



Living Our Values

2004 Global Citizenship Report



About the Cover

These children from a village in Tamil Nadu, India, lost their parents to AIDS and now live with their grandparents. When their father passed away, no one from the village came to the funeral out of fear because of the stigma surrounding HIV/AIDS. The family also was not permitted to bathe in the village pond. With the support of the Abbott Fund's Step Forward program, a local community organization worked with the leaders of the village to educate everyone about HIV/AIDS. When the children's mother died one year later, the entire village attended the funeral in support of the family, and local resources were mobilized to build a home for the grandparents and children.

This report updates information provided in our 2003 global citizenship report, *Touching Lives*, with 2004 data on our financial, social, and environmental, health and safety performance. For a comprehensive review of our global citizenship policies, programs and performance, and an electronic version of this report, visit our Web site at www.abbott.com/citizenship.

This report does not contain performance for TAP Pharmaceutical Products Inc., our 50/50 joint venture with Takeda Pharmaceutical Company Ltd. of Osaka, Japan, unless otherwise noted. In August 2003, Abbott announced the spinoff of most of our hospital products business (now known as Hospira, Inc.). The transaction was completed in 2004. This report includes data from the Hospital Products Division as noted.

Abbott trademarks and products in-licensed by Abbott are shown in italics in the text of this report. The Together Rx™ program is not a trademark of Abbott.

Abbott consulted many resources, including the Global Reporting Initiative's 2002 Sustainability Reporting Guidelines, during the development of this report.

All financial information is stated in U.S. dollars.

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A Promise for Life

Turning Science into Caring

Our Values:

PIONEERING

ACHIEVING

CARING

ENDURING

We are here for the people we serve in their pursuit of healthy lives. This has been the way of Abbott for more than a century – passionately and thoughtfully translating science into lasting contributions to health.

Our products encircle life, from newborns to aging adults, from nutrition and diagnostics through medical care and pharmaceutical therapy.

Caring is central to the work we do and defines our responsibility to those we serve:

We advance leading-edge science and technologies that hold the potential for significant improvements to health and to the practice of health care.

We value our diversity – that of our products, technologies, markets and people – and believe that diverse perspectives combined with shared goals inspire new ideas and better ways of addressing changing health needs.

We focus on exceptional performance – a hallmark of Abbott people worldwide – demanding of ourselves and each other because our work impacts people's lives.

We strive to earn the trust of those we serve by committing to the highest standards of quality, excellence in personal relationships, and behavior characterized by honesty, fairness and integrity.

We sustain success – for our business and the people we serve – by staying true to key tenets upon which our company was founded over a century ago: innovative care and a desire to make a meaningful difference in all that we do.

The promise of our company is in the promise that our work holds for health and life.

“We put our values into action to help patients access affordable health care, the most important issue facing our industry.”

Miles D. White, Chairman and CEO

Being a responsible company is more than a matter of civic-mindedness or community relations. Abbott has been serving patients for more than 117 years and, for us, being responsible means ensuring we are as successful in the future as we have been in the past. It also means ensuring that this institution will be there for patients, shareholders, employees and others who depend on us around the world.

To build on our success over the past few years, we have focused our business in two areas – pharmaceuticals and medical devices. Today, our broad base of businesses and technologies makes Abbott one of the most stable companies in the health care industry, and enables us to serve more people than ever before.

As we have focused Abbott’s strategic direction, we also have revisited the goals and beliefs that make our company what it is and guide our behaviors and decisions. Our “Promise for Life,” which is found on the previous page, is our statement of purpose. It declares what Abbott is all about and contains a vision for what our company strives to be. The Promise stands upon a strong foundation: our values – pioneering, achieving, caring and enduring. The Promise is based on the insights of a broad sampling of our key stakeholders – from customers and patients to employees and health care professionals worldwide. In some respects, it is aspirational because it is intended to be our compass, guiding us toward ongoing improvement and inspiring us to aim higher. In other ways, the Promise reminds us of who we have always been. It reflects how we responsibly deploy our expertise and resources, and how we conduct ourselves in ways that will continue to earn the trust of our many stakeholders and the millions of people we touch every day.

We put our values into action to help patients access affordable health care, the most important issue facing our industry. And this is what led Abbott’s citizenship agenda in 2004. Through the Abbott Patient Assistance Program and *Humira* Medicare Assistance Program, we provided more than 200,000 patients in the United States with free and discounted medicines valued at more than \$235 million.

We also expanded our Medicare Assistance Program to make a number of Abbott medicines available at a substantial discount to patients lacking prescription drug coverage. Internationally, our Step Forward program provided services to more than 146,000 children and families affected by HIV/AIDS in Burkina Faso, Tanzania, India and Romania.

The Abbott Access program reached a milestone in 2004 when we shipped our 25 millionth rapid HIV test, at no profit, to Africa and other developing countries. We donated \$5.5 million in funds, prescription medicines and nutritionals to aid victims of the Indian Ocean tsunamis. We also joined others in our industry in several forums to advocate for policies that improve access to health care for patients.

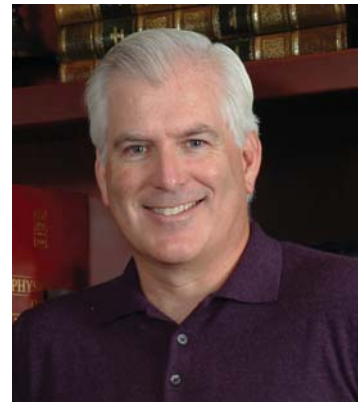
In 2004, guided by our values, we continued to integrate citizenship across the business. The charter for the Public Policy Committee of the board of directors includes the review of Abbott’s policies and practices with respect to social responsibility. We translated our Code of Business Conduct into 35 languages and rolled out a global ethics and compliance program. We created a new Global Product Protection group to address the rise of counterfeit pharmaceutical products. We also set ourselves five-year performance goals in a number of key environmental, health and safety areas.

Our report illustrates our commitment to citizenship through the ways that we deliver on our Promise and live our values. To me, citizenship at Abbott expresses the best hopes and intentions of our company and our people – to be creative and productive, to make a real difference, and to be caring citizens of the world we share. We are proud of our achievements to date, and we will continue this important work.

Thank you for taking the time to learn more about our efforts,



Miles D. White



About Abbott

A photograph of the Abbott corporate headquarters in north suburban Chicago. The image features a tall, dark, rectangular tower with a glowing 'a' logo at the top, situated on a grassy hill. In the foreground, there is a pond surrounded by a variety of colorful flowers, including pink and yellow coneflowers. The sky is blue with scattered white clouds. A modern building with a flat roof is visible in the background to the right.

Abbott is headquartered in north suburban Chicago, Illinois, United States.

The story of Abbott's Promise began in 1888 with a young physician named Wallace Calvin Abbott.

The story of Abbott's Promise began in 1888 with a young physician named Wallace Calvin Abbott. Dr. Abbott was dissatisfied with contemporary processes for making pharmaceuticals. Most medicines at the time were made using a fluid extraction method: plants and herbs were soaked in alcohols and the medicinal properties extracted from the leaves. The effects were imprecise and unpredictable. Dr. Abbott thought there was a better way. He began to produce granules based on the alkaloids of medicinal plants – the parts that actually produced medical effect – and the Abbott Alkaloidal Company was born.

Dr. Abbott was a part of a pioneering generation of doctors, pharmacists and scientists who helped create modern medicine. Their work, and that of the generations who have followed, has resulted in the most significant improvements in human health in our history. We have the ability today to prevent, diagnose, treat and cure more diseases than were even known to exist in their time.

Dr. Abbott's vision continues to guide our company. Today, Abbott is a broad-based health care company that discovers, develops, manufactures and markets products that span the continuum of care. Our products, which range from pharmaceuticals and diagnostic assays to nutritionals and medical devices, address some of the world's most important medical needs.

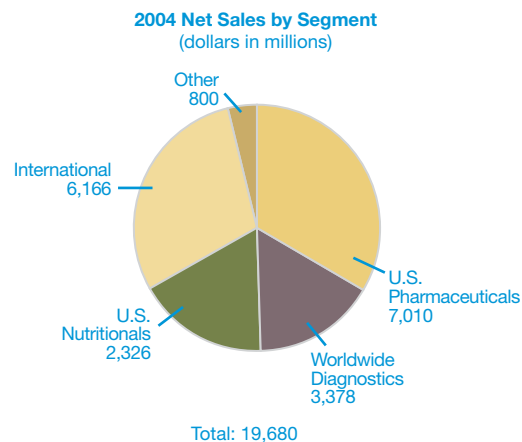
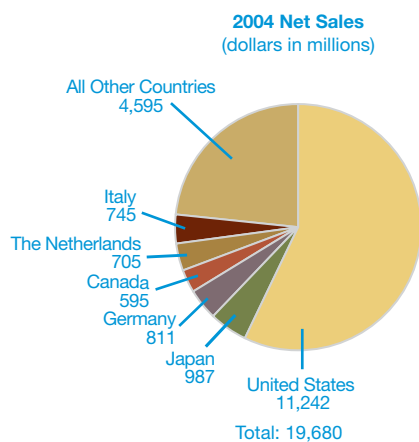
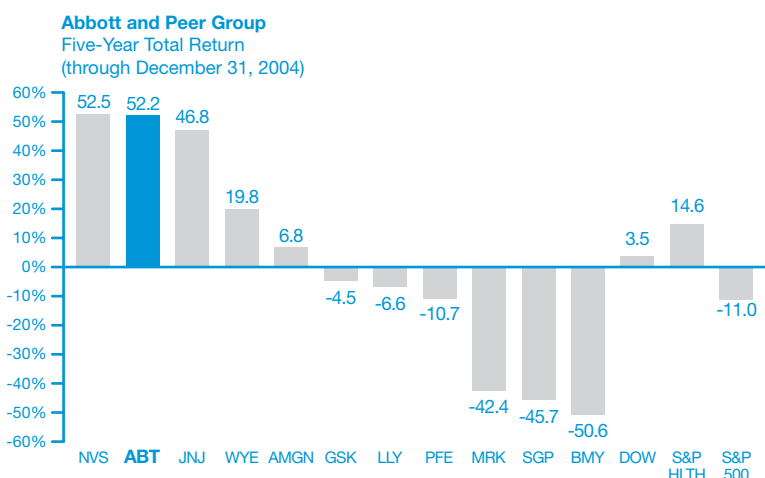
Abbott serves customers in more than 130 countries, with more than 60,000 employees in 72 countries at

more than 100 manufacturing, distribution, research and development, and other facilities. More than half of Abbott employees are located outside of the United States.

In 2004, Abbott achieved record sales of \$19.7 billion and income from continuing operations of \$3.7 billion. Our operating cash flow from continuing operations exceeded \$4.3 billion. In December 2004, Abbott also declared the 324th consecutive quarterly dividend to be paid to shareholders since 1924.

Our stock outperformed both the S&P 500 and the S&P Health Index in 2004. Our total return, including stock appreciation and dividend payouts in 2004, was 9.7 percent.

Complete financial information on Abbott and a list of our products are available at www.abbottinvestor.com.



Citizenship

at Abbott

Tom Wistar of the Abbott Access program travels throughout Africa to raise awareness of our HIV medicines and rapid HIV test to local programs that provide HIV testing and care.



Our company's sense of citizenship flows directly from our enduring mission: to use our expertise and resources to improve people's lives around the globe.

Global citizenship at Abbott reflects how our company advances our business objectives, engages our stakeholders, implements our policies, applies our social investment and philanthropy, and exercises our influence to make a productive contribution to society.

We recognize that citizenship is a process of continuous improvement that is strategic and measurable. Abbott's Global Citizenship and Policy department serves as the primary catalyst to implement our global citizenship vision throughout the company. A divisional vice president, who reports to a corporate officer, heads the department. The responsibilities of the group include identifying issues, developing Abbott's positions, managing philanthropic and employee involvement programs, sharing best practices, and managing citizenship reporting.

This report provides an update on our citizenship initiatives and builds on past reports, which are available at www.abbott.com/citizenship/news/citizen_rpt.cfm.

Governance

Abbott has a long tradition of ensuring the independence of the majority of our board of directors. Independent board members chair the public policy, audit, compensation, and nominations and governance committees. Among the criteria for candidates of the board are a global business perspective and a commitment to good corporate citizenship. In 2004, we adopted a charter for the Public Policy Committee of the board. The charter includes the review and evaluation of Abbott's policies and practices with respect to social responsibility. It covers a review of social, political, economic and environmental trends and public policy issues that affect Abbott. Details of Abbott's corporate governance structure and committees are available at www.abbottinvestor.com.

Citizenship Approach

In 2004, we continued to make progress on our citizenship program:

- We led an issues identification exercise based on external research, stakeholder engagement and internal interviews. We identified high-priority issues, including the HIV/AIDS pandemic, intellectual property, pharmaceutical pricing, product safety and counterfeiting, sales and marketing practices, the uninsured, health care disparities among minorities, and the U.S. liability environment. In 2005, we will review and enhance processes to manage these issues, and we will monitor emerging issues to stay abreast of developments that affect our company and our stakeholders.
- The Pharmaceutical Policy Committee, a forum of senior executives who review major public policy issues, worked on U.S. Medicare Modernization Act implementation, reimportation issues, clinical trials data disclosure and access for the uninsured in the United States.
- We expanded membership of the Global Citizenship Working Group to include greater representation from our operating businesses and key functions. The group manages our global citizenship reporting process and supports citizenship efforts.
- Abbott and our partners presented lessons learned and results of our programs at several meetings, including the Institute of Medicine, International AIDS Conference and Global Health Council Conference.

