ABBOTT LABORATORIES
Form 10-Q
November 07, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

OR

o 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**

100 Abbott Park Road

Abbott Park, Illinois 60064-6400

Telephone: **(847) 937-6l00**

Indicate by check mark whether the registrant: (l) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of l934 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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of September 30, 2013, Abbott Laboratories had 1,546,185,646 common shares without par value outstanding.

PART I. FINANCIAL INFORMATION

Abbott Laboratories and Subsidiaries

Condensed Consolidated Financial Statements

(Unaudited)

Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Earnings

(Unaudited)

(dollars and shares in thousands except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Net Sales	$ 5,369,138	$ 5,264,787	$ 16,193,059	$ 15,861,769
Cost of products sold	2,450,532	2,488,913	7,427,105	7,218,133
Amortization of intangible assets	196,697	195,089	593,067	599,502
Research and development	356,877	350,653	1,065,757	1,083,972
Selling, general and administrative	1,734,693	1,920,115	5,234,527	5,576,770
Total Operating Cost and Expenses	4,738,799	4,954,770	14,320,456	14,478,377
Operating Earnings	630,339	310,017	1,872,603	1,383,392
Interest expense	39,799	152,034	121,082	406,092
Interest (income)	(16,044)	(63,865)	(47,995)	(188,710)
Net foreign exchange loss (gain)	4,599	(12,140)	44,213	(22,770)
Other (income) expense, net	(26,410)	2,677	(28,391)	(35,411)
Earnings from Continuing Operations Before Taxes	628,395	231,311	1,783,694	1,224,191
Taxes on Earnings from Continuing Operations	(144,468)	(107,610)	(9,884)	123,214
Earnings from Continuing Operations	772,863	338,921	1,793,578	1,100,977
Earnings from Discontinued Operations, net of taxes	192,871	1,603,885	192,871	3,808,562
Net Earnings	$ 965,734	$ 1,942,806	$ 1,986,449	$ 4,909,539
Basic Earnings Per Common Share				
Continuing Operations	$ 0.50	$ 0.21	$ 1.14	$ 0.70
Discontinued Operations	0.12	1.01	0.12	2.39
Net Earnings	$ 0.62	$ 1.22	$ 1.26	$ 3.09
Diluted Earnings Per Common Share				
Continuing Operations	$ 0.49	$ 0.21	$ 1.13	$ 0.69
Discontinued Operations	0.12	1.00	0.12	2.37
Net Earnings	$ 0.61	$ 1.21	$ 1.25	$ 3.06
Cash Dividends Declared Per Common Share	$ 0.14	$ 0.51	$ 0.42	$ 1.53
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,551,803	1,576,771	1,560,369	1,574,466

Dilutive Common Stock Options and Awards	14,888	17,508	16,114	16,500
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options and Awards	1,566,691	1,594,279	1,576,483	1,590,966
Outstanding Common Stock Options Having No Dilutive Effect	1,601	1,720	1,015	1,166

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

Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

(dollars thousands)

	Three Months Ended September 30 2013	Three Months Ended September 30 2012	Nine Months Ended September 30 2013	Nine Months Ended September 30 2012
Net Earnings	$ 965,734	$ 1,942,806	$ 1,986,449	$ 4,909,539
Less: Earnings from Discontinued Operations	192,871	1,603,885	192,871	3,808,562
Earnings from Continuing Operations	772,863	338,921	1,793,578	1,100,977
Foreign currency translation gain (loss) adjustments	269,602	515,454	(330,867)	(171,973)
Net actuarial gains (losses) and amortization of net actuarial losses and prior service cost and credits, net of taxes of $8,905 and $(32,244) in 2013 and $18,122 and $63,737 in 2012	18,498	31,511	(144,809)	110,723
Unrealized (losses) gains on marketable equity securities, net of taxes of $(4,342) and $(2,475) in 2013 and $2,238 and $4,679 in 2012	(7,521)	3,885	(4,288)	8,104
Net adjustments for derivative instruments designated as cash flow hedges and other, net of taxes of $(2,666) and $(8,539) in 2013 and $(9,537) and $(20,664) in 2012	(10,664)	(44,057)	(34,157)	(86,082)
Other Comprehensive Income (Loss) from Continuing Operations	269,915	506,793	(514,121)	(139,228)
Comprehensive Income from Continuing Operations	1,042,778	845,714	1,279,457	961,749
Comprehensive Income from Discontinued Operations	192,871	1,884,707	192,871	3,789,060
Comprehensive Income	$ 1,235,649	$ 2,730,421	$ 1,472,328	$ 4,750,809

	Sept. 30 2013	Dec. 31 2012
Supplemental Accumulated Other Comprehensive Income Information, net of tax:		
Cumulative foreign currency translation loss adjustments	$ (617,456)	$ (79,353)
Net actuarial losses and prior service cost and credits	(2,389,865)	(3,595,554)
Cumulative unrealized gains on marketable equity securities	26,452	31,363
Cumulative gains on derivative instruments designated as cash flow hedges	24,359	49,866

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

3

Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Cash Flows

(Unaudited)

(dollars in thousands)

