Subject to the limitations set forth in Section A of this Restated Article R-V, the holders of Common Shares shall be entitled to dividends if, when and as the same shall be declared by the Board of Directors out of funds of the Corporation legally available thereof.

2. The holders of Common Shares shall be entitled to vote as provided by law.

## SECTION C

### The Preferred and Common Shares

No holder of shares of any class of the Corporation shall be entitled as of right to subscribe to or purchase any additional or increased shares of any class (whether now or hereafter authorized), or obligations convertible into any class or classes of shares (whether now or hereafter authorized), or shares of any class convertible into shares of any other class or classes (whether now or hereafter authorized), or obligations, shares or other securities carrying warrants or rights to subscribe to shares of the Corporation of any class or classes (whether now or hereafter authorized), but any and all shares, bonds, debentures or other securities or obligations, whether or not convertible into shares or carrying warrants entitling the holders thereof to subscribe to shares, may be issued, sold or disposed of from time to time by the board of Directors to such persons, firms or corporations and for such consideration (so far as may be permitted by law, by the Articles of Incorporation of the Corporation, and by the terms of any resolution creating any series of Preferred Shares) as the Board of Directors shall from time to time in its absolute discretion determine. Among other things the Board of Directors shall have the right at any time and from time to time to offer, sell and issue shares of any class of the Corporation, or obligations, shares or other securities

carrying warrants or rights to subscribe to shares of the Corporation of any class or classes, to employees of the Corporation and to employees of subsidiaries of the Corporation without first offering the same to its share holders, for such prices or considerations, and upon such terms and conditions as the Board of Directors shall from time to time determine, and upon any such issuance and sale, or plan or proposal to issue and sell, the Board of Directors may classify employees as in its discretion it may deem advisable, and may differentiate between classes, and exclude any class from participation. The fact that an employee may be a director or an officer of the Corporation, or any of its subsidiaries, shall not disqualify him from participation as an employee in any such issuance or sale to employees.

#### RESTATED ARTICLE R-VI

1. A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 8.65 of the Illinois Business Corporation Act, or (iv) for any transaction from which the director derived an improper personal benefit; provided that the foregoing provision shall not eliminate or limit the liability of a director for any act or omission occurring before the date this provision became effective.
2. Any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall, in the case of persons who are or were directors or officers of the corporation, and may, as to such other persons, be indemnified (and the corporation shall, in the case of persons who are or were directors or officers of the corporation, and may, as to such other persons, advance expenses incurred in defending such actions, suits or proceedings) to the fullest extent now or hereafter permitted by law.

3. The foregoing right of indemnification and advancement of expenses shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

RESTATED ARTICLE R-VII

1. The class and number of shares issued on the date of adoption of this Restatement of the Articles of Incorporation and the stated capital and paid-in surplus as of such date were:

<TABLE>

<CAPTION>

Class	Series (If Any)	Number of Shares	Par Value	Stated Capital with Respect Thereeto
<S> Common	<C> None	<C> 4,388,318	<C> \$5	<C> \$41,889,395.75
			Paid-in Surplus	\$ None
Total Stated Capital and Paid-in Surplus				\$41,889,395.75

</TABLE>

2. The class and number of shares and the stated capital and paid-in surplus set forth in paragraph 1 above are changed by this Amendment and Restatement as follows:

Effective as of the close of business on the date of filing this Amendment and Restatement with the Secretary of State of Illinois each of the presently issued Common Shares of \$5 par value is hereby changed into three Common Shares without par value authorized by this amendment to and restatement of Articles of Incorporation. The amendment does not affect stated capital or paid-in surplus.

RESTATED ARTICLE R-VIII

The foregoing Restated Articles R-I to R-VII are an amendment constituting a restatement of the Articles of Incorporation of Abbott Laboratories, effective as of the date of issuance of the Certificate of Amendment of Articles of Incorporation by the Secretary of State, and shall from that time supersede and stand in lieu of the Corporation's pre-existing Articles of Incorporation.