We improved our citizenship performance this year, as evidenced by our Dow Jones Sustainability Index ranking, which rose to 63 percent from 49 percent in the medical products category.

For a full copy of our citizenship plan, view our 2003 report at www.abbott.com/citizenship/gcr_2003.

Working With Stakeholders

Abbott has multiple internal and external stakeholders including patients, employees, physicians, investors, health care providers, policy makers, regulators, scientists, multilateral organizations and humanitarian organizations. We regard their perspectives and interests as valuable insights that inform our decisions, shape our programs and influence our public-private partnerships.

Across the company, we worked with our stakeholders, including physicians, patient organizations and community groups, on many issues, such as access to medicines in the United States and health care disparities within minority populations. On the international front, we worked with other pharmaceutical companies and United Nations agencies to expand HIV testing and treatment programs in developing countries. We also gained feedback directly from children and families, people living with HIV/AIDS, and community leaders benefiting from Abbott's AIDS-related humanitarian programs in India and Africa. Working with stakeholders is an ongoing process at Abbott and is reflected in many of the activities described throughout this report.

Advancing Citizenship

We continue to learn from and share our views with academic institutions, other companies and nongovernmental organizations about how we integrate citizenship within our organization. In 2004, we participated in the following forums:

- Boston College Executive Forum on Global Citizenship
- Business for Social Responsibility
- Commonwealth Business Council Working Group on Business and Society
- The Conference Board
- International Business Leaders Forum
- SustainAbility's Engaging Stakeholders Program

Furthermore, we contributed to a study of the impact of the pharmaceutical industry on economic development, which was conducted by the UK-based consultancy firm AccountAbility and funded by the Ford Foundation and USAID. Abbott's perspectives were also included in a report on the integration of global citizenship in companies, which was published by the Boston College Executive Forum in April 2005.



Corporate Citizenship in the Health Care Sector

An Essay by Jane Nelson, Director of the Corporate Social Responsibility Initiative at the Kennedy School of Government, Harvard University, and Director of the International Business Leaders Forum

The health care sector, probably more than any other, touches people's lives around the globe in a manner that is deeply personal and filled with expectation, while also being of significance to macroeconomic growth, household income and poverty alleviation. Health care is one of the few industries cited by name in the Millennium Development Goals, by which the world's governments have agreed to, "in cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries."

The decision makers who play a role in the provision of affordable health care, therefore, have a unique responsibility, from prevention and diagnosis, to treatment and cure. It is a challenge that tests the expertise and compassion of some of the world's best scientists and academics, as well as policy makers and health care professionals. And it creates particular leadership and corporate citizenship challenges for the health care companies that take the commercial risks and earn the financial rewards from discovering, developing, manufacturing and marketing health products.

Expanding access to affordable medicines – in both developed and developing countries – moves the concept of corporate citizenship for health care companies far beyond philanthropy, compliance, ethics and responsible workplace practices, to the heart of business strategy and policies. It requires these companies to explore innovative new approaches that combine the best of scientific discovery with robust business models and viable pricing structures. Equally important, it requires them to integrate effective community investment, product donation programs, and a range of public-private partnerships – including efforts to help build public sector capacity and health infrastructure – into their core mission.

None of this is easy, especially in an era that is characterized by growing competition, massive research and development outlays, increased regulatory oversight, short-term shareholder pressure and high public mistrust of business. Yet innovations in the area of corporate responsibility are unavoidable for health care companies aiming to sustain their regulatory and societal "license to operate," and to succeed over the long term.

Five leadership actions are essential to building trust and meeting growing health care needs in an ethical, profitable and sustainable manner:

1. Embed a commitment to corporate citizenship into the company's core business operations, incentive systems and governance structures, not simply its philanthropy programs.
2. Ensure that corporate citizenship issues, including ethics, due diligence and expanded access, are integrated into the company's research and development policies and strategies.
3. Commit to measurement and public reporting on all material aspects of the company's performance – social, ethical and environmental – in addition to financial.
4. Engage with key stakeholders in a manner that moves beyond one-way communication to also encompass regular consultation, and, where necessary, cooperation and collective action to address issues that no individual company or industry sector can address on its own.
5. Ensure that the company's public policy positions and lobbying activities are aligned and consistent with its corporate citizenship statements and policies.

Each of these actions calls for leadership from the top. As a World Economic Forum task force of business leaders stated in a 2002 commitment to global corporate citizenship, "We accept that ultimate leadership for corporate citizenship must rest with us as CEOs, chairmen and board directors, although it is crucial that we assign clear responsibilities, resources and leadership roles to our managers for addressing these issues on a day-to-day basis."

Taking Action for Patients

The American public has become increasingly concerned about the rising cost of health care, the significant number of people without medical insurance, and the plight of senior citizens who lack prescription drug coverage. There is a critical need to create new solutions to enable patients to access affordable medicines.

In 2004, Abbott Chairman and CEO Miles White served as chairman of the Pharmaceutical Research and Manufacturers of America (PhRMA), the pharmaceutical industry's trade association in the United States. It was an opportunity to lead

the industry in creating and executing a strategy to make medicines more accessible and affordable for all Americans. This strategy entailed helping patients become informed consumers about their medicines and making the prices of medicines more transparent; ensuring eligible Americans utilize all existing government and industry programs that provide either free or heavily discounted medicines; and reforming public policies that obstruct access to quality health care by supporting initiatives that address health coverage for uninsured citizens, including medical liability law reform and international pharmaceutical pricing. This effort has created partnerships between companies and a broad range of stakeholders – from policy makers and medical organizations to patients and community groups – and achieved significant results that are helping millions of Americans today, including the following:

The Partnership for Prescription Assistance

The Partnership for Prescription Assistance (PPA) brings together America's pharmaceutical companies, doctors, nurses, pharmacists, other health care providers, patient advocates and community leaders to help low-income, uninsured patients get free or nearly free brand-name medicines. The program offers a single call center and Web site for easy access to more than 275 public and private patient assistance programs, including more than 150 programs offered by pharmaceutical companies. For information on the PPA, visit www.pparx.org, or call the toll-free number 1-888-4PPA-NOW.

If you need help paying for medicine, here's a tip:

Introducing the Partnership for Prescription Assistance. Millions of people without prescription coverage have already received help paying for their medicine. For many, their brand-name medicines were free or nearly free. But many more can use some help. That's why America's Pharmaceutical Companies are working together with doctors, pharmacists, other health care providers, and community groups to make getting medicine easier. Through the Partnership for Prescription Assistance, help may be available to people who don't have prescription coverage and can't afford their medicine.

To see if you or someone you know may qualify for help, call **1-888-4PPA-NOW** (1-888-477-2669) or visit www.pparx.org.

Partnership for Prescription Assistance

MEDICAL CENTER

NAME _____

ADDRESS _____

PHONE _____

Rx

HELP IS AVAILABLE

CALL

1-888-4PPA-NOW.

The Partnership for Prescription Assistance program launched nationally in April 2005.

Across the industry in 2004, U.S. pharmaceutical companies' patient assistance programs provided more than 22 million free prescriptions worth an estimated total of \$4 billion, for patients in need.

Medicare Discount Card

With the help of the industry and its partners, more than 80 percent of eligible senior citizens signed up for this new card – the fastest enrollment ever for this type of government program. Member companies mobilized their 80,000 sales representatives, including 5,000 from Abbott, to deliver more than 30 million brochures to physicians to help them enroll patients for the new Medicare benefits. We worked with many stakeholders, including the National Alliance for Hispanic Health, the National Medical Association, state governors and labor groups to reach and enroll senior citizens.

Patient Assistance Web Site

PhRMA's Web site, www.helpingpatients.org, was enhanced to better serve patients with lower incomes who are not assisted by government programs. The new site streamlines the process doctors use to enroll their patients in companies' assistance programs.

Clinical Studies

PhRMA issued its Principles on the Conduct of Clinical Trials and Communication of Clinical Trial Results to express a commitment to provide useful and meaningful results of clinical studies, whether those results are positive or negative. In 2004, a Web-based database, the Clinical Study Results Database (www.clinicalstudyresults.org), was created to help health care providers and patients choose the drugs that make the most sense for them. The site contains more than 240 studies and is populated with all controlled clinical trial results completed since October 2002 for all U.S.-marketed products. PhRMA member companies will also post new information about trials in progress on the U.S. government's Web site, www.clinicaltrials.gov.

State Initiatives

Member companies also worked with the National Pharmaceutical Council to support creative coverage pilot projects, such as Oregon's "Health at Work" initiative, which combines existing elements of the health care system to help more people get insurance.



Peg Stevens, supervisor of the laboratory and technical staff at Abbott's Phase I Clinical Pharmacology Research Unit at Victory Memorial Hospital in Waukegan, Illinois, United States, prepares to draw blood from study volunteer Steve Grujich.

We Advance Leading-Edge **Science and Technologies**

Distinguished Research Fellow Hing Sham is the primary inventor of *Kaletra*, Abbott's second-generation protease inhibitor for the treatment of HIV infection, and co-inventor of *Norvir*, our first protease inhibitor developed to treat the disease.



We advance leading-edge science and technologies that hold the potential for significant improvements to health and to the practice of health care.

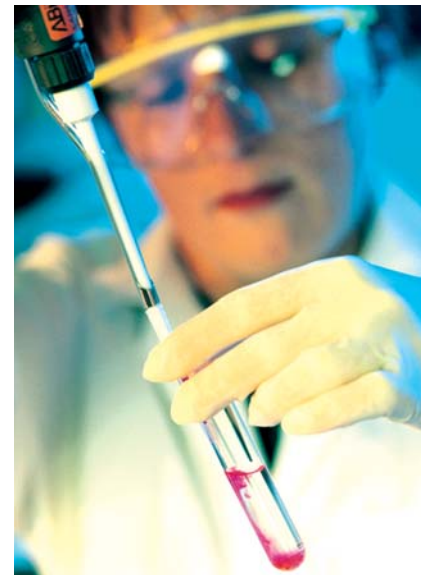
Abbott has been recognized as having one of the best new-product pipelines in the health care industry. Top-tier scientific capability is critical to our success and will remain at the center of our strategy for the future. We have increased our research and development investment significantly over the past five years, and, as a result, we have become a leader in monoclonal antibody research. And, through our varied medical products businesses, we are developing new technologies across a broad range of therapeutic areas and markets.

We focus on breakthrough medical science that changes the way patients are treated and, as a result, changes their lives. *Humira*, our rheumatoid arthritis medicine, is one such advance. It leads the way in what we expect to be a succession of biological products based on our leading monoclonal antibody technology. Our experimental cancer compound, *Xinlay*, is the first drug in an entirely new class with breakthrough potential for patients.

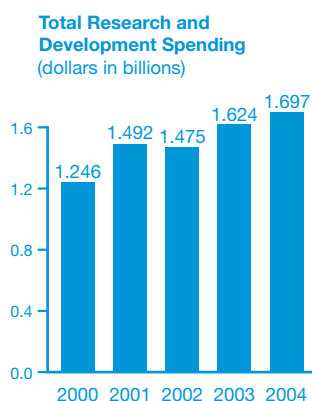
In medical products, our *Freestyle Navigator* glucose monitoring system was recognized by TIME magazine as one of the most promising new medical technologies on the horizon. And in molecular diagnostics, a field that did not even exist only a few years ago, we now offer products that are changing lives. For example, our *PathVysion* test uses an advanced technology called FISH (fluorescence in

situ hybridization) to identify the precise type of cancer a patient is fighting and, consequently, the best treatment therapy.

The discovery and development of new medicines and medical technologies is a risky, costly and time-consuming process, and would not be possible without a strong system that respects intellectual property. The patent system effectively balances the societal goals of encouraging innovation and providing access to its benefits. We manage our patents in the long-term interests of patients and our shareholders. We are committed to using the patent system responsibly. We respect the intellectual property rights of others and expect others to do the same.



Sabine Lieder, of Abbott Germany in Ludwigshafen, evaluates a potential compound.



Discovering and Developing New Pharmaceuticals

Abbott's pharmaceutical pipeline focuses on five specialty therapeutic areas that represent new hope for patients, many of whom suffer from diseases for which there have been no new treatments in decades. We believe that the best opportunities for today's science and for future medicines are in immunology, oncology, metabolics, neuroscience and pain management, and infectious diseases.

Discovery

Creating new medicines begins with an understanding of the biological processes that go awry during a disease. Hundreds of thousands of compounds are screened in highly automated laboratories to identify a few promising ones that may intervene in the disease process. Our scientists utilize the latest in modern technology, and conduct carefully planned and closely monitored animal experiments to parlay these initial compounds into highly refined drug candidates promising enough for human clinical trials.

U.S. and international laws require testing of drug candidates in biological systems, including animals, before testing in humans begins. Abbott is committed to the highest standards of humane care and treatment of our laboratory animals. All employees involved in animal research are required to go through extensive training. Our laboratory animal research program and facilities meet regulations of the United States, the European Union and other countries as applicable, and have been accredited by the Association for Assessment and Accreditation of Laboratory Animal Care International since 1975. We also provide funding in support of alternatives to animal testing. Abbott's approach is to employ the "3Rs" whenever possible, which include refining experimental procedures to avoid or minimize unnecessary pain or suffering; reducing the number of animals used in any tests we conduct to the minimum needed to get valid results; and replacing the need for animal testing through alternative research methods, when possible.