	Nine Months Ended September 30 2013	2012
Cash Flow From (Used in) Operating Activities:		
Net earnings	$ 1,986,449	$ 4,909,539
Adjustments to reconcile earnings to net cash from operating activities -		
Depreciation	700,308	1,105,441
Amortization of intangibles	593,067	1,088,989
Share-based compensation	222,052	358,735
Acquired in-process and collaborations research and development		260,000
Trade receivables	21,790	689,292
Inventories	(242,032)	(465,470)
Other, net	(1,582,695)	(135,265)
Net Cash From Operating Activities	1,698,939	7,811,261
Cash Flow From (Used in) Investing Activities:		
Acquisitions of property and equipment	(841,341)	(1,409,193)
Acquisitions of businesses and technology	(566,271)	(681,624)
Purchases of investment securities, net	(3,380,298)	(2,246,183)
Other	19,207	1,998
Net Cash (Used in) Investing Activities	(4,768,703)	(4,335,002)
Cash Flow From (Used in) Financing Activities:		
Proceeds from issuance of short-term debt and other	3,524,138	788,358
Payment of long-term debt		(54,000)
Contingent and other consideration payments related to business acquisitions	(400,000)	(520,849)
Transfer of cash and cash equivalents to AbbVie Inc.	(5,901,400)	
Purchases of common shares	(1,566,159)	(1,723,348)
Proceeds from stock options exercised, including income tax benefit	180,260	1,570,411
Dividends paid	(663,784)	(2,370,937)
Net Cash (Used in) Financing Activities	(4,826,945)	(2,310,365)
Effect of exchange rate changes on cash and cash equivalents	(23,000)	18,234
Net (Decrease) Increase in Cash and Cash Equivalents	(7,919,709)	1,184,128
Cash and Cash Equivalents, Beginning of Year	10,802,163	6,812,820
Cash and Cash Equivalents, End of Period	$ 2,882,454	$ 7,996,948

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

4

Abbott Laboratories and Subsidiaries

Condensed Consolidated Balance Sheet

(Unaudited)

(dollars in thousands)

	September 30 2013	December 31 2012
Assets		
Current Assets:		
Cash and cash equivalents	$ 2,882,454	$ 10,802,163
Investments, primarily bank time deposits and U.S. treasury bills	5,723,030	4,371,821
Trade receivables, less allowances of $340,899 in 2013 and $405,921 in 2012	3,882,803	7,612,860
Inventories:		
Finished products	1,911,394	2,345,455
Work in process	379,143	628,874
Materials	513,533	817,984
Total inventories	2,804,070	3,792,313
Prepaid expenses, deferred income taxes, and other receivables	3,917,616	4,743,426
Current assets held for disposition	538,976	
Total Current Assets	19,748,949	31,322,583
Investments	142,527	273,595
Property and Equipment, at Cost	12,714,200	18,928,887
Less: accumulated depreciation and amortization	6,871,831	10,865,840
Net Property and Equipment	5,842,369	8,063,047
Intangible Assets, net of amortization	5,926,873	8,588,285
Goodwill	9,724,128	15,774,127
Deferred Income Taxes and Other Assets	2,670,728	3,213,307
Non-current Assets Held for Disposition	76,903	
	$ 44,132,477	$ 67,234,944
Liabilities and Shareholders Investment		
Current Liabilities:		
Short-term borrowings	$ 4,595,867	$ 2,081,839
Trade accounts payable	1,008,912	1,796,990
Salaries, wages and commissions	888,793	1,427,765
Other accrued liabilities	3,780,472	6,787,995
Dividends payable	216,937	221,340
Income taxes payable	228,175	655,424
Current portion of long-term debt	264,009	308,823
Current liabilities held for disposition	348,500	
Total Current Liabilities	11,331,665	13,280,176
Long-term Debt	3,403,069	18,085,302
Post-employment Obligations, Deferred Income Taxes and Other Long-term Liabilities	5,603,607	9,056,234
Non-current Liabilities Held for Disposition	6,205	
Commitments and Contingencies		
Shareholders Investment:		
Preferred shares, one dollar par value Authorized 1,000,000 shares, none issued		

Common shares, without par value Authorized - 2,400,000,000 shares Issued at stated capital amount - Shares: 2013: 1,682,978,987; 2012: 1,675,930,484		11,793,440		11,754,552
Common shares held in treasury, at cost - Shares: 2013: 136,793,341; 2012: 99,262,992		(6,808,771)		(5,590,909)
Earnings employed in the business		21,668,078		24,150,996
Accumulated other comprehensive income (loss)		(2,956,510)		(3,593,678)
Total Abbott Shareholders Investment		23,696,237		26,720,961
Noncontrolling Interests in Subsidiaries		91,694		92,271
Total Shareholders Investment		23,787,931		26,813,232
	$	44,132,477	$	67,234,944

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

September 30, 2013

(Unaudited)

Note 1 Basis of Presentation

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 results of operations, financial position and cash flows have been made. It is suggested that these statements be read in conjunction with the financial statements included in Abbott s Annual Report on Form 10-K/A for the year ended December 31, 2012. The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions. The Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2012 has been appropriately revised to reflect contingent and other consideration payments related to business acquisitions as cash flow used in financing activities. The amounts had been previously reflected as cash flow used in investing activities.

Note 2 Separation of AbbVie Inc.

On November 28, 2012, Abbott s board of directors declared a special dividend distribution of all of the outstanding shares of common stock of AbbVie Inc. (AbbVie), the company formed to hold Abbott s research-based proprietary pharmaceuticals business. For each Abbott common share held at the close of business on December 12, 2012, Abbott shareholders received one share of AbbVie stock on January 1, 2013. Abbott has received a ruling from the Internal Revenue Service that the separation qualifies as a tax-free distribution to Abbott and its U.S. shareholders for U.S. federal income tax purposes.