## ARTICLE R-IX

A majority of the directors then in office may fill one or more vacancies occurring in the board of directors arising between meetings of shareholders by reason of an increase in the number of directors or otherwise and any director so elected shall serve until the next annual meeting of shareholders, provided that at no time may the number of directors selected to fill vacancies in this manner during any interim period between meetings of shareholders exceed 33-1/3 percent of the total membership of the board of directors.

Amendment to the Restated Articles of Incorporation

RESOLVED: That the Restated Articles of Incorporation of this corporation be amended by substituting the following for Restated Article R-VI thereof:

RESTATED ARTICLE R-VI

1. A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 8.65 of the Illinois Business Corporation Act, or (iv) for any transaction from which the director derived an improper personal benefit; provided that the foregoing provision shall not eliminate or limit the liability of a director for any act or omission occurring before the date this provision became effective.
2. Any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall, in the case of persons who are or were directors or officers of the corporation, and may, as to such other persons, be indemnified (and the corporation shall, in the case of persons who are or were directors or officers of the corporation, and may, as to such other persons, advance expenses incurred in defending such actions, suits or proceedings) to the fullest extent now or hereafter permitted by law.
3. The foregoing right of indemnification and advancement of expenses shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

## ABBOTT LABORATORIES AND SUBSIDIARIES

## CALCULATION OF FULLY DILUTED EARNINGS PER SHARE

(Dollars and Shares in Millions Except Per Share Amounts)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31	
	1994	1993
	-----	-----
<S>	<C>	<C>
1. Net earnings	\$ 366.2	\$ 345.5
	-----	-----
2. Average number of shares outstanding	819.0	834.7
	-----	-----
3. Earnings per share based upon average outstanding shares (1 DIVIDED BY 2)	\$ .45	\$ .41
	-----	-----
4. Fully diluted earnings per share:		
a. Stock options granted and outstanding for which the market price at quarter-end exceeds the option price	17.4	19.2
	-----	-----
b. Aggregate proceeds to the Company from the exercise of options in 4.a.	\$ 278.6	\$ 282.6
	-----	-----
c. Market price of the Company's common stock at quarter-end	\$ 26.625	\$ 25.75
	-----	-----
d. Shares which could be repurchased under the treasury stock method (4.b. DIVIDED BY 4.c.)	10.5	11.0
	-----	-----
e. Addition to average outstanding shares (4.a. - 4.d.)	6.9	8.2
	-----	-----
f. Shares for fully diluted earnings per share		



calculation (2. + 4.e.)

825.9

842.9

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g. Fully diluted earnings per share (1. DIVIDED BY 4.f.)

\$ .44

\$ .41

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</TABLE>

## ABBOTT LABORATORIES AND SUBSIDIARIES

## CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Unaudited)

(Millions of Dollars)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED MARCH 31 1994
	-----
<S>	<C>
Net Earnings	\$ 366
Add (deduct):	
Income taxes	157
Capitalized interest cost, net of amortization	(2)
Minority interest	3
	-----
Net earnings as adjusted	\$ 524
	-----
Fixed Charges:	
Interest on long-term and short-term debt	11
Capitalized interest cost	5
Rental expense representative of an interest factor	6
	-----
Total Fixed Charges	22
	-----
Total adjusted earnings available for payment of fixed charges	\$ 546
	-----
	-----
Ratio of earnings to fixed charges	24.8

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</TABLE>

NOTE: For the purpose of calculating this ratio, (i) earnings have been calculated by adjusting net earnings for taxes on earnings; interest expense; capitalized interest cost, net of amortization; minority interest; and the portion of rentals representative of the interest factor, (ii) the Company considers one-third of rental expense to be the amount representing return on capital, and (iii) fixed charges comprise total interest expense, including capitalized interest and such portion of rentals.