Development

Once a potential medicine has been identified and has successfully made it through pre-clinical testing, it advances to clinical trials in humans. Preparation for clinical trials can take years and involve many different partners. On average, it takes more than three years to reach clinical trials from the point at which an investigative compound is selected.



Emma Fung, senior research associate I, transfers a bacterial culture in one of our laboratories at the Abbott Bioresearch Center in Worcester, Massachusetts, United States.



Discovering New Medicines

A Conversation With Achim Möller, Ph.D., Volwiler Research Fellow, Molecular Biology and Biochemistry, Neuroscience Discovery Research, Abbott Global Pharmaceutical Research and Development, Ludwigshafen, Germany

What role do you play in the discovery process at Abbott?

I develop and work with assays to look for binding of molecules to cells and then to see what their effects are – whether the cells become larger, smaller or even die. This is the way we validate and screen potential compounds. In an initial assay, we may screen 600,000 compounds using one concentration, from which we can identify, for example, 100 compounds that we subject to more complicated assays.

How many scientists are involved in discovering a new drug?

At Abbott, the discovery process is very collaborative and involves hundreds of scientists working in various locations around the world. Right now, there are around 300 Abbott scientists here in Ludwigshafen, Germany, and in Abbott Park, Illinois, United States, working on central nervous system research relating to various indications, including pain, Alzheimer's disease, schizophrenia and depression. The research process is very iterative, enabling scientists to share and refine their findings.

How does Abbott help foster innovation and creativity?

Abbott is a company that truly respects and appreciates its scientists, enabling us to have full and rewarding careers in science. Conducting quality research requires a great investment of time and resources, and there are many failures along the way. In fact, only one compound in 10,000 tested advances to human clinical trials and ultimately becomes available to patients. Abbott's managers understand the complexity of the discovery process and recognize the contributions and quality of our work.



Conducting Clinical Trials

A Conversation With Rebecca Hoffman, M.D., Global Project Head, Immunology Therapeutic Area, Abbott Global Pharmaceutical Research and Development, Abbott Park, Illinois, United States

How long does the clinical trials process take?

While every drug development program is different, the time from initial clinical work to approval by the regulatory agencies can easily be nine or more years.

How does the clinical trials process work?

All of the regulatory agencies require similar evidence that the investigational compound is safe in pre-clinical studies, and both safe and effective in a series of controlled clinical trials on human volunteers.

Every new drug candidate is generally required to go through three distinct phases of clinical trials. In Phase I, we determine whether we have a relatively safe drug that works in humans as it did in animals and in computer models, and obtain information on the safety and dosage. Phase I trials are usually conducted on healthy volunteers. In Phase II, we work with a larger number of patients and continue to evaluate the safety and efficacy of the drug, often experimenting with different amounts and dosing frequencies. Phase III is the final, pivotal phase of clinical trials required by government regulators prior to commercialization of a new drug. The clinical trials generate evidence that the drug at its proposed dosage is safe and effective. The regulators have very specific guidelines for Phase III clinical trials, which typically involve hundreds or thousands of patients. The process is long and expensive, and most drugs don't make it all the way through.

Approval

The entire development process requires close collaboration with health care professionals and ongoing dialogue with regulatory agencies according to very specific criteria. For example, at the end of the key stages of drug development, such as Phase II trials, we have an opportunity to discuss the results with the U.S. Food and Drug Administration, as well as to obtain the agency's views on plans for Phase III trials. Once all clinical trials and analyses are complete, we prepare an application that requires extensive documentation of clinical test results; the drug's components; results of animal studies; how the drug will be manufactured, processed and packaged; and the proposed drug label with complete prescribing information. The application undergoes a rigorous internal peer review process before being sent to regulatory agencies.

We maintain a number of policies and practices to ensure our clinical research is conducted in accordance with U.S. and international standards. Regulatory requirements for new drugs vary considerably by country, despite efforts to harmonize the regulatory review and approval processes in the three largest markets: the European Union, the United States and Japan.

Drug Pricing and Access

When pricing pharmaceutical products, we consider multiple factors: the therapeutic value of the product; the costs related to bringing the product to market, including research and development, manufacturing, and quality assurance; and compliance with regulatory requirements. We work to strike a balance between maximizing patient access and ensuring a sustainable return to fund our future research and development.

Developing New Medical and Nutritional Products

While developing a single pharmaceutical product requires focusing and dedicating tremendous resources for many years, the research and development period for diagnostics and devices is typically 18 to 36 months, and 24 months for a nutritional product. In fact, 80 percent of medical products typically make it to market, compared to the products developed through the more complex pharmaceutical discovery and development process. Close collaboration with physician specialists, such as interventional cardiologists and radiologists, spinal surgeons, orthopedic surgeons, and neurosurgeons, helps speed next-generation products that advance patient care.

While our medical products are diverse, most are focused on addressing the needs of patients with serious conditions, such as cardiovascular disease or cancer; people undergoing orthopedic surgery; and those who require therapy for chronic diseases, such as diabetes. Other areas of focus are on early diagnostic tools that can play a major role in successful outcomes for such diseases as cancer, HIV/AIDS and hepatitis C; and on nutritional support for the young and aging, and for healthy living.

We continue to grow our diagnostic, device and nutritional science expertise through acquisitions of leading-edge companies. The entrepreneurial structure of our medical products business allows us to innovate, launch new products quickly and stay close to the customer through specialized expert sales forces. In 2004, Abbott's Medical Products Group delivered its best performance in 10 years.



Developing New Glucose Monitoring Technology

A Conversation With Ben Feldman, Volwiler Research Fellow,
Director of Advanced Development, Abbott Diabetes Care,
Alameda, California, United States

What are some of the key challenges scientists and companies face in discovering new products?

We develop glucose monitors, which are used billions of times every year by millions of people who have diabetes – not by medical professionals. They're consumer products packed with some of the most sophisticated medical technology available, which means they have to be easy to use and cost effective, like consumer products; and extraordinarily reliable, like a high-tech medical device.

Describe the process of developing new medical technology.

The goal of the development process is to demonstrate scientific and commercial feasibility of new glucose monitoring sensors. Ideally, we convene a small group of scientists (fewer than 10 people) during this initial phase to facilitate a reasonable consensus. There are basically five steps to the process.

We begin with a considerable amount of research and discussion about the unmet need and existing technologies, and we select a scientific concept. Next, in a relatively short period of time – a couple of weeks or less – we build initial prototype sensors to obtain a fast confirmation of the validity of our concept. We then test these prototypes in very simple (nonphysiological) solutions. Once initial testing is complete, we refine the prototypes and build a few hundred sensors for additional testing. Over the next few months, we test the prototypes *in vitro* or *in vivo* in sufficient quantities to define the sensor's performance. Often, some steps of product development are repeated again and again; it's not a straight-line progression.

Developing new products, as opposed to fine-tuning existing products, is an exciting challenge. The latter is very important and necessary, but, frankly, just isn't as interesting. There's a definite *esprit de corps* that builds in an organization that's bringing a truly innovative product to market. That's the fun part of our work.

We Value Our **Diversity**



The executive committee of Abbott's Black Business Network, an employee network, creates programs to mentor and develop African-American leaders throughout the company. (From left: Al Reid, divisional vice president, Corporate Planning; Tony Thompson, assistant controller, Corporate Financial Planning and Analysis; and Dr. Sandra Burke, Volwiler Associate Research Fellow, Abbott Vascular Devices)

We value our diversity – that of our products, technologies, markets and people – and believe that diverse perspectives combined with shared goals inspire new ideas and better ways of addressing changing health needs.

Diversity is a key component of Abbott's business strategy. The diversity of our people from around the world enriches Abbott with new perspectives and insights, allows us to better innovate, and enables us to understand and connect with the people we serve.

Achieving Diversity and Inclusion Goals

In 2004, women employees at Abbott in the United States represented 39 percent of management, and minority employees represented 17 percent of our U.S. managers. Those percentages have been increasing, and we have a range of programs in place to continue to increase the representation of women and minorities in management. Diversity goals for recruitment, hiring and retention are embedded in our corporate goals, as well as in the performance goals and compensation of key managers. In the United States, we seek to hire employees from candidate pools that include at least 50 percent women and 25 percent minorities.

These initiatives are supported at the highest level of our organization by the Abbott Executive Inclusion Council, led by our chairman and CEO. This group is responsible for promoting diversity among women and minorities in

management, as well as helping to create initiatives that encourage a supportive work environment for all employees. Divisional inclusion councils further support this team by developing specific diversity programs within their operating areas.

To help attract the best talent to Abbott and support our diversity and inclusion goals, we conduct outreach that includes the following:

- Support for a number of minority and women's organizations, including the Association of Latino Professionals in Finance and Accounting, the National Society of Hispanic MBAs, the Society of Women Engineers and the National Black MBA Association.
- Collaboration with the premier publications that target minority and international students.
- Increasing use of Internet boards, including more than 70 sites focused on women and minorities.
- Use of minority-owned contingency firms (20 of the 62 we use are minority-owned).

Internal Career Fair

Abbott is committed to helping our employees develop multiple skills along a varied career track. In 2004, our headquarters operation piloted an internal career fair program that offered employees access to leaders from a number of functional areas, including manufacturing, quality, purchasing and engineering. Nearly 700 of our headquarters employees participated in the program, and 85 percent requested we expand it to include more functional areas. We will be hosting two additional fairs in 2005.

Our summer internship program also is a key part of our diversity strategy. It enables Abbott to attract a diverse pool of well educated, highly motivated candidates and give them an opportunity to learn from our employees. The 2004 U.S. class of 250 interns came from 82 institutions and consisted of 55 percent women and 38 percent minorities. Every year since 2000, the program has been rated one of the best internship programs in the United States by The Princeton Review. On average, one-third of our summer interns go on to join the company.

Abbott's internship program also is the primary source of talent for our Professional Development Program (PDP), which is designed to further develop internal entry-level talent. The 2004 PDP class of 34 hires included 55 percent women and 32 percent minorities.

Employee Networks

In 2004, more than 8,000 of our employees participated in employee networks at the corporate and divisional levels, connecting individuals who share similar backgrounds and perspectives. Each of our networks is sponsored by a member of senior management, who assists with aligning the group's objectives with Abbott's business needs. The networks focus on career development, informal

networking, mentoring and work-life integration, including Women Leaders in Action, Black Business Network, Chinese Cultural Network, Bayanihan (Filipino) Network, Part-Time Network and the Latino/Ibero-American Network.

Diversity Around the World

In 2004, we continued our commitment to advancing diversity and inclusion within our operations outside of the United States.

- Three female executives were appointed to head our operations in Australia, Belgium and Israel, bringing the total number of women general managers to four.
- Four women – out of 19 participants – joined our Global Leaders Training Program, a two-week course that prepares high-potential executives to assume the role of general manager.
- Each international site also continued to encourage diversity in the workplace through the implementation of three goals designed to advance women leaders within the organization: mandatory growth planning and development; developmental assignments to support retention; and proactive recruitment.



Participants in the 2004 Abbott Global Leaders Training Program take part in a team-building activity during their two-week course in Dublin, Ireland.

Supplier Diversity

Abbott has a long-standing commitment to diversity in our purchasing practices. In the United States, we actively work to identify opportunities for women-, veteran- and minority-owned businesses, as well as businesses that are located in economic development zones. We work with government agencies, minority business groups and supplier diversity organizations to identify sourcing opportunities with disadvantaged businesses and other small businesses, and to provide guidance to these suppliers through our planning and outreach efforts. We are active members of supplier advocacy groups, including the National Minority Supplier Diversity Council and the Chicago Minority Business

Development Council Inc.; and we are participants in supplier diversity fairs and conferences across the United States, including Puerto Rico.

In 2004, we integrated our supplier diversity data into our purchasing database, which helps us track the growth of the number of our diverse suppliers by classification and set spending goals for each manufacturing location. Through our database, we can focus our spending where we can have a meaningful impact in a surrounding community. We are currently expanding the purchasing database to our facilities in Europe and Latin America, with plans to track global spending at more of our international sites in 2005.

Supplier Category	2001*	2002*	2003*	2004**
Minority-owned	\$121,000	\$135,000	\$150,000	\$138,000
Women-owned	\$107,000	\$113,000	\$138,000	\$139,000
Small business	\$792,000	\$780,700	\$761,000	\$820,000

* Dollars in thousands

** The spinoff of most of Abbott's hospital products business resulted in lower spend volumes, creating new baselines for these spend categories.



Aida Silva, OfficeZone CEO (first left front row), and members of her staff.

Supporting Supplier Diversity: OfficeZone in Puerto Rico

Abbott's commitment to supplier diversity is reflected in how we work with local entrepreneurs to support their businesses. At our Barceloneta, Puerto Rico, site, a major manufacturing location with six plants, we established a relationship with Aida Silva, the owner of OfficeZone, our primary supplier of office supplies on the island.

Silva was introduced to Abbott in 1996 as a sales representative for a supplier. In 2002, when the supplier informed Abbott that it could no longer service our company, Silva secured financing to launch her own office supply business, founded OfficeZone and offered her services to Abbott. Silva was awarded the Abbott account once she successfully completed the Abbott supplier assessment process, including confirmation of her financial and operational capabilities. Silva applied to the U.S. Small Business Administration (SBA) to be certified as a disadvantaged supplier. This certification makes OfficeZone a more attractive supplier to major U.S. companies operating in Puerto Rico. OfficeZone was officially certified as a small, women-owned supplier by the SBA in November 2004 and is now set for a new phase of growth.