The historical results of operations of the research-based proprietary pharmaceuticals business have been presented as discontinued operations in the Condensed Consolidated Statement of Earnings. Discontinued operations include the results of AbbVie s business except for certain corporate overhead costs and certain costs associated with transition services that will be provided by Abbott to AbbVie. Discontinued operations also includes other costs incurred by Abbott to separate AbbVie as well as an allocation of interest assuming a uniform ratio of consolidated debt to equity for all of Abbott s historical operations. Prior-year balance sheets and statements of cash flows have not been adjusted to reflect the effect of the separation.

The following is a summary of the assets and liabilities transferred to AbbVie as part of the separation on January 1, 2013. The summary has been revised to appropriately reduce the amount of long-term deferred tax assets transferred to AbbVie and the corresponding distribution from equity by approximately $580 million: *(dollars in billions)*

Assets:		
Cash and cash equivalents	$	5.9
Investments		2.2
Trade receivables, less allowances		3.2
Inventories		0.7
Prepaid expenses, deferred income taxes, and other current receivables		2.9
Net property and equipment		2.2
Intangible assets, net of amortization		2.3
Goodwill		6.1
Deferred income taxes and other assets		1.0
		26.5
Liabilities:		
Short-term borrowings		1.0
Trade accounts payable and other current liabilities		5.1
Long-term debt		14.6
Post-employment obligations, deferred income taxes and other long-term liabilities		3.1
		23.8
Net Assets Transferred to AbbVie Inc.	$	2.7

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

In addition, approximately $1.1 billion of accumulated other comprehensive losses, net of income taxes, primarily related to the pension and other benefit plan net liabilities as well as foreign translation was transferred to AbbVie.

In the third quarter 2013, discontinued operations includes a favorable adjustment to tax expense of $193 million as a result of the resolution of various tax positions related to AbbVie s operations prior to separation. Summarized financial information for discontinued operations for 2012 is as follows: *(dollars in millions)*

	Three Months Ended September 30 2012	**Nine Months Ended September 30 2012**
Net sales	$ 4,508	$ 13,175
Earnings before taxes	1,641	4,164
Taxes on earnings	37	355
Net earnings	1,604	3,809

Abbott and AbbVie entered into transitional services agreements prior to the separation pursuant to which Abbott and AbbVie are providing to each other, on an interim transitional basis, various services. Transition services may be provided for up to 24 months with an option for a one-year extension by the recipient. Services being provided by Abbott include certain information technology and back office support. Billings by Abbott under these transitional services agreements are recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Condensed Consolidated Statement of Earnings. This transitional support will enable AbbVie to establish its stand-alone processes for various activities that were previously provided by Abbott and does not constitute significant continuing support of AbbVie s operations.

For a small portion of AbbVie s operations, the legal transfer of AbbVie s assets (net of liabilities) did not occur with the separation of AbbVie on January 1, 2013 due to the time required to transfer marketing authorizations and other regulatory requirements in each of these countries. Under the terms of the separation agreement with Abbott, AbbVie is subject to the risks and entitled to the benefits generated by these operations and assets. The majority of these operations are expected to be transferred to AbbVie in 2013 with the remainder transferring in 2014. These assets and liabilities have been presented as held for disposition in the Condensed Consolidated Balance Sheet. At September 30, 2013, the assets and liabilities held for disposition consist of inventories of $173 million, trade accounts receivable of $338 million, equipment of $31 million, other assets of $74 million, trade accounts payable of $286 million and other liabilities of $69 million. Abbott s obligation to transfer the net assets held for disposition to AbbVie of $261 million is included in Other accrued liabilities.

Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie s business. AbbVie generally will be liable for all other taxes attributable to its business. In connection with the separation, Abbott has adjusted its employee stock compensation awards and separated its defined benefit programs for pensions and post-employment medical and dental benefit plans. See notes 7 and 9 for additional information.

Note 3 Supplemental Financial Information

Unvested restricted stock that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between common shares and participating securities. Net earnings allocated to common shares for the three months and nine months ended September 30, 2013 were $959 million and $1.973 billion, respectively, and net earnings allocated to common shares for the three months and nine months ended September 30, 2012 were $1.928 billion and $4.871 billion, respectively.

Other (income) expense, net, in the third quarter of 2013 primarily relates to gains from the sales of equity securities. Other, net in Net cash from operating activities for 2013 includes the recognition of $433 million of tax benefits in the third quarter as a result of the favorable resolution of various tax positions pertaining to prior years. Other, net in Net cash from operating activities for 2012 includes payments of approximately $800 million to settle certain government investigations related to AbbVie s business operations and the recognition of $386 million of tax benefits in the third quarter as a result of the favorable resolution of various tax positions pertaining to a prior year. These items were offset by increases in Other accrued liabilities primarily related to cost reduction initiatives and the timing of various payments. Other, net in Net cash from operating activities for 2013 and 2012 includes the effects of contributions to defined benefit plans of approximately $680 million and $360 million, respectively.

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

The components of long-term investments as of September 30, 2013 and December 31, 2012 are as follows:

(dollars in millions)	September 30 2013	December 31 2012
Equity securities	$ 114	$ 213
Other	29	61
Total	$ 143	$ 274

The reduction in long-term investments from December 31, 2012 to September 30, 2013 is due primarily to the separation of AbbVie on January 1, 2013.