We Focus on **Exceptional Performance**

Rich Sebben, an engineering technician in Abbott Global Pharmaceutical Operations, collects a water sample from the Abbott Park facility.



We focus on exceptional performance – a hallmark of Abbott people worldwide – demanding of ourselves and each other because our work impacts people’s lives.

Environmental, Health and Safety Performance

Abbott measures the performance of our operations not just by their contribution to the business, but by their health, safety, energy and environmental records. We have a policy that states we will operate in a manner that is protective of human health and the environment, and we have long established annual targets for improving our environmental, health and safety (EHS) performance.

In 2004, we set five-year performance goals to help reduce water usage, carbon dioxide emissions, waste, serious employee injuries and commercial vehicle fleet accidents. These are the areas in which we can generate the greatest environmental and financial benefits, and we intend to report each year on our progress.

Environmental data from all of Abbott’s global facilities is included in this report. More detailed information on EHS programs and data is available at www.abbott.com/citizenship/ehs.

Water Usage

Goal: Reduce Water Usage by 15 Percent by 2010, Normalized by Sales

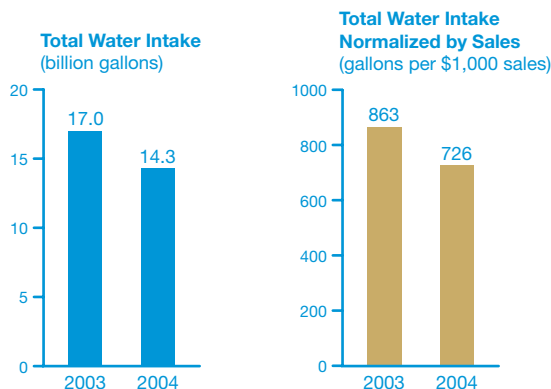
Access to water is a concern to Abbott and to many of our stakeholders. Approximately 20 percent of our manufacturing sites are located in water-stressed areas, according to a study completed in 2004 for Abbott by SustainAbility, a

UK-headquartered consultancy. By 2025, based on current manufacturing locations, the study projects that two-thirds of Abbott’s plants will be located in water-stressed areas. Abbott’s largest users of water are our bulk pharmaceutical and nutritional manufacturing facilities.

We are implementing a comprehensive water management strategy that goes beyond our past focus on discharge to a broader approach to overall water usage. As part of this approach, we will do the following:

- Develop objectives, standards and key performance indicators for water usage.
- Identify best practices within our operations.
- Perform an analysis of key products throughout their manufacture, distribution and use.
- Prioritize implementation at locations in water-stressed areas.
- Understand key water trends and stakeholder expectations, and modify Abbott’s global strategy as appropriate in order to meet our goal.

In 2004, the amount of water used by our facilities worldwide decreased by 16 percent on an absolute basis and when normalized by sales. The major factor driving this change is a reduction of water used in our bulk pharmaceutical business. The spinoff of most of Abbott’s hospital products business also contributed to the decrease.



Greenhouse Gas Emissions

Goal: Reduce CO₂ Emissions by 10 Percent by 2010, Normalized by Sales

The term “greenhouse gas” (GHG) encompasses a variety of different compounds, including carbon dioxide (CO₂) and a number of chlorofluorocarbons (CFCs). Abbott is not a significant emitter of CFCs. However, we measure our GHG emissions in terms of CO₂ emissions, which are almost entirely attributed to energy consumption.

We can break down our CO₂ emissions as follows:

41 percent results from fuel combustion activities at our operating locations; 46 percent is attributable to energy produced by third parties that we purchase to help power our operations; and 12 percent results from commercial fleet vehicle operation.



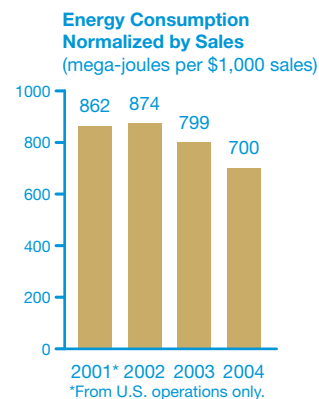
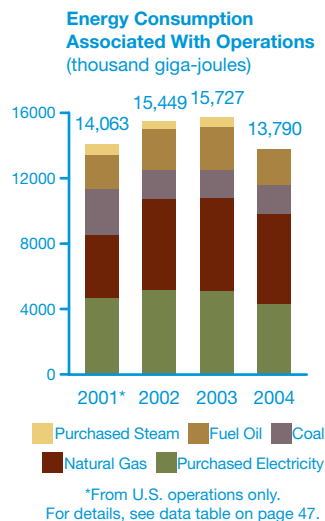
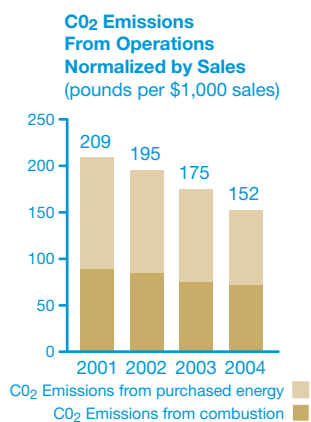
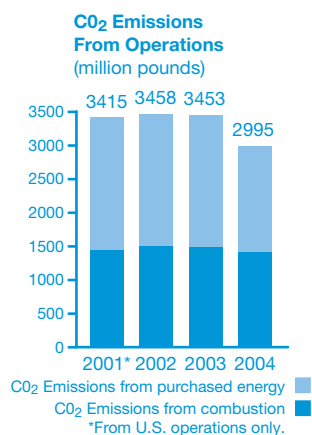
Claudio Monni, a mechanic and boilerman at Abbott Germany in Ludwigshafen, checks the installation of a cogeneration unit.

Our CO₂ emissions from operations decreased by 13 percent from 2003 to 2004, and 19 percent when normalized by sales.

We anticipate several changes in 2005 to the regulation of GHG emissions. The European Union (EU) is expected to formalize carbon allocations for industrial facilities, and the recently ratified Kyoto Protocol has come into effect. Abbott has received or will receive initial carbon allocations from the EU for our facilities in Ireland, Germany and Italy. We intend to invest in energy-saving improvements to our facilities, and, if needed, purchase carbon credits on the EU Carbon Market.

Abbott's largest energy users are our bulk pharmaceutical and nutritional manufacturing facilities. We seek to manage and reduce our air emissions by improving energy efficiency. We increase energy efficiency by using less energy to make the same amount of product and by consuming energy generated from more efficient processes. Because the energy we purchase from third parties is typically generated using processes that create more GHG emissions per unit of energy than the energy we generate ourselves, our strategy has also involved reducing our electricity purchases from third parties. For example, Abbott relies on energy generated by our cogeneration facilities in Italy, Germany, the United States, Puerto Rico and the United Kingdom, which are generally twice as efficient as traditional generation facilities.

In 2004, our absolute energy usage and absolute energy usage when normalized by sales decreased by 12 percent. A major factor affecting this change was the spinoff of most of Abbott's hospital products business. If we were to adjust the 2004 data for the sale, our energy usage increased by 3 percent on an absolute basis but decreased 11 percent when normalized by sales.



Waste Reduction

Goal: Reduce Hazardous Waste by 20 Percent by 2010, Normalized by Sales

Our waste management programs are designed to reduce hazardous waste by: reducing or eliminating generation; recycling waste back into a process; and putting the waste to beneficial use as a raw material in another manufacturing operation. Our bulk pharmaceutical operations are our most significant generators of hazardous waste, due to their use of chemical solvents, such as isopropanol and methylene chloride. We are reducing the quantity of solvents used by switching to water-based chemistry, which will reduce the amount of hazardous waste generated.

Hazardous waste generation decreased by 6 percent from 2003 to 2004, and decreased 4 percent when normalized by sales. Consistent with our strategy, the major reason for the decrease was the reduction of solvent waste generated by our bulk pharmaceutical manufacturing processes, which was achieved by increasing the quantity of solvents converted to beneficial uses, such as fuel substitutes or raw materials in other manufacturing processes.

Employee Health and Safety

Protecting the health and safety of our employees is of paramount importance to our company. We generally use two broad metrics to track employee health and safety – lost workday case rate and recordable incident rate.

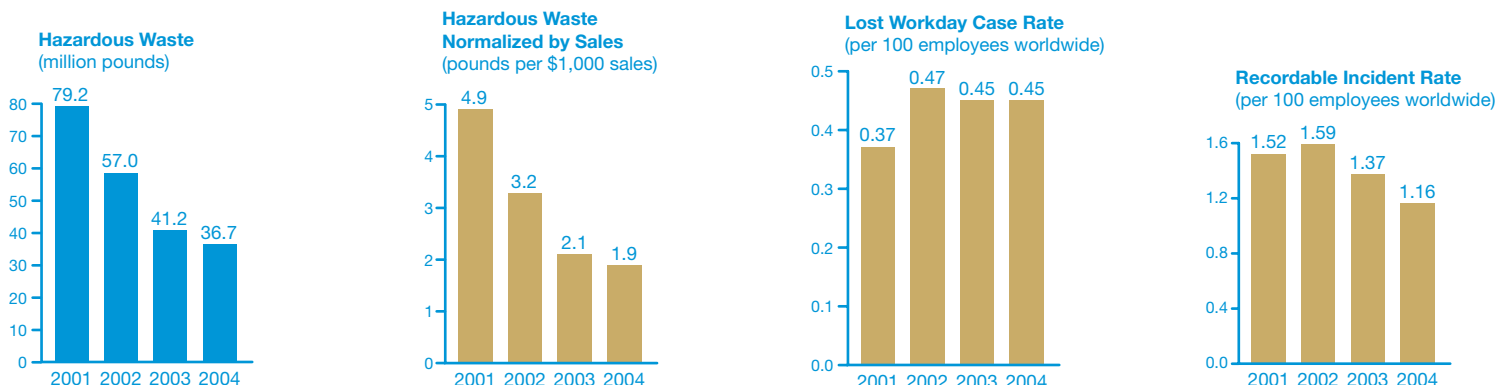
Lost Workday Case Rate Reduction

Goal: Reduce Lost Workday Case Rate by 10 Percent by 2010

Lost workday case rate is a measure of the most severe work-related injuries or illnesses that result in cases of missed time from work. To reduce our lost workday case rate, we are focusing on two aspects of employee health and safety: reducing the occurrence of ergonomic-related injuries companywide; and reducing car accidents among our sales force.

Our lost workday case rate in 2004 remained the same as our 2003 performance at 0.45 lost workday cases per 100 employees. The major factors affecting our performance are an increase in lost workday cases within our commercial organizations and a decrease in ergonomic-related injuries. In 2004, we recorded a 15 percent decrease in ergonomic injuries, and, as part of our program to analyze ergonomic risks and make improvements where possible, we undertook 54 projects at 17 locations in nine countries. In addition, we also performed more than 1,300 ergonomic evaluations of employee workstations.

Our safety performance also is measured by Abbott's recordable incident rate, which assesses the number of injuries or illnesses that require medical treatment. In 2004, Abbott's recordable incident rate improved by 16 percent compared to 2003, from 1.37 cases per 100 employees to 1.16. In 2004, our performance benefited from the spinoff of most of Abbott's hospital products business, but was partially offset by an increase in injuries in our commercial operations.



U.S. Fleet Accident Rate Reduction

Goal: Reduce the U.S. Fleet Vehicle Accident Rate by 10 Percent by 2010

Vehicle accidents are the leading cause of job-related deaths in the United States. Many employees in our commercial organization spend a significant amount of time on the road in company-provided vehicles. We now require in-vehicle training for all new commercial representatives and managers. This training increases the drivers' skills and provides them with a better understanding of the risks and preventive measures needed to stay safe on the road. Since 2001, Abbott has increased the number of commercial field representatives who have received in-vehicle training by 125 percent, to more than 2,500 employees in 2004.

In 2004, we also improved our systems for collecting accident data and implemented several elements of our

Global Fleet Safety Standard, including a requirement that managers complete at least two "commentary drive along" rides annually with each of their representatives. We believe these actions contributed to last year's 19 percent drop in the accident rate, which fell to 7.5 accidents per million miles driven. Vehicle damage expense also declined 16 percent, and third-party liability expense dropped by 55 percent. In 2005, we plan to expand the program to include a focus on non-driving related issues, such as reducing ergonomic injuries.

Employee Health

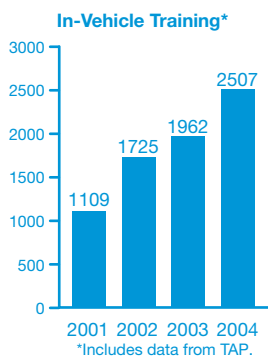
To continually improve employee health, Abbott employs occupational health professionals, including nurses and doctors, who promote employee health, focus on illness and injury prevention, and protect employees from work-related hazards. Our Global EHS Standard for Occupational Health Services requires that each Abbott facility maintains the expertise and resources required for a health services program. Seventy percent of our sites around the world currently meet the requirements of the standard. In addition, Abbott has installed 272 automated external defibrillators at facilities around the world. In 2004, we also developed and launched a Web-based training curriculum to enhance the occupational health-related skills and competencies of Abbott's EHS personnel.

Process Air Emissions

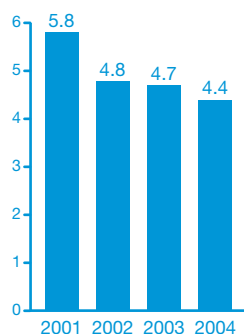
Process air emissions include both volatile organic chemical (VOC) emissions, such as methanol, and non-VOC emissions. Process air emissions declined by 6 percent from 2003 to 2004, and declined 8 percent when normalized by sales. The two major factors that explain the 2004 trend are a decrease resulting from the spinoff of most of Abbott's hospital products business and an actual increase in fugitive emissions from our bulk pharmaceutical operations.



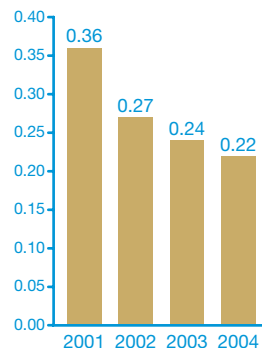
Our "Driving for Safety" computer-based interactive training program helps educate commercial personnel about driving safely, personal security and working safely from home offices.



Process Air Emissions
(million pounds)



Process Air Emissions
Normalized by Sales
(pounds per \$1,000 sales)



Nonhazardous Waste

Nonhazardous waste generation decreased by 22 percent from 2003 to 2004, and decreased 23 percent when normalized by sales. This resulted from a reduction of packaging waste and solid wastes from wastewater operations, and from the spinoff of most of Abbott's hospital products business.

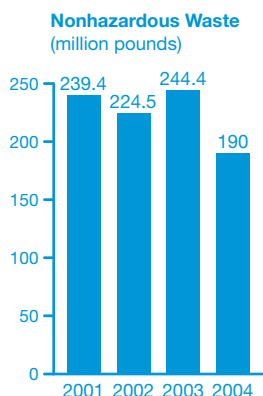
EHS Management Systems

Abbott's EHS policies are implemented through the application of eight management standards and 26 technical standards. The EHS Executive Council, composed of the heads of our manufacturing businesses and senior EHS executives, and chaired by a corporate officer, sets the priorities for all of our facilities and makes resources available to meet those needs. The Commercial EHS Executive Council, which also is chaired by a corporate officer, sets and implements EHS goals and objectives for Abbott's commercial operations around the world.

Our EHS strategy is to provide technical expertise close to our operations, where it is most needed, while simultaneously centralizing some functions within our global EHS structure.

During 2004, we strengthened our EHS-specific management system by updating standards and creating new programs where needed. We also installed new Web-based information systems that increase our efficiency and transparency, and are designed to improve our performance in the following areas:

- **Compliance:** We have implemented, in more than 90 percent of our major facilities, an integrated, multilingual system for reporting, managing and documenting significant EHS issues.
- **Knowledge sharing:** We are continuing to improve our global EHS portal, where we store and maintain information about occupational health, process safety, loss prevention, radiation health and our Global EHS Standards.
- **Data collection:** We use two databases to collect and report EHS metrics to Abbott senior management on a quarterly basis.



Emergency Preparedness

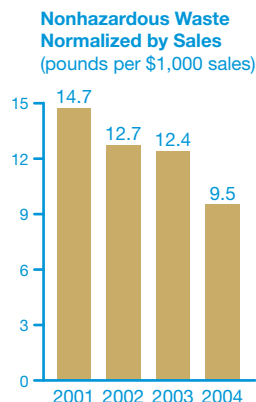
We updated our emergency response plans for all manufacturing, research and development and key commercial sites worldwide. All sites also conducted practice drills to test their site-specific emergency response plans and personnel. To enable rapid mobilization and deployment of specialized personnel to respond to emergencies, we also formed and trained three regional EHS Response Teams, which are based in North America, Latin America and the Caribbean, and Europe.

In 2005, we plan to conduct emergency drills at manufacturing sites around the world, and additional training will be provided to our newly formed EHS regional response teams.

Green Chemistry

Our Green Chemistry program seeks to eliminate or reduce the amount and number of toxic substances used in our manufacturing processes. In 2004, we achieved the following:

- Eliminated four solvents from the production process for *Xinlay*, our experimental treatment for late-stage prostate cancer, reducing the solvent amount used by 75 percent and increasing productivity by up to 50 percent. We also completely eliminated one toxic waste generated during the manufacturing process and reduced another toxic waste by 77 percent.
- Switched from use of a flammable solvent to water in the production of *30-A Linker*, a diagnostic reagent. The new process is safer, generates significantly less waste and increases product yield by 40 percent.
- Improved the process safety profile for the manufacturing process for *Dilaudid*, an analgesic, by eliminating the use of hydrogen.
- Eliminated the use of a volatile organic chemical solvent during the manufacturing process of a pharmaceutical product that we produce for another company.



EHS Compliance

Abbott's Global EHS audit function systematically evaluates our EHS-related performance and compliance status. These periodic assessments serve several purposes, including identifying significant risks to employees, the environment and the company; fostering continual improvement; developing staff expertise; and promoting knowledge transfer. Abbott facilities are typically audited once every 36 months to assess compliance with regulatory and internal requirements. If noncompliant situations are found, audited facilities are responsible for developing and implementing action plans, which are tracked through completion. In 2004, Abbott completed 21 EHS facility audits at 12 international and nine U.S. facilities.

Notices of Violation

A Notice of Violation (NOV) is a term we use for any written citation from a regulatory body in any jurisdiction where we operate that identifies an alleged nonconformance with an applicable EHS requirement. This term does not include letters of warning or other pre-enforcement notifications. Abbott received 20 NOVs in 2004, the same as in 2003. Penalties increased from zero in 2003, to \$27,091 in 2004. The 20 NOVs are related to water and air pollution control discharge limits, CFC and leak detection and repair programs, hazardous waste, safety practices, and late filings. We are addressing these concerns, and have resolved most issues to the satisfaction of the government

agency involved. We work regularly with the U.S. Environmental Protection Agency and other government agencies to ensure that our operations are in compliance with the latest standards, and that our performance continually improves.

Notices of Violation	2001	2002	2003	2004
Total	28	25	20	20
Penalties	\$8,514	\$3,500	\$0	\$27,091

Property Remediation

As part of our EHS management system, we have requirements for protecting Abbott-owned property from environmental harm. If a problem occurs, we work to remediate the situation and minimize the impact. As a result of past problems, we are engaged in investigating potential contamination at one Abbott-owned site and actively managing property remediation projects at five other sites, all of which are Abbott-owned sites or ones that Abbott has sold but retained responsibility. Additionally, Abbott is identified, along with many others, as a potentially responsible party in property investigations or remediation at 17 waste management locations owned by others in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation and Liability Act.

OSHA/Abbott Alliance Update

In 2004, we expanded our role in the U.S. Occupational Safety and Health Administration (OSHA) Alliance program, through which organizations with safety and health expertise partner with OSHA to help prevent injuries, illnesses and fatalities in the workplace. Through this initiative, we identified new opportunities to work with the nursing home industry to develop practical programs and processes to help reduce injuries and illnesses suffered by employees.

Abbott and OSHA are also collaborating with another Alliance participant, Georgetown University's Center for Business and Public Policy, to develop case studies for business schools to teach students about the business value of effective health and safety programs. Additionally, Abbott's expertise in contractor safety in Puerto Rico led to a regional alliance with OSHA Region 2 and Puerto Rico OSHA (PROSHA) to improve the safety and health of employees in the construction industry, which was identified as a priority on the island. Through the regional program, our employees working with PROSHA and OSHA will provide worker health and safety training and education programs to small- and medium-size contractors and their employees. For more information about the program, visit www.osha.gov.



Signing the PROSHA/OSHA/Abbott Alliance agreement. (From left: Harry Rodriguez, vice president, Abbott Puerto Rico Operations; Jose I. Droz-Alvarado, assistant secretary for Occupational Safety and Health, PROSHA; Roman H. Velasco Gonzalez, secretary, Puerto Rico Department of Labor; Patricia K. Clark, regional administrator, Region 2, OSHA, U.S. Department of Labor.)



Leadership in EHS

A Conversation With John Landgraf, Senior Vice President
and President, Abbott Global Pharmaceutical Operations,
Abbott Park, Illinois, United States

What is the role of Global Pharmaceutical Operations?

Global Pharmaceutical Operations (GPO) is the manufacturing and operations organization within Abbott's Pharmaceutical Products Group. We are responsible for manufacturing and distributing bulk active pharmaceutical ingredients, and oral and injectable final-dosage pharmaceutical products; and supporting the planning and distribution of nutritional products sold by our international commercial division.

GPO also provides engineering services and oversees environment, health, safety (EHS) and energy for the entire company. My job is to make sure that EHS issues are addressed across the company, that adequate resources are provided, and that senior management and the board of directors are well informed about our progress and challenges.

What are Abbott's biggest EHS challenges over the next five years?

Our biggest challenge will be to manage change. We are gradually shifting our pharmaceutical business from chemical and fermentation processes to biologic and potent drug processes. That change will improve our environmental footprint, but we need to manage the transition without any significant incidents. In our diagnostic and nutritional businesses, we will have to develop better programs for our instruments and nutritional pumps when they reach the end of their useful product lives. Also, in order to achieve our objectives we must continue to improve how we engage and address the needs of our stakeholders – including our customers, regulatory agencies, nongovernmental organizations and the communities in which we operate.

How will Abbott achieve its EHS goals?

We have very clear, specific, five-year EHS goals that link to our organization's focus on people, products and processes. To be successful, Abbott managers must make EHS a key priority. We have to ensure that employees are empowered, work safely and are supported by management. It's also important that our people use their expertise to improve the community. For example, some of our EHS experts volunteer in Tanzania to improve environmental and infection control standards at Muhimbili National Hospital.

In terms of our products, we need to factor environmental considerations into the development process from the beginning. Many of our products are highly regulated, which means it can take a long time to make any changes in their design or manufacture. Because of this, we need to start early. In pharmaceuticals, it might mean working on environmental issues 10 years before the product reaches the market.

Finally, we will work harder to design processes, facilities and offices in ways that improve our environmental stewardship.

People Performance

Achieving top-tier results requires continually improving work force performance at the highest possible level. Abbott has a number of programs in place designed to allow all employees to achieve their highest level of performance and grow into leaders of the company. Abbott invests approximately 4 percent of global payroll dollars in employee training each year. In 2004, more than 2,600 Abbott leaders from around the world attended corporate leadership programs, representing a \$2.2 million investment.

Leadership Development

To help employees develop their leadership skills and advance within the organization, we have implemented a comprehensive training and development curriculum for leaders at every level. The core program, known as Leading the Way: A Journey to Leadership Excellence, is designed to ensure that leaders at all levels have the ability to create a climate that responds to the changing demands of our business environment. Abbott also employs a company-wide talent management review process that measures managers' business performance and leadership behaviors against established competencies. The annual process consists of a series of talent review meetings that take place at the functional, business, divisional and executive levels, with the executive reviews led by our most senior leaders, including our chairman and CEO. At each

level, teams identify talent for current and future leadership opportunities, and the development actions required to prepare these employees for more senior positions.

Performance Excellence

Every Abbott employee around the world participates in our annual performance management process, known as Performance Excellence. Employees work with their managers to assess their ongoing performance, set new goals and objectives, and create career development plans. The process helps employees align their work priorities with the broader objectives of the organization, champion the business strategy and understand expectations.

Advances in Mentoring

In 2004, we strengthened existing mentoring initiatives by creating a corporate-wide, online mentoring program. The intranet-based program links employees and mentors at various levels of the organization and throughout our operating divisions. The system helps employees identify potential mentors within the context of their career development plans. The tool also engages mentors in the process of finding protégés who are looking for particular skills or experiences that the potential mentors may possess.

Externally, we continued our long-standing partnership with Howard University in Washington, D.C., United States, by sponsoring a case competition with its School of Business Executive Honors Program. We also mentored students through its School of Engineering's Adopt-a-Team Program.



Stacey Heulsing-Dhein, managed care executive in our Ross Products Division, is one of 16 field personnel who drives a hybrid electric-gas vehicle.

Hybrid Electric-Gas Vehicles

In 2004, Abbott launched a three-year pilot program in the United States to test hybrid electric-gas vehicles (HEVs). Sixteen commercial sales representatives volunteered to test Toyota Prius vehicles. We are gathering performance data on numerous parameters, including gas mileage, routine and demand maintenance, overall handling, road noise, ventilation systems, safety, space/capacity, and comfort. The initial feedback from our sales representatives is very positive. The Prius' fuel efficiency will save us an estimated 7,600 gallons of fuel per year for the 16 vehicles in the study, with a related reduction in greenhouse gas emissions. While this fuel efficiency translates to some cost savings, the project has significant capital costs that will need to be balanced against environmental benefits. Pending acceptable findings from this study, the HEV program may be expanded.

A Respectful and Responsive Work Environment

Employee performance begins with the work environment itself. We understand that in order for employees to be most effective on the job, they must be encouraged to find an acceptable balance between the demands of their personal lives and the challenges of their work obligations. Our senior management team is committed to creating a work environment that allows employees to reach their full potential. Our success in helping employees depends on our ability to monitor emerging work/life issues, educate managers on societal trends, and help translate our company policies and programs into practice.