Note 4 Other Comprehensive Income

The components of the changes in other comprehensive income from continuing operations, net of income taxes, are as follows:

	Three Months Ended September 30							
	Cumulative Foreign Currency Translation Adjustments		Net Actuarial Losses and Prior Service Costs and Credits		Cumulative Unrealized Gains on Marketable Equity Securities		Cumulative Gains on Derivative Instruments Designated as Cash Flow Hedges	
(dollars in millions)	2013	2012	2013	2012	2013	2012	2013	2012
Balance at June 30	$ (887)	$ (768)	$ (2,408)	$ (2,586)	$ 34	$ 16	$ 35	$ 120
Other comprehensive income (loss) before reclassifications	270	515	(8)		3	4	12	(8)
Income (loss) amounts reclassified from accumulated other comprehensive income (a)			26	32	(10)		(23)	(36)
Net current period comprehensive income (loss) from continuing operations	270	515	18	32	(7)	4	(11)	(44)
Balance at September 30	$ (617)	$ (253)	$ (2,390)	$ (2,554)	$ 27	$ 20	$ 24	$ 76

	Nine Months Ended September 30			
	Cumulative Foreign Currency Translation Adjustments	Net Actuarial Losses and Prior Service Costs and Credits	Cumulative Unrealized Gains on Marketable Equity Securities	Cumulative Gains on Derivative Instruments Designated as Cash

							Flow Hedges	
(dollars in millions)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Balance at December 31, 2012 and 2011	$ (79)	$ (73)	$ (3,596)	$ (2,731)	$ 31	$ 38	$ 50	$ 167
Separation of AbbVie	(208)	(8)	1,351	66		(26)	8	(5)
Other comprehensive income (loss) before reclassifications	(330)	(136)	(227)		17	9	(8)	(11)
Income (loss) amounts reclassified from accumulated other comprehensive income (a)		(36)	82	111	(21)	(1)	(26)	(75)
Net current period comprehensive income (loss) from continuing operations	(330)	(172)	(145)	111	(4)	8	(34)	(86)
Balance at September 30	$ (617)	$ (253)	$ (2,390)	$ (2,554)	$ 27	$ 20	$ 24	$ 76

(a) Reclassified amounts for foreign currency translation are recorded in the Condensed Consolidated Statement of Earnings as Net foreign exchange loss (gain); gains on marketable equity securities as Other (income) expense and cash flow hedges as Cost of products sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit plan costs; see Note 7 for additional details.

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

Note 5 Taxes on Earnings

Taxes on earnings reflect the estimated annual effective rates and include charges for interest and penalties. In the third quarter of 2013 taxes on earnings reflect the recognition of $241 million of tax benefits in continuing operations as the result of the favorable resolution of various tax positions pertaining to prior years. 2013 Earnings from Discontinued Operations, net of tax, reflect the recognition of $193 million of tax benefits as a result of the favorable resolution of various tax positions related to AbbVie s operations prior to separation. The conclusion of these tax matters decreased the gross amount of unrecognized tax benefits by approximately $560 million. In addition, as a result of the American Taxpayer Relief Act of 2012 signed into law in January 2013, Abbott recorded a tax benefit to taxes on continuing operations of approximately $103 million in the first quarter of 2013 for the retroactive extension of the research tax credit and the look-through rules of section 954(c)(6) of the Internal Revenue Code to the beginning of 2012. Taxes on earnings on continuing operations in 2012 reflect the recognition of $196 million of tax benefits in the third quarter as a result of the favorable resolution of various tax positions pertaining to a prior year.

Exclusive of these discrete items, the effective tax rates are less than the statutory U.S. federal income tax rate principally due to the benefit of lower statutory tax rates and tax exemptions in several foreign taxing jurisdictions. Tax authorities in various jurisdictions regularly review Abbott s income tax filings. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease by $400 million to $450 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

Note 6 Litigation and Environmental Matters

Abbott 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 and state remediation laws and is investigating potential contamination at a number of company-owned locations. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $4 million, and the aggregate cleanup exposure is not expected to exceed $15 million.

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately $80 million to $100 million. The recorded accrual balance at September 30, 2013 for these proceedings and exposures was approximately $85 million. This accrual represents management s best estimate of probable loss, as defined by FASB ASC No. 450, Contingencies. Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott s financial position, cash flows, or results of operations.

Note 7 Post-Employment Benefits

Retirement plans consist of defined benefit, defined contribution, and medical and dental plans. Net cost recognized in continuing operations for the three and nine months ended September 30 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			
	Three Months Ended Sept. 30		Nine Months Ended Sept. 30		Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
(dollars in millions)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Service cost benefits earned during the period	$ 70	$ 57	$ 222	$ 175	$ 10	$ 8	$ 33	$ 24
Interest cost on projected benefit obligations	66	66	198	199	15	10	45	32
Expected return on plans assets	(109)	(90)	(296)	(272)	(9)	(4)	(27)	(13)
Net amortization	41	33	123	106	(1)	(1)	(1)	(3)
Net Cost	$ 68	$ 66	$ 247	$ 208	$ 15	$ 13	$ 50	$ 40

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

Abbott funds its domestic defined benefit plans according to IRS funding limitations. International pension plans are funded according to applicable regulations. In the first nine months of 2013 and 2012, approximately $680 million and $360 million, respectively, was contributed to defined benefit plans and $40 million was contributed to the post-employment medical and dental benefit plans in each period.