In 2004, we introduced two new employee benefits programs in the United States and also enhanced an existing U.S. employee benefit:

- We created a new paternity leave policy, offering new fathers two weeks of paid time off. Through the end of 2004, 75 percent of eligible employees took advantage of the benefit.
- In partnership with Working Mother magazine, we launched "Business Backs Breastfeeding," a flexible workplace program designed to help companies provide more effective support for mothers who choose to continue breastfeeding after returning to work. We enhanced our lactation program to offer counseling in addition to dedicated breastfeeding rooms, further supporting mothers' ability to choose their infant nutrition options.
- Our adoption leave benefit, which provides \$10,000 and two weeks paid time off for associated travel and legal expenses, can now be used before the adoption is finalized or within 15 weeks after the adoption is finalized for purposes of caring for the child.

Competitive Compensation and Benefits

Abbott's total rewards program combines elements of base pay with a broad array of benefits and opportunities for growth and development, and is intended to compare favorably with the programs of other leading health care companies in the global markets in which we compete for talent. Abbott's compensation philosophy is to pay for performance. On average, total compensation is targeted to be competitive at the median of other leading health care companies, and for some positions at the median of companies within local job markets. Individual pay may vary based on an employee's competency, experience and performance.



Alice McCaslin, senior financial analyst in Abbott Global Pharmaceutical Operations, took advantage of our new adoption leave benefit to care for her daughters, Joy and Jenna.

We Strive to Earn the Trust of Those We Serve

Sujata Dayal, a divisional ethics and compliance officer, works closely with our U.S. commercial employees to ensure compliance with our policies and procedures.



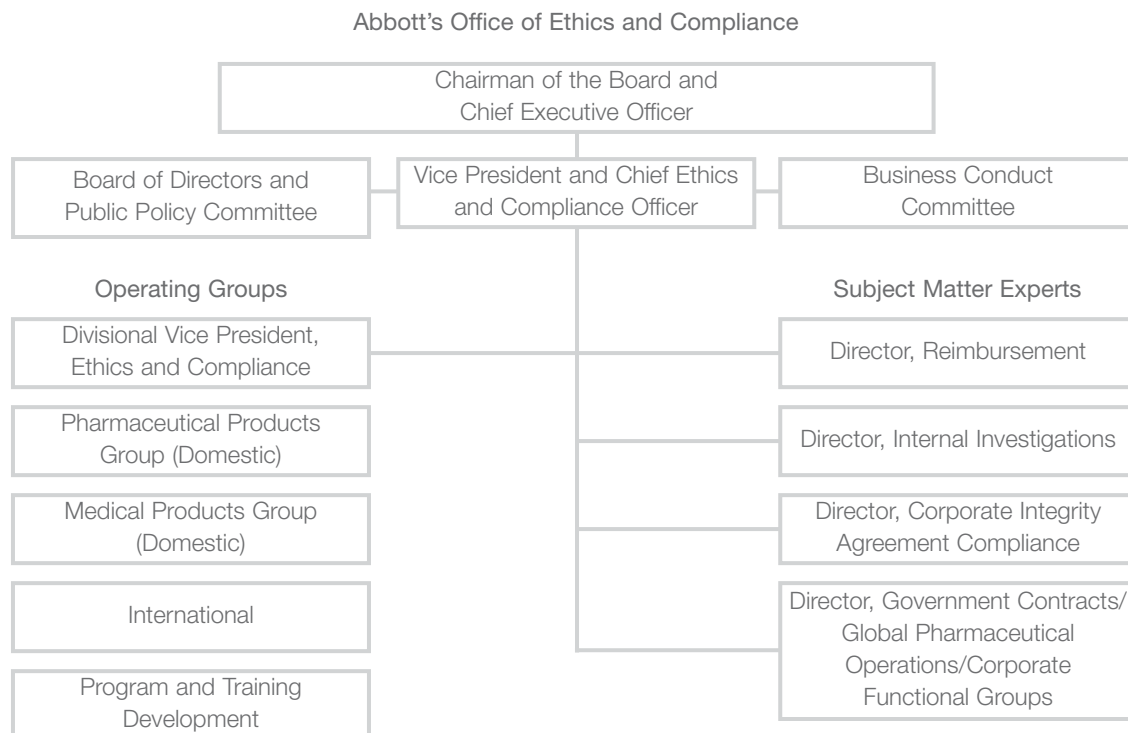
We strive to earn the trust of those we serve by committing to the highest standards of quality, excellence in personal relationships, and behavior characterized by honesty, fairness and integrity.

The trust people place in the products we develop, and in our company, is something we have worked to earn, and continually strive to maintain. Safeguarding that trust requires us to promote a culture at Abbott that encourages ethical conduct and compliance with the law. We have built an array of processes and systems to ensure that our company meets the highest standards of corporate governance, ethical conduct and product quality. Our commitment extends to every Abbott employee around the world, as well as to our contract workers, agents and suppliers.

Ethics and Compliance

Abbott's Office of Ethics and Compliance (OEC) is led by a vice president and chief ethics and compliance officer who reports directly to our chairman and CEO.

The chief ethics and compliance officer makes periodic status reports to the Public Policy Committee of Abbott's board of directors and presents an annual report to the full board. This officer also chairs the company's Business Conduct Committee, which oversees implementation of our ethics and compliance program. The structure of the OEC includes operating-unit personnel and corporate subject-matter experts with company-wide responsibility.



Global Ethics and Compliance Program

Globalizing our ethics and compliance initiatives in a manner that respects different cultures and values around the world is one of our highest priorities. The OEC is in the process of creating regional director positions to help achieve this objective.



Abbott's Code of Business Conduct is available in 35 languages.

Our Code of Business Conduct, which was updated in 2003 and provides guidance on business practices and conduct to all employees, is now available in 35 languages and can be accessed at www.abbott.com/investor/codebusinessconduct/index.html.

Training

We launched a number of updated Web-based ethics and compliance training programs in 2004.

- Code of Business Conduct Overview: Provides employees with an understanding of the updated code by outlining our fundamental business practice policies and principles. The program helps employees understand Abbott's expectations for conducting business in an ethical manner in every area of our organization. Annual certification by all employees is required.
- Health Care Fraud and Abuse: Helps employees recognize situations related to Abbott health care fraud and abuse policies and procedures, determine the proper course of action, and identify appropriate resources.
- Operating Procedures for Program Funding: Helps employees apply Abbott's policies and procedures to their interactions with health care professionals.

In 2004, nearly 14,000 employees in the United States and Puerto Rico participated in our ongoing Legal and Ethics Resource Network (LERN) program, a Web-based training system designed to increase awareness of the legal and ethical implications of business decisions. The program provides users with information on a broad range of topics, including fraud and abuse, conflicts of interest, antitrust, insider trading, and careful communications.



Globalization of the Office of Ethics and Compliance

A Conversation With Brian Shoup, Divisional Ethics and Compliance Officer, Abbott International, Abbott Park, Illinois, United States

What is the global ethics and compliance program?

Ethics and compliance are not new concepts for Abbott affiliates; these organizations have always had their own programs and have been successfully operating in complex environments for years. However, by globalizing our ethics and compliance program, we are ensuring that our employees around the world share a common understanding of our ethical standards and principles, and are equipped to make good decisions in the markets in which they operate.

What is included in the global compliance program?

Key elements of our program include development and frequent engagement of a compliance committee of senior managers in each country; identification of gaps in existing policies and procedures in each affiliate; and ongoing employee training. Implementation at each of our 80 international affiliates and sites is supported at the corporate level by regular on-site visits from my team that allow us to monitor progress in each country.

How and when will this program roll out?

An effective ethics and compliance program must be implemented country by country, with a keen sensitivity to the cultural traditions, dynamics of the business market and local affiliate impact. There is no way to generalize a region.

In 2004, we held a meeting of all of our general managers in most of the Pacific, Asia and Africa. Our focus was to educate these leaders on the program and determine how to best fit each affiliate's existing initiatives under the corporate ethics and compliance umbrella. We will expand the program to Europe, Japan, Latin America and Canada in 2005.

How do you account for cultural barriers in launching this global program?

The translation of the Abbott Code of Business Conduct into many different languages is key to the success of our program. It is an ongoing challenge, however, to present the information in a meaningful and consistent way to our affiliates, because so much varies from country to country. We help employees apply the standards and be successful contributors to the organization.

How will Abbott ensure accountability within each affiliate?

Accountability is achieved through engagement. Employees must feel a sense of ownership in implementing our ethics and compliance program, going beyond a corporate requirement to a way of doing business. By engaging employees, particularly the senior managers who lead local compliance efforts, we are able to set priorities in each operating country, track external issues that affect the business, and address local market needs. We can then translate this information to the broader employee base in a way they can understand.

We require our commercial marketing and sales personnel to undergo additional training with regard to marketing, promoting and selling our products. In the United States, we have a set of Operating Procedures for Program Funding that incorporates both the Pharmaceutical Research and Manufacturers of America and AdvaMed codes of conduct – industry standards for the pharmaceutical and medical device industries, respectively. Outside of the United States, Abbott has issued Promotional Practice Guidelines in more than 50 countries. All Abbott affiliates are required to follow applicable industry codes and standards in their respective countries and regions.

Our Ross Products Division is operating under a five-year Corporate Integrity Agreement with the Office of Inspector General of the U.S. Department of Health and Human Services related to the sale, marketing and promotion of enteral products. In 2004, all Ross employees completed training focused on Abbott's Code of Business Conduct and the requirements of the agreement. In addition, approximately 700 of those employees completed an additional four hours of specific training.

Communications

We recently enhanced our Ethics and Compliance Helpline program to include a Web-based system that allows employees to seek guidance on various ethics and compliance issues directly from our intranet site. Abbott takes every employee complaint or concern seriously. Each employee communication is reviewed promptly, according to standard procedures, by an ethics and compliance officer. Abbott does not tolerate retaliation against anyone who makes a good-faith report regarding a violation or potential violation of the code. The code requires that complaints or concerns regarding accounting, internal accounting controls or auditing matters be promptly communicated to Corporate Internal Audit or the OEC. We continually monitor the nature of employee inquiries, and make appropriate adjustments to our training and communications.

Promoting Higher Ethical Standards

In 2004, Abbott joined with leading business schools and other companies to support the Business Roundtable's Institute for Corporate Ethics, which is housed at the Darden Graduate School of Business Administration at the University of Virginia, United States. The institute will conduct research, create a cutting-edge business ethics curriculum, lead executive seminars on business ethics, and develop best practices in the area of corporate and business ethics.



Michelle Fokakis, Abbott Diagnostics Global Service and Support, performs preventive maintenance on an *Architect ci8200* system.

Customer Relations

Nurturing the trust of our customers requires continual dialogue. Abbott utilizes several processes to listen to our customers, provide high levels of service, and integrate their feedback into the development of our products and the improvement of our services. We have dedicated help desks, extensive customer relationship management databases and Web-based communication channels. We use these systems to gather, consolidate and track customer feedback. In addition, we systematically monitor customer satisfaction through third-party market research and syndicated surveys. Our sales representatives are trained to provide important information on product efficacy, safety and dosing, as well as information on formulary status.



Promoting an Ethical Culture

A Conversation With R. Edward Freeman, Olsson Professor of Business Administration and Co-Director of the Olsson Center for Applied Ethics, Darden Graduate School of Business Administration, University of Virginia, United States

What does it mean for a corporation to have an ethical culture?

To have an ethical culture, companies must continually ask themselves: “How does our basic value proposition affect each of our key internal and external stakeholders?” Companies need to grapple with the trade-offs among their stakeholders and be committed to improving the various outcomes. During the recent corporate governance scandals, companies suffered severe consequences when they failed to understand how their actions affected their customers and shareholders. Every company needs to determine whether it is dedicated to restoring public trust in corporations; if not, it will simply remain part of the problem.

What can leaders do to promote an ethical culture?

There must be a live conversation about ethics in the business every day in order to demonstrate that ethics is important. An ethical leader needs to use every opportunity to embody and articulate the organization's purpose and values. But the most important thing he or she can do is create a culture that encourages employees to speak up and question authority – an environment that demands that multiple opinions and perspectives on tough business issues be heard. This will not just happen – it needs to be designed. For values to work, employees must have the power to challenge decisions and push back if the company isn't living up to its stated commitments.

How can a company address differences in values across cultures?

My research suggests that there are very few real differences in values. If you ask people the three values they want to teach their children, the responses are remarkably similar all around the world. The tensions are usually due to differences in cultural contexts, not differences in values.

How should companies and their employees handle ethical problems that have no clear answers?

In such cases, I think it can be very useful to create a series of questions to help the members of your organization think about difficult ethical issues. These are questions such as:

“Are there any rights or principles at issue here?”

“What kind of company or person will we be if we take this action?”

“Can I go home and tell my family what I did today?”

As an ethical leader, knowing the questions you want your team to ask is an important task. Not everyone will have the same questions. However, if individuals, as well as companies, can consider such questions when facing ethical challenges, the risk of a damaging surprise should be decreased. Difficult ethical problems will still surface and need to be addressed at the most senior levels of the organization, but the CEO should feel confident that the employees have first reflected seriously on the ethical implications of their recommendations.

Professor Freeman is also academic director of the Business Roundtable Institute for Corporate Ethics. More information about the institute can be found on its Web site, www.corporate-ethics.org.

Working With Suppliers

In 2004, Abbott purchased an estimated \$10 billion in goods and services from suppliers worldwide, with nearly \$7 billion of these purchases made from suppliers who support our facilities in the United States and Puerto Rico.