The separation agreement with AbbVie obligates Abbott to transfer certain defined benefit and medical and dental plan liabilities and assets to AbbVie. The net obligation is included in the assets and liabilities transferred to AbbVie as part of the separation on January 1, 2013. The following table summarizes these projected benefit obligations and assets at January 1, 2013, based on the final actuarial valuations:

(dollars in millions)	Defined Benefit Plans	Medical and Dental Plans
Projected benefit obligations	$ 4,534	$ 472
Plans assets	3,111	
Net obligation transferred to AbbVie	$ 1,423	$ 472

In addition, Abbott transferred to AbbVie Accumulated other comprehensive income (loss), net of income taxes, of approximately $1.2 billion.

Note 8 Segment Information

Abbott s principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott s products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians offices and government agencies throughout the world. As a result of the separation of AbbVie, Abbott no longer has a Proprietary Pharmaceutical Products segment and this business has been removed from the 2012 historical information presented below. Abbott s reportable segments are as follows:

Established Pharmaceutical Products International sales of a broad line of branded generic pharmaceutical products.

Nutritional Products Worldwide sales of a broad line of adult and pediatric nutritional products.

Diagnostic Products Worldwide sales of diagnostic systems and tests for blood banks, hospitals, commercial laboratories and alternate-care testing sites. For segment reporting purposes, the Core Laboratories Diagnostics, Molecular Diagnostics, Point of Care and Ibis diagnostic divisions are aggregated and reported as the Diagnostic Products segment.

Vascular Products Worldwide sales of coronary, endovascular, structural heart, vessel closure and other medical device products.

Non-reportable segments include the Diabetes Care and Medical Optics segments.

Abbott s underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. In addition, effective January 1, 2013, intangible asset amortization is not allocated to operating segments, and intangible assets and goodwill are not included in the measure of each segment s assets. After removal of intangible assets and goodwill from the measure of segment assets, the assets of the Established Pharmaceutical Products and the Vascular Products segments totaled $2.6 billion and $1.8 billion, respectively, as of September 30, 2013. The segment information below for 2012 has been adjusted to exclude intangible asset amortization. The following segment information has been prepared in accordance with the internal accounting policies of Abbott, as described above, and are not presented in accordance with generally accepted accounting principles applied to the consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

	Net Sales to External Customers				Operating Earnings			
	Three Months Ended Sept. 30		Nine Months Ended Sept. 30		Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
(dollars in millions)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Established Pharmaceutical Products	$ 1,235	$ 1,272	$ 3,685	$ 3,775	$ 341	$ 351	$ 884	$ 913
Nutritional Products	1,635	1,603	5,038	4,746	260	245	915	719
Diagnostic Products	1,125	1,042	3,349	3,162	250	202	752	629
Vascular Products	747	743	2,240	2,311	266	247	675	763
Total Reportable Segments	4,742	4,660	14,312	13,994	1,117	1,045	3,226	3,024
Other	627	605	1,881	1,868				
Net Sales	$ 5,369	$ 5,265	$ 16,193	$ 15,862				
Corporate functions and benefit plans costs					(117)	(164)	(364)	(507)
Non-reportable segments					89	98	276	285
Net interest expense					(24)	(88)	(73)	(218)
Share-based compensation (a)					(45)	(51)	(222)	(236)
Amortization of intangible assets					(197)	(195)	(593)	(599)
Other, net (b)					(195)	(414)	(467)	(525)
Consolidated Earnings from Continuing Operations Before Taxes					$ 628	$ 231	$ 1,783	$ 1,224

(a) Approximately 40 to 45 percent of the annual net cost of share-based awards will typically be recognized in the first quarter due to the timing of the granting of share-based awards.

(b) The decrease in Other, net, in the third quarter of 2013 is due primarily to lower expenses in 2013 related to cost reduction initiatives compared to 2012.

Note 9 Incentive Stock Programs

In connection with the separation of AbbVie on January 1, 2013, Abbott modified its outstanding equity awards granted under incentive stock programs for its employees. The awards were generally modified such that immediately following the separation, the awardees held the same number of awards in Abbott stock and an equal number of awards in AbbVie stock. The exercise price on outstanding Abbott options was adjusted and the exercise price on the AbbVie options granted under this modification was established with the intention of generally preserving the value of the awards immediately prior to the separation. This modification did not result in additional compensation expense.

In the first nine months of 2013, Abbott granted 4,733,378 stock options, 918,819 replacement stock options, 840,535 restricted stock awards and 6,074,381 restricted stock units under its incentive stock programs. At September 30, 2013, approximately 130 million shares were reserved for future grants. Information regarding the number of options outstanding and exercisable at September 30, 2013 is as follows:

	Outstanding	Exercisable
Number of shares	45,693,210	38,893,329
Weighted average remaining life (*years*)	4.0	3.2
Weighted average exercise price	$ 26.22	$ 25.12
Aggregate intrinsic value (*in millions*)	$ 338	$ 324

The total unrecognized share-based compensation cost at September 30, 2013 amounted to approximately $195 million which is expected to be recognized over the next three years.

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

Note 10   Business Acquisitions

In August 2013, Abbott acquired 100 percent of IDEV Technologies, net of debt, for $310 million, in cash. The acquisition of IDEV Technologies expands Abbott s endovascular portfolio. The preliminary allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately $200 million which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible definite-lived intangible assets of approximately $90 million, non-deductible goodwill of approximately $90 million and net deferred tax liabilities of $80 million. Acquired intangible assets consist of developed technology and are being amortized over 11 years.