Abbott's purchasing practices and programs reflect our commitment to achieving high ethical standards in our business relationships with suppliers. Our Supplier Code of Conduct addresses issues related to environment, health, safety, diversity, human rights and the ethical treatment of animals in research, and provides guidelines for supplier relations with our employees. Suppliers are expected to comply with the Supplier Code of Conduct, as well as with relevant portions of Abbott's Code of Business Conduct. Abbott's Office of Ethics and Compliance partners with the Purchasing function to oversee supplier and employee compliance with the Supplier Code of Conduct. A copy of the Supplier Code of Conduct is available at www.abbott.com/citizenship/pdf/Supplier_Code_of_Conduct.pdf.

During 2004, we conducted mailings and face-to-face meetings, and we used our Web site to reinforce awareness of the code. In 2005, Abbott will develop translations of the code to expand its distribution to suppliers outside of the United States.



Our online module on Abbott's purchasing policies and procedures trains employees on the Abbott Code of Business Conduct.

Training

In 2004, we continued our commitment to educating our Purchasing staff on the issues critical to successfully managing our supply chain. The Purchasing training department conducted more than 390 training sessions representing more than 6,160 training hours on a number of procurement issues, including purchasing procedures, ethics, diversity

guidelines, the code, international law, cultural awareness and compliance with import laws. We also developed an online employee-training module on our purchasing policies and procedures to increase understanding of and compliance with all guidelines.

Supplier Assessment Surveys

In 2004, we solicited input from more than 100 key U.S.-based suppliers in a preliminary assessment of global citizenship and its role in the supply chain. Through this online survey, we learned more about our suppliers' internal codes of conduct and compliance management systems regarding labor, employment, environmental, health and safety issues. The results of this voluntary pilot program, which was completed late in 2004, indicated that 73 percent of the respondents have their own supplier code of conduct; 87 percent of these respondents have a formal human rights/labor policy; and 83 percent have a formal EHS policy. In 2005, the survey results will be used to develop key metrics to determine our future engagement with these suppliers and to design possible future assessments.

Product Quality

In 2004, we improved our performance in both internal and external quality inspections, and we developed greater consistency in our worldwide quality processes. More than half of Abbott's sites have now implemented our Global Quality System (GQS) tool, a business process and system designed to standardize our approach to quality and compliance that replaces more than 50 electronic and paper processes. Additionally, we fully deployed our Master Quality Business Plan across our manufacturing and operating divisions to help ensure Abbott's production and delivery of high quality, safe and effective products through globally consistent quality standards.

Our progress on our quality management systems was supported by an internal awareness campaign to inform employees about recent organizational changes, current quality initiatives and emerging business strategies.



Critical Issue: Counterfeit Products

In 2004, Abbott investigators found counterfeit *Reductil*, Abbott's antiobesity medication, sold through an Indonesian online pharmacy. The authentic capsule is on the left, and the two on the right, without crisp and clear print, are imposters.

According to the World Health Organization, annual sales for all counterfeit drugs top \$35 billion.

The U.S. Food and Drug Administration estimates more than 10 percent of medicines sold internationally are fakes. Counterfeiting, theft and diversion of prescription medicines jumped 16 percent in 2004, and the United States reported 76 incidents – more than any other country. Within U.S. borders, these problems are happening due to a secondary wholesale market that is susceptible to stolen, compromised or counterfeit medicine. However, no matter where counterfeit products surface in the world, they have widespread implications for unsuspecting patients and legitimate pharmaceutical manufacturers.

The integrity of our products is a critical issue for our company. We took a number of measures in 2004 to help ensure the safety of our products and reduce the ability of counterfeiters to operate.

- We launched a direct sourcing initiative. All Abbott distributors and wholesalers for pharmaceuticals and diabetes care devices in the United States signed agreements to buy Abbott products directly from the company.
- We created a Global Product Protection group to provide security and investigate reports of counterfeit products.
- We began pilot use of Radio Frequency Identification (RFID), a technology that allows every bottle or package to have a unique serial number, and contains several pieces of data that must match Abbott records.
- We introduced special markings to make our products more difficult to copy, including color-shifting inks and tamper-evident labels. We plan to add markings to our top 20 medicines by the end of 2006.

We are committed to reducing the opportunity for counterfeiters to make fake versions of our products. Abbott, however, cannot solve this problem alone. Counterfeiting is a global issue that will require the joint commitments of businesses, consumers, industry associations and governments.

We Sustain **Success**

Jos Siero, of our logistics site in Zwolle, Netherlands, helped with efforts to ship Abbott's nutritional, pharmaceutical and hospital products to aid the victims of the Indian Ocean tsunamis. Abbott donated \$5.5 million in funding and products to tsunami relief efforts.

We sustain success – for our business and the people we serve – by staying true to key tenets upon which our company was founded over a century ago: innovative care and a desire to make a meaningful difference in all that we do.

Building a business that achieves healthy growth year after year requires us to look outside our company to the people our work affects, in the communities where we live and work, and to many other stakeholders around the world.

In 2004, our total social investment from the Abbott Fund, corporate philanthropy, patient assistance programs, humanitarian relief and AIDS-related programs reached millions of people worldwide with a total value of more than \$300 million, up from \$225 million in 2003.

Access to Our Products: U.S. Programs

Several Abbott programs help patients in the United States who are uninsured, financially disadvantaged and not eligible for publicly funded prescription coverage:

Abbott Patient Assistance Program

Our Patient Assistance Program (PAP) provides free medicines to low-income individuals who do not have or do not qualify for prescription drug benefits through private insurance or government-funded programs, such as Medicaid, Medicare or AIDS Drug Assistance Programs. Since this program launched in 1996, Abbott has provided free medicines to hundreds of thousands of patients. In 2004, the Abbott PAP assisted more than 190,000 patients and provided free medicines valued at approximately \$126 million.

Humira Medicare Assistance Program

The *Humira* Medicare Assistance Program (MAP) provides *Humira*, Abbott's rheumatoid arthritis medicine, at no cost to Medicare-eligible patients who do not have prescription drug coverage. In 2004, Abbott's *Humira* MAP assisted more than 10,000 patients and provided free *Humira* valued at approximately \$109 million. This program is available to eligible Medicare enrollees without prescription drug coverage until a Medicare drug benefit is enacted.

Expanded Medicare Assistance Program

Abbott's Expanded Medicare Assistance Program provides significant cost savings on Abbott medicines for low-income seniors and other eligible Medicare beneficiaries. Abbott has partnered with government-approved drug-discount programs to offer a number of Abbott's chronic-care prescription medicines for a flat, monthly price. Enrollees who have exhausted their \$600 annual Medicare credit are eligible for the \$5 and \$12 monthly prescriptions offered through Abbott's Expanded MAP and administered through participating Centers for Medicare & Medicaid Services-endorsed discount cards. The program, introduced in June 2004, provides interim assistance to Medicare beneficiaries until Medicare's voluntary prescription drug coverage becomes available in 2006.

Beyond Abbott's initiatives, we continue to collaborate with other pharmaceutical companies to help expand access to medicines in the United States.



Together Rx

Abbott is proud to be a founding member of the Together Rx Card. The program provides savings on medicines from multiple pharmaceutical companies to eligible patients who have no insurance or alternate sources of funding. With more than 1.4 million cardholders, the Together Rx Card has become the most widely enrolled prescription savings card for low-income Medicare beneficiaries since it was introduced in 2002. It has helped seniors and other Medicare-eligible individuals save more than \$575 million on more than 155 FDA-approved brand-name prescription medicines to date. This program will continue to operate as a separate, private-sector program that complements the Medicare-approved drug discount card until Medicare's voluntary prescription drug coverage becomes available in 2006. For more information, visit www.togetherrx.com.

Together Rx Access

Abbott also is a founding member of Together Rx Access, L.L.C., a new initiative created to help eligible uninsured Americans gain broad access to and meaningful savings on prescription products. Through the Together Rx Access Card, multiple pharmaceutical companies offer savings on more than 275 brand-name prescription medicines and products, as well as a wide range of generic products, at pharmacy counters. These products include those used to treat diabetes, hypertension, high cholesterol, cancer, allergies, asthma, arthritis and depression, which are among the most common conditions affecting Americans. Approximately 36 million uninsured Americans may be eligible for this card. The program provides savings of approximately 25 to 40 percent, and sometimes more, on these prescription products directly from the manufacturers. Together Rx Access also directs individuals to industry resources for obtaining coverage or products. For more information, visit www.togetherrxaccess.com.

Global HIV/AIDS Initiatives

Abbott is investing \$100 million over five years in our AIDS-related programs to address critical needs. At the end of 2004, our results included the following:

Product Access in Developing Countries

Through our Abbott Access program, we continue to make Abbott's HIV medicines and rapid HIV test available to

people in 69 developing countries, including all of Africa, at a loss to our company. In 2004, we shipped 11.7 million tests, bringing our total shipment to 25.5 million tests since the program's launch. By the end of 2004, we hosted symposia for approximately 1,500 physicians in developing countries on HIV management and treatment options. More information on Abbott Access is available at www.accesstohivcare.org.

Prevention of Mother-to-Child Transmission of HIV

Through our *Determine* HIV Donation Program, we provide our rapid test free of charge to qualified programs aimed at preventing mother-to-child transmission of HIV in developing countries. We expanded the program to include testing for immediate family members of those women who test positive for HIV. By the end of 2004, we donated 1.7 million tests. More information on our *Determine* HIV Donation Program is available at www.pmtctdonations.org.

Capacity Building in Tanzania

Tanzania Care – a partnership between the government of Tanzania and the Abbott Fund – is aimed at modernizing the country's public health care facilities and systems, and improving services and access to care for people living with HIV/AIDS. Our work includes the construction of a modern outpatient treatment center and the establishment of a state-of-the-art hospital laboratory – equipped with Abbott instruments and diagnostics – at Muhimbili National Hospital in Dar es Salaam, the largest public health institution in Tanzania. Both facilities will be operational in 2005. Voluntary counseling and HIV testing services and facilities also have been introduced at 77 locations throughout Tanzania, and more than 40,000 people have been tested since the program began in 2002. More information about Tanzania Care is available at www.tanzaniacare.org.



The *Determine* HIV Donation Program – targeted to reduce the incidence of mother-to-child transmission of HIV/AIDS – donated 1.7 million tests by the end of 2004.



Picturing Hope

In 2004, the Abbott Fund sponsored Picturing Hope, a project designed to provide children impacted by HIV/AIDS, ages 8 to 18, with resources to explore their feelings, strengthen their sense of self, and share their stories, hopes and dreams. In the five inaugural countries where Picturing Hope has programs – Burkina Faso, India, Mexico, Romania and Tanzania – 155 children were provided a positive, safe and open forum in which they could engage each other and the broader community.

Picturing Hope's key learning tool is photography. With donated cameras, the children ventured out in supervised groups to interview and photograph people from the surrounding community. Favorite photos were chosen and discussed, individually and as a group, and the children examined the larger story their individual photos tell. The children also were encouraged to keep journals to further their lessons in self-expression.

Their stories became an exhibit, which debuted at the 2004 International AIDS Conference in Bangkok, Thailand, and has traveled to Washington, D.C., and other locations in the United States. The joy, resilience and hope that these children were able to express inspire us to continue our work to develop better medicines and tests for HIV. To view more photographs and learn more about the program, visit www.picturinghope.org.



Photographer:
Ousseni, age 17,
Burkina Faso



Photographer:
Manjula, age 12, India



Photographer:
Razvan, age 17, Romania



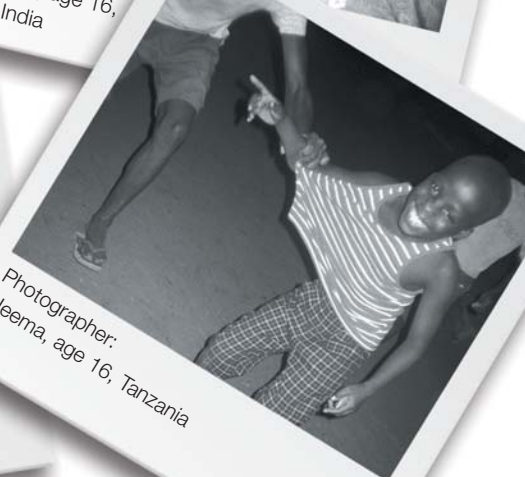
Photographer:
Joji, age 16,
India



Photographer:
Elena, age 14, Romania



Photographer:
Carmen, age 16, Mexico



Photographer:
Neema, age 16, Tanzania

Serving Orphans and Vulnerable Children

Step Forward was created by Abbott and the Abbott Fund to help orphans and vulnerable children who are infected with and affected by HIV/AIDS. In 2004, the program served more than 146,000 children and families in India, Romania, Tanzania and Burkina Faso. As part of our ongoing strategy to address the HIV/AIDS pandemic, we expanded our partnership with the Baylor College of Medicine, a leader in pediatric AIDS, and committed to fund the establishment of a new pediatric treatment center in Lilongwe, Malawi. Additionally, the Abbott Fund was the founding donor for the Baylor Children's Clinical Centers of Excellence Network, which facilitates best practice sharing and training for staff at pediatric centers in developing countries. This network joins the Romanian-American Children's Center – which we helped

fund and operate beginning in 2001 – with similar centers, funded by other donors, in Botswana, Uganda, Lesotho and Swaziland. The program also provides Abbott fellowships to health professionals who will work in these centers.