In August 2013, Abbott acquired 100 percent of OptiMedica for $260 million, in cash, plus additional payments up to $150 million to be made upon completion of certain development, regulatory and sales milestones. The acquisition of OptiMedica provides Abbott with an immediate entry point into the laser assisted cataract surgery market. The preliminary allocation of the fair value of the acquisition resulted in non-deductible definite-lived intangible assets of approximately $165 million, non-deductible acquired in-process research and development of approximately $60 million which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible goodwill of approximately $145 million, net deferred tax liabilities of $70 million and contingent consideration of approximately $60 million. The fair value of the contingent consideration was determined based on an independent appraisal. Acquired intangible assets consist of developed technology and are being amortized over 18 years.

The preliminary allocations of the fair value of these acquisitions will be finalized when the appraisals are completed. Had the above acquisitions taken place on January 1 of the previous year, consolidated net sales and income would not have been significantly different from reported amounts.

Note 11   Financial Instruments, Derivatives and Fair Value Measures

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, totaling $192 million and $1.6 billion at September 30, 2013 and December 31, 2012, respectively, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. Contracts totaling $1.0 billion were transferred to AbbVie as part of the separation on January 1, 2013. Accumulated gains and losses as of September 30, 2013 will be included in Cost of products sold at the time the products are sold, generally through the next twelve months. The amount of hedge ineffectiveness was not significant in 2013 and 2012.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and for intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency of the entity. For intercompany loans, the contracts require Abbott to sell or buy foreign currencies, primarily European currencies and Japanese yen, in exchange for primarily U.S. dollars and other European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar, European currencies and Japanese yen. At September 30, 2013 and December 31, 2012, Abbott held $11.6 billion and $18.2 billion, respectively, of such foreign currency forward exchange contracts, of which $4.3 billion of these contracts were transferred to AbbVie as part of the separation on January 1, 2013.

Abbott has designated foreign denominated short-term debt as a hedge of the net investment in a foreign subsidiary of approximately $540 million and approximately $615 million as of September 30, 2013 and December 31, 2012, respectively. Accordingly, changes in the fair value of this debt due to changes in exchange rates are recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate swap contracts totaling approximately $1.5 billion at September 30, 2013 and $9.5 billion at December 31, 2012 to manage its exposure to changes in the fair value of fixed-rate debt. $8.0 billion of these contracts related to debt issued by AbbVie Inc. in the fourth quarter of 2012 and were transferred to AbbVie as part of the separation on January 1, 2013. These contracts are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount. No hedge ineffectiveness was recorded in income in 2013 or 2012 for these hedges.

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

The following table summarizes the amounts and location of certain derivative financial instruments as of September 30, 2013 and December 31, 2012:

	Fair Value - Assets			Fair Value - Liabilities		
(dollars in millions)	**Sept. 30 2013**	**Dec. 31 2012**	**Balance Sheet Caption**	**Sept. 30 2013**	**Dec. 31 2012**	**Balance Sheet Caption**
Interest rate swaps designated as fair value hedges	$ 114	$ 185	Deferred income taxes and other assets	$	$ 80	Post-employment obligations, deferred income taxes and other long-term liabilities
Foreign currency forward exchange contracts						
Hedging instruments	10	22	Prepaid expenses, deferred income taxes, and other receivables		11	Other accrued liabilities
Others not designated as hedges	90	98		86	135	
Debt designated as a hedge of net investment in a foreign subsidiary			n/a	540	615	Short-term borrowings
	$ 214	$ 305		$ 626	$ 841	

The following table summarizes the activity for foreign currency forward exchange contracts designated as cash flow hedges, debt designated as a hedge of net investment in a foreign subsidiary and the amounts and location of income (expense) and gain (loss) reclassified into income in the third quarter and first nine months of 2013 and 2012 and for certain other derivative financial instruments. The amount of hedge ineffectiveness was not significant in 2013 and 2012 for these hedges.

	Gain (loss) Recognized in Other Comprehensive Income (loss)				Income (expense) and Gain (loss) Reclassified into Income				
	Three Months Ended Sept. 30		Nine Months Ended Sept. 30		Three Months Ended Sept. 30		Nine Months Ended Sept. 30		
(dollars in millions)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**Income Statement Caption**
Foreign currency forward exchange contracts designated as cash flow hedges	$	$ (7)	$ 31	$ (9)	$ 15	$ 36	$ 29	$ 75	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary		(15)	75	(5)	n/a	n/a	n/a	n/a	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	n/a	10	78	(71)	161	Interest expense
Foreign currency forward exchange contracts not designated as hedges	n/a	n/a	n/a	n/a	(70)	7	70	145	Net foreign exchange loss (gain)

The interest rate swaps are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The hedged debt is marked to market, offsetting the effect of marking the interest rate swaps to market.

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

The carrying values and fair values of certain financial instruments as of September 30, 2013 and December 31, 2012 are shown in the table below. The carrying values of all other financial instruments approximate their estimated fair values. The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties.

	September 30 2013		December 31 2012	
(dollars in millions)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Long-term Investment Securities:				
Equity securities	$ 114	$ 114	$ 213	$ 213
Other	29	26	61	56
Total Long-term Debt	(3,667)	(4,157)	(18,394)	(19,588)
Foreign Currency Forward Exchange Contracts:				
Receivable position	100	100	120	120
(Payable) position	(86)	(86)	(146)	(146)
Interest Rate Hedge Contracts				
Receivable position	114	114	185	185
(Payable) position			(80)	(80)

The fair value of the debt was determined based on significant other observable inputs, including current interest rates.

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a recurring basis in the balance sheet:

		Basis of Fair Value Measurement		
(dollars in millions)	**Outstanding Balances**	**Quoted Prices in Active Markets**	**Significant Other Observable Inputs**	**Significant Unobservable Inputs**
September 30, 2013:				
Equity securities	$ 49	$ 49	$	$
Interest rate swap derivative financial instruments	114		114	
Foreign currency forward exchange contracts	100		100	
Total Assets	$ 263	$ 49	$ 214	$
Fair value of hedged long-term debt	$ 1,640	$	$ 1,640	$
Foreign currency forward exchange contracts	86		86	
Contingent consideration related to business combinations	265			265
Total Liabilities	$ 1,991	$	$ 1,726	$ 265
December 31, 2012:				
Equity securities	$ 76	$ 76	$	$

Interest rate swap derivative financial instruments		185				185		
Foreign currency forward exchange contracts		120				120		
Total Assets	$	381	$	76	$	305	$	
Fair value of hedged long-term debt	$	9,632	$		$	9,632	$	
Interest rate swap derivative financial instruments		80				80		
Foreign currency forward exchange contracts		146				146		
Contingent consideration related to business combinations		323						323
Total Liabilities	$	10,181	$		$	9,858	$	323

The fair value of the debt was determined based on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis. The fair value of the contingent consideration was determined based on an independent appraisal adjusted for the time value of money, exchange, payments and other changes in fair value. The balance at September 30, 2013 reflects contingent consideration related to the acquisition of OptiMedica.

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

Note 12 Goodwill and Intangible Assets

Abbott recorded goodwill of approximately $235 million in 2013 related to the acquisitions of IDEV Technologies and OptiMedica. Goodwill related to the IDEV acquisition was allocated to the Vascular Products segment and goodwill related to OptiMedica was allocated to a non-reportable segment. Foreign currency translation adjustments and other adjustments decreased goodwill in the first nine months of 2013 by approximately $155 million, while there were no significant changes in 2012. In addition, in connection with the separation of AbbVie on January 1, 2013, Abbott transferred approximately $6.1 billion of goodwill to AbbVie. The amount of goodwill related to reportable segments at September 30, 2013 was $2.9 billion for the Established Pharmaceutical Products segment, $210 million for the Nutritional Products segment, $386 million for the Diagnostic Products segment, and $2.8 billion for the Vascular Products segment. Other than the effects of the separation of AbbVie, there were no reductions of goodwill relating to the disposal of all or a portion of a business. There was no reduction of goodwill relating to impairments.

The gross amount of amortizable intangible assets, primarily product rights and technology was $12.0 billion as of September 30, 2013 and $17.6 billion as of December 31, 2012, and accumulated amortization was $6.6 billion as of September 30, 2013 and $9.7 billion as of December 31, 2012. Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, was approximately $520 million at September 30, 2013 and $691 million at December 31, 2012. Gross amortizable intangible assets, accumulated amortization and indefinite-lived intangible assets of $5.8 billion, $3.9 billion and $416 million, respectively, were transferred to AbbVie as part of the separation on January 1, 2013. Abbott s estimated annual amortization expense for intangible assets is approximately $800 million in 2013, $685 million in 2014, $635 million in 2015, $620 million in 2016 and $585 million in 2017. Amortizable intangible assets are amortized over 4 to 20 years (average 11 years).

Note 13 Restructuring Plans

In the third quarter of 2013, Abbott management approved a plan to streamline certain manufacturing operations in order to reduce costs and improve efficiencies in Abbott s established pharmaceutical business. In addition, in the third quarter of 2012, Abbott management approved plans to streamline various commercial operations in order to reduce costs and improve efficiencies in Abbott s core diagnostics, established pharmaceutical and nutritionals businesses. Abbott recorded employee related severance charges of approximately $19 million and $167 million in 2013 and 2012, respectively. Additional charges of approximately $4 million and $22 million were also recorded in 2013 and 2012, respectively, primarily for asset impairments. Approximately $23 million in 2013 and $70 million in 2012 is recorded in Cost of products sold and approximately $119 million as Selling, general and administrative expense in 2012. Through December 31, 2012, no significant cash payments were made relating to the 2012 action. The following summarizes the activity for these restructurings: *(dollars in millions)*

		2013
Restructuring charges recorded in 2012	$	167
Restructuring charges		19
Payments and other adjustments		(77)
Accrued balance at September 30	$	109

In 2013 and prior years, Abbott management approved plans to realign its worldwide pharmaceutical and vascular manufacturing operations and selected domestic and international commercial and research and development operations in order to reduce costs. In 2013, Abbott recorded employee related severance charges of approximately $11 million. Additional charges of approximately $12 million were also recorded in 2013 primarily for accelerated depreciation. Approximately $23 million in 2013 is recorded in Cost of products sold. The following summarizes the activity for these restructurings: *(dollars in millions)*

	2013	2012
Accrued balance at December 31, 2012 and 2011	$ 129	$ 177
Restructuring charges	11	
Transfer of liability to AbbVie	(62)	
Payments and other adjustments	(47)	(19)
Accrued balance at September 30	$ 31	$ 158

Additional charges of $24 million and $21 million were recorded in the first nine months of 2013 and 2012, respectively, relating to these restructurings, primarily for accelerated depreciation.