Learning and Sharing

Abbott participates in numerous forums to learn from others and share the knowledge we have gained through our pioneering programs. In 2004, Abbott and the Abbott Fund participated in several international conferences, including the 15th International AIDS Conference in Bangkok, Thailand. We also supported a unique gathering organized by the World Conference of Religions for Peace, where Muslim, Jewish, Protestant and Catholic leaders came together to discuss their role in helping to fight discrimination against people living with HIV/AIDS. Reports covering lessons learned from our programs are available at www.abbottglobalcare.org.

Education and Awareness

Helping to educate patients and raise awareness of diseases are ongoing aspects of Abbott's commitment to improving lives. In 2004, some of our efforts included the following: hosting the first-ever Diabetes Freedom Day in Philadelphia, Pennsylvania, United States, which joined together health care professionals, diabetes advocates and individuals with diabetes to help encourage proper diabetes management; funding diabetes scholarship programs at camps located throughout the United States to help young people with diabetes learn to manage their conditions; sponsoring a photo exhibition in a major train station in Berlin to help raise public awareness of rheumatoid arthritis and to educate people about treatment options available to help patients experience more normal living; and supporting the GALENA Foundation project in the Czech Republic, which provided access to blood pressure and cholesterol testing in several cities across the country.



Sylvia Dobo, M.D., associate medical director of Clinical Safety in Abbott Global Pharmaceutical Research and Development, performs an annual medical checkup at the Back-to-School Health Fair, sponsored by the Abbott Fund at the Chicago Children's Museum in Illinois, United States.



Contributing Nutritional Expertise in China

A Conversation With Xiaotong Zhao, Director, Regulatory Affairs,
Abbott China, Shanghai, China

How is China addressing nutritional issues?

The Chinese government is working to update its nutritional regulatory codes to harmonize China's regulations with international standards as part of the accession to the World Trade Organization, as well as to ensure food safety and meet nutritional goals.

How does Abbott partner with China's regulatory agencies?

We were invited to participate as part of an expert advisory team of Chinese and international companies to help the government revise the National Standard of the People's Republic of China as it relates to nutritional regulations. Our participation is valued because we have a deep understanding of regulatory processes around the world. In 2004, this led to two regulatory revisions, GB7718, General Standard for the Labeling of Prepackaged Foods, and GB13432, General Standard for the Labeling of Prepackaged Foods for Special Dietary Uses. More revisions will likely follow.

How else does Abbott work with the Chinese government on medical nutrition?

In 2004, Abbott worked to lower tariffs on medical nutrition products to the benefit of consumers. Abbott also funded and supported an economic enteral nutrition study in China with 1,400 patients. This research has been useful to the Chinese government in its revision of the product registration process, which is part of an overall effort to improve consumer access to medical nutrition products.

Our objective is to continue to be a valuable partner in helping the Chinese government attain nutrition goals for the world's most populous nation.

Other Philanthropy

Abbott and the Abbott Fund support a wide range of organizations, activities and initiatives in the communities where we live and work. Major funding areas can be grouped into three categories: science and medical innovation; health disparities, including efforts related to diversity and inclusion; and community vitality.

Science and Medical Innovation

We support the development of scientific talent, from elementary schools to post-graduate research, with funding and volunteer assistance for student and educator workshops and programs; career development; and educational grants for college and university science facilities, scholarships and fellowships. We partnered with the U.S. Patent and Trade Office and the National Inventors Hall of Fame to provide scholarships to more than 300 students who attended Camp Invention, a program that stimulates elementary-age students' interest in science; we supported a number of innovative programs in Dartford, England, that help secondary schools advance learning in science and business studies; we partnered with the American College of Rheumatology Research and Education Foundation to develop new opportunities for medical residents interested in the field; and we continued to offer the Abbott Scholar Award in Rheumatology Research, which provides research funding and mentorship opportunities to academic rheumatologists.

Health Disparities

Closing health disparities within ethnic and minority communities in the United States is an issue gaining national attention. These groups receive a lower quality of health care

than nonminorities, even after controlling factors, such as insurance and income. We partnered with a number of organizations to help educate elected officials and regulators on the problem of undiagnosed chronic kidney disease in minority populations. Other efforts included our support of Healthcare Access by Language Advocacy (HABLA), an Illinois-based program that addresses the health care needs of economically disadvantaged Hispanics in the Chicago area by training medical interpreters for Spanish-speaking patients. We also supported activities of groups, such as the American Heart Association and the Society of Women's Health Research. More information on our work is available at www.abbott.com/citizenship/communities/world.cfm.

Community Vitality

Abbott strives to be a good citizen in the hundreds of communities around the world where we operate, and where, in many cases, we have a significant economic impact. We are committed to providing resources, as well as the expertise of our employees, to address the specialized needs of a community. In 2004, our contributions included strong support of the arts, and civic and cultural causes. For example, in the United States, we supported the Museum of Science and Industry, the Lyric Opera, The Field Museum, Chicago's Millennium Park, the National Association for the Advancement of Colored People, the United Negro College Fund, and the Boys and Girls Club of Chicago. For more information on our programs, visit www.abbott.com/citizenship/fund/fund.cfm.

Local Economic Impact

In some communities where we operate, Abbott is one of the most prominent employers, providing significant direct and indirect impacts on their local economies. Following is an example of our contributions in a smaller community in the United States.

Altavista, Virginia, United States

Population: Approximately 3,400

Facility: Liquid formula and adult medical nutritionals production

- \$35,000 in charitable contributions (not directed through the Abbott Fund).
- \$88,000 in employee contributions to the Abbott Employee Giving Campaign, the United Way, the American Cancer Society, Junior Achievement and the March of Dimes.
- 40 percent of Altavista employees were active in local charitable, educational or civic organizations in 2004.
- \$2.1 million in local city and county taxes.
- \$56,000 in sales and use tax.
- \$1.4 million paid by employees in state income taxes.
- \$434,000 paid to the state in unemployment taxes.
- \$49 million paid for employee payroll and benefits, including temporary employees.
- \$9.8 million paid for direct expenses (e.g., supplies, services and training – all of which were local purchases).
- \$27 million paid for raw materials and packaging materials including the amount paid to suppliers within 100 kilometers of the facility.
- 701 permanent employees and contract workers.

Employee Involvement

Abbott employees give of their time and expertise to help improve the quality of life in the communities where they live and work. In 2004, our employee giving campaign raised \$5.2 million to support local causes. Our employees also continued their strong support for maintaining the U.S. blood supply this year. Thirteen of our sites conducted blood drives, and our headquarters operation was recognized as the largest corporate-based blood-giving program in the Chicago area.

Medical Missions and Humanitarian Relief

Abbott provided \$46 million worth of product donations and funding to respond to humanitarian crises in 84 countries around the world. Our efforts helped Sudanese refugees, Dominican and Haitian flood victims, and residents from Florida, United States, devastated by many hurricanes throughout the year. Our donated products supported 800 medical missions. In December 2004 and January 2005, we donated \$5.5 million in funds, prescription medicines and nutritionals to aid victims of the Indian Ocean tsunamis. For more information on our efforts, visit www.abbott.com/citizenship/fund/fund.cfm.

Awards and Recognition

Abbott is proud of the external awards and recognition our company and our people have received for making a difference in the world. During 2004, we added a number of prestigious honors to our list of achievements, including the following:

- No. 3 among Most Admired Companies in the pharmaceutical sector, FORTUNE magazine.
- No. 11 of the Top 50 Pharma Companies, Pharmaceutical Executive magazine.
- No. 42 on the BusinessWeek 50 as one of America's Best Companies, BusinessWeek magazine.
- No. 7 of the Top 10 Companies for Scientists, The Scientist magazine.
- Named to the "100 Best Companies for Working Mothers" list, Working Mother magazine.
- No. 29 of the "Top 50 Companies for Minorities," FORTUNE magazine.

For a complete list of our accomplishments, visit www.abbott.com/news/awards.cfm.



Residents in Darfur, Sudan, unload carts of products donated by Abbott to help the Sudanese refugees. In 2004, we responded to humanitarian crises, funded special medical missions and provided product donations valued at \$46 million.

Data Summary Table

Economic Indicators		Unit	2001*	2002	2003	2004	% change (2003-2004)
Net sales worldwide	Dollars in millions		13,918.5***	15,279.5***	17,280.3***	19,680***	14
Income taxes paid	Dollars in thousands		867,203***	880,569***	832,380***	675,728***	-19
Cash contributions and product donations	Dollars in millions		135	165	225	300	33.3
Energy and Water Consumption		Unit	2001*	2002	2003	2004	% change (2003-2004)
Purchased electricity	1000 giga-joules		4634	5134	5056	4301	-15
Indexed to sales	Mega-joules per \$1000 sales		285	290	257	218	-15
Natural gas	1000 giga-joules		3855	5566	5714	5482	-4
Indexed to sales	Mega-joules per \$1000 sales		236	314	290	278	-4
Coal	1000 gigajoules		2810	1745	1707	1745	2
Indexed to sales	Mega-joules per \$1000 sales		172	98	87	89	2
Fuel oil	1000 giga-joules		2109	2514	2609	2207	-15
Indexed to sales	Mega-joules per \$1000 sales		129	142	132	112	-15
Purchased steam	1000 giga-joules		654	490	641	53	-92
Indexed to sales	Mega-joules per \$1000 sales		40	28	32	0	14
Total energy consumption	1000 giga-joules		14,063	15,449	15,727	13,790	-12
Indexed to sales	Mega-joules per \$1000 sales		862	874	799	700	-12
CO ₂ Emissions		Unit	2001*	2002	2003	2004	% change (2003-2004)
CO ₂ from combustion	Million pounds		1454	1509	1497	1408	-6
Indexed to sales	Pounds per \$1000 sales		89	85	76	71	-7
CO ₂ from purchased energy	Million pounds		1961	1949	1956	1587	-19
Indexed to sales	Pounds per \$1000 sales		120	110	99	81	-19
CO ₂ fleet emissions	Million pounds		no data	no data	no data	427	n/a
Indexed to sales	Pounds per \$1000 sales		n/a	n/a	n/a	21.7	n/a
Total CO ₂ emissions	Million pounds		3415	3458	3453	3422	n/a
Indexed to sales	Pounds per \$1000 sales		209	195	175	174	n/a
Air Emissions		Unit	2001	2002	2003	2004	% change (2003-2004)
VOCs	Million pounds		4.2	3.6	3.7	3.4	-8
Indexed to sales	Pounds per \$1000 sales		0.26	0.20	0.19	0.17	-10
Total process air emissions	Million pounds		5.8	4.8	4.7	4.4	-6
Indexed to sales	Pounds per \$1000 sales		0.36	0.27	0.24	0.22	-8
CO	Million pounds		1.3*	0.80	0.78	0.70	-10
Indexed to sales	Pounds per \$1000 sales		0.08	0.05	0.04	0.036	-11
NO _x	Million pounds		6.5*	2.0	2.0	1.8	-10
Indexed to sales	Pounds per \$1000 sales		0.33	0.11	0.10	0.09	-10
Particulates	Million pounds		0.9*	0.8	1.3	1.1	-15
Indexed to sales	Pounds per \$1000 sales		0.052	0.045	0.065	0.056	-14
SO _x	Million pounds		11.8*	4.6	4.2	3.7	-12
Indexed to sales	Pounds per \$1000 sales		0.72	0.26	0.21	0.19	-10
Waste Generation		Unit	2001	2002	2003	2004	% change (2003-2004)
Hazardous waste	Million pounds		79.2	57.0**	41.2**	36.7	-11
Indexed to sales	Pounds per \$1000 sales		4.9	3.2	2.1	1.9	-10
Nonhazardous waste	Million pounds		239.4	224.5	244.4	190	-22
Indexed to sales	Pounds per \$1000 sales		14.7	12.7	12.4	9.5	-23
Water		Unit	2001	2002	2003	2004	% change (2003-2004)
Total water intake	Billion gallons		no data	no data	17	14.3	-16
Indexed to sales	Gallons per \$1000 sales		no data	no data	863	726	-16
Water consumed	Billion gallons		no data	no data	no data	0.9	n/a
Indexed to sales	Gallons per \$1000 sales		no data	no data	no data	45.7	n/a
Water discharged (impaired)	Billion gallons		no data	no data	no data	2.8	n/a
Indexed to sales	Gallons per \$1000 sales		no data	no data	no data	142	n/a
Water discharged (non-impaired)	Billion gallons		no data	no data	no data	10.6	n/a
Indexed to sales	Gallons per \$1000 sales		no data	no data	no data	609	n/a
Environmental Spending		Unit	2001	2002	2003	2004	% change (2003-2004)
Expense	Dollars in millions		66	66	65	66	1
Capital	Dollars in millions		36	29	17	10	-41
Total	Dollars in millions		102	95	82	76	-7
Fines, Audits, Inspections		Unit	2001	2002	2003	2004	% change (2003-2004)
EHS fines	Dollars in thousands		8,514	3,500	0	27,091	n/a
Notices of Violation			28	25	20	20	0
EHS audits of Abbott facilities			18	29	20	21	n/a
Health and Safety		Unit	2001	2002	2003	2004	% change (2003-2004)
Recordable incidence rate	Incidents per 100 employees		1.52	1.59	1.37	1.16	-15
Lost workday case rate	Cases per 100 employees		0.37	0.47	0.45	0.45	0

*Includes data from facilities in the United States only. **Data has been adjusted from last report based upon subsequent verification.

***In 2004, Abbott spun off Hospira, Inc., and as a result, prior years' statements of income and cash flows have been adjusted to reflect the effects of the spinoff.

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