Notes to Condensed Consolidated Financial Statements

September 30, 2013

(Unaudited), continued

In 2012 and 2010, Abbott management approved restructuring plans primarily related to the acquisition of Solvay Pharmaceuticals. These plans streamline operations, improve efficiencies and reduce costs in certain sites and functions as well as in certain commercial organizations in various countries. The following summarizes the activity for these restructurings: *(dollars in millions)*

	2013	2012
Accrued balance at December 31, 2012 and 2011	$ 115	$ 108
Restructuring charges		150
Transfer of liability to AbbVie	(115)	
Payments and other adjustments		(108)
Accrued balance at September 30	$	$ 150

In 2011 and 2008, Abbott management approved plans to streamline global manufacturing operations, reduce overall costs, and improve efficiencies in Abbott s core diagnostic business. The following summarizes the activity for these restructurings: *(dollars in millions)*

	2013	2012
Accrued balance at December 31, 2012 and 2011	$ 56	$ 79
Payments and other adjustments	(10)	(22)
Accrued balance at September 30	$ 46	$ 57

Additional charges of approximately $6 million and $12 million were recorded in the first nine months of 2013 and 2012, respectively, relating to this restructuring, primarily for product transfer costs.

FINANCIAL REVIEW

Results of Operations

The following table details sales by reportable segment for the three months and nine months ended September 30. Percent changes are versus the prior year and are based on unrounded numbers.

	Net Sales to External Customers							
	Three Months Ended September 30				Nine Months Ended September 30			
(dollars in millions)	2013	Percent Change	2012	Percent Change	2013	Percent Change	2012	Percent Change
Established Pharmaceutical Products	$ 1,235	(2.9)	$ 1,272	(7.3)	$ 3,685	(2.4)	$ 3,775	(5.0)
Nutritional Products	1,635	1.9	1,603	4.6	5,038	6.2	4,746	7.0
Diagnostic Products	1,125	8.0	1,042	1.6	3,349	5.9	3,162	3.8
Vascular Products	747	0.6	743	(10.2)	2,240	(3.1)	2,311	(7.8)
Total Reportable Segments	4,742	1.8	4,660	(2.0)	14,312	2.3	13,994	0.2
Other	627	3.6	605	(7.1)	1,881	0.7	1,868	(3.1)
Net Sales	$ 5,369	2.0	$ 5,265	(2.6)	$ 16,193	2.1	$ 15,862	(0.2)
Total U.S.	$ 1,587	3.3	$ 1,536	(3.8)	$ 4,681	(1.0)	$ 4,726	1.2
Total International	$ 3,782	1.4	$ 3,729	(2.2)	$ 11,512	3.4	$ 11,136	(0.8)

The net sales growth for the third quarter and first nine months of 2013 reflects unit growth, partially offset by unfavorable exchange. Excluding 2.3 percent and 1.9 percent of unfavorable exchange for the third quarter and first nine months of 2013, respectively, net sales increased 4.3 percent and 4.0 percent, respectively. The relatively stronger U.S. dollar decreased third quarter 2013 Total International sales by 3.3 percent, decreased Established Pharmaceutical Products segment sales by 3.5 percent, decreased Nutritional Product segment sales by 1.5 percent, decreased Diagnostic Products segment sales by 2.5 percent and decreased Vascular Products segment sales by 1.9 percent over the third quarter of 2012. The relatively stronger U.S. dollar decreased the first nine months 2013 Total International sales by 2.7 percent, decreased Established Pharmaceutical Products segment sales by 3.1 percent, decreased Nutritional Product segment sales by 0.8 percent, decreased Diagnostic Products segment sales by 2.2 percent and decreased Vascular Products segment sales by 1.8 percent over the first nine months of 2012. In addition to unfavorable exchange, the decrease in 2013 and 2012 Vascular Products sales reflects the winding down of royalty and supply agreements related to certain third-party products, including Promus. Excluding this royalty and supply agreement revenue in both periods and the unfavorable effect of exchange, year-to-date Vascular Products sales decreased 0.4 percent in 2013 and increased 4.3 percent in 2012. The decrease in 2013 is due primarily to pricing pressures on drug eluting stents and other coronary products as a result of market competition in major markets, offset by share gains from the sales of new products.

The net sales growth for the third quarter and first nine months of 2012 reflects unit growth, partially offset by unfavorable exchange. Excluding 4.9 percent and 3.8 percent of unfavorable exchange for the third quarter and first nine months of 2012, net sales increased 2.3 percent and 3.6 percent, respectively. The relatively stronger U.S. dollar decreased third quarter 2012 Total International sales by 7.0 percent, decreased Established Pharmaceutical Products segment sales by 9.6 percent, decreased Nutritional Product segment sales by 1.8 percent, decreased Diagnostic Products segment sales by 5.0 percent and decreased Vascular Products segment sales by 3.9 percent over the third quarter of 2011. The relatively stronger U.S. dollar decreased the first nine months 2012 Total International sales by 5.4 percent, decreased Established Pharmaceutical Products segment sales by 7.7 percent, decreased Nutritional Product segment sales by 1.4 percent, decreased Diagnostic Products segment sales by 3.8 percent and decreased Vascular Products segment sales by 2.6 percent over the first nine months of 2011.

FINANCIAL REVIEW

(continued)

A comparison of significant product group sales for the nine months ended September 30 is as follows. Percent changes are versus the prior year and are based on unrounded numbers.

(dollars in millions)	**2013**	**Percent Change**	**2012**	**Percent Change**
Established Pharmaceutical Products sales				
Key Emerging Markets	$ 1,747	1	$ 1,729	4
Other Markets	1,938	(5)	2,046	(11)
Nutritionals				
U.S. Pediatric Nutritionals	1,127		1,122	16
International Pediatric Nutritionals	1,708			