

ABBOTT LABORATORIES
Form 10-Q
May 08, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from _____ to _____

Commission File No. 1-2189

ABBOTT LABORATORIES

An Illinois Corporation

I.R.S. Employer Identification No.

100 Abbott Park Road

Abbott Park, Illinois 60064-6400

Telephone: **(847) 937-6100**

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of March 31, 2012, Abbott Laboratories had 1,573,391,467 common shares without par value outstanding.

PART I. FINANCIAL INFORMATION

Abbott Laboratories and Subsidiaries

Condensed Consolidated Financial Statements

(Unaudited)

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Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Earnings

(Unaudited)

(dollars and shares in thousands except per share data)

	Three Months Ended March 31	
	2012	2011
Net Sales	\$ 9,456,633	\$ 9,040,850
Cost of products sold	3,724,921	3,858,983
Research and development	1,005,682	930,400
Acquired in-process and collaborations research and development	150,000	100,000
Selling, general and administrative	3,000,308	2,850,318
Total Operating Cost and Expenses	7,880,911	7,739,701
Operating Earnings	1,575,722	1,301,149
Interest expense	126,866	145,587
Interest (income)	(17,437)	(21,716)
Net foreign exchange loss (gain)	24,762	(32,366)
Other (income) expense, net	(71,498)	140,858
Earnings Before Taxes	1,513,029	1,068,786
Taxes on Earnings	270,905	204,968
Net Earnings	\$ 1,242,124	\$ 863,818
Basic Earnings Per Common Share	\$ 0.79	\$ 0.56
Diluted Earnings Per Common Share	\$ 0.78	\$ 0.55
Cash Dividends Declared Per Common Share	\$ 0.51	\$ 0.48
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,573,921	1,551,755
Dilutive Common Stock Options and Awards	15,589	6,886
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options and Awards	1,589,510	1,558,641
Outstanding Common Stock Options Having No Dilutive Effect	3,066	63,202

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

Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

(dollars thousands)

	Three Months Ended March 31	
	2012	2011
Net Earnings	\$ 1,242,124	\$ 863,818
Foreign currency translation gain adjustments	659,017	1,616,971
Amortization of net actuarial losses and prior service cost and credits, net of taxes of \$22,966 in 2012 and \$16,877 in 2011	39,855	29,817
Unrealized (loss) gain on marketable equity securities, net of taxes of \$(113) in 2012 and \$591 in 2011	(196)	1,024
Net adjustments for derivative instruments designated as cash flow hedges, net of taxes of \$5,137 in 2012 and \$(24,749) in 2011	(42,610)	(98,917)
Other Comprehensive income	656,066	1,548,895
Comprehensive Income	\$ 1,898,190	\$ 2,412,713

	March 31	December 31
	2012	2011
Supplemental Accumulated Other Comprehensive Income Information, net of tax:		
Cumulative foreign currency translation (gain) loss adjustments	\$ (586,490)	\$ 72,527
Net actuarial losses and prior service cost and credits	2,690,764	2,730,619
Cumulative unrealized (gains) on marketable equity securities	(38,233)	(38,429)
Cumulative losses (gains) on derivative instruments designated as cash flow hedges	(124,922)	(167,532)

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

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Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Cash Flows

(Unaudited)

(dollars in thousands)

	Three Months Ended March 31	
	2012	2011
Cash Flow From (Used in) Operating Activities:		
Net earnings	\$ 1,242,124	\$ 863,818
Adjustments to reconcile earnings to net cash from operating activities -		
Depreciation	354,211	354,120
Amortization of intangibles	389,056	391,547
Share-based compensation	197,342	175,808
Acquired in-process and collaborations research and development	150,000	100,000
Trade receivables	132,482	298,953
Inventories	(170,687)	44,784
Other, net	(69,598)	(217,884)
Net Cash From Operating Activities	2,224,930	2,011,146
Cash Flow From (Used in) Investing Activities:		
Acquisitions of property and equipment	(453,330)	(391,813)
Acquisition of businesses and technology	(670,849)	
Purchases of investment securities, net	(3,899,584)	(1,917,221)
Other	11,149	7,804
Net Cash (Used in) Investing Activities	(5,012,614)	(2,301,230)
Cash Flow From (Used in) Financing Activities:		
Proceeds from issuance of short-term debt and other	1,399,029	396,213
Payment of long-term debt	(54,000)	(500,582)
Purchases of common shares	(987,686)	(71,750)
Proceeds from stock options exercised, including income tax benefit	687,279	175,752
Dividends paid	(758,548)	(683,967)
Net Cash From (Used in) Financing Activities	286,074	(684,334)
Effect of exchange rate changes on cash and cash equivalents	34,700	66,203
Net Decrease in Cash and Cash Equivalents	(2,466,910)	(908,215)
Cash and Cash Equivalents, Beginning of Year	6,812,820	3,648,371
Cash and Cash Equivalents, End of Period	\$ 4,345,910	\$ 2,740,156

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

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Abbott Laboratories and Subsidiaries

Condensed Consolidated Balance Sheet

(Unaudited)

(dollars in thousands)

	March 31 2012	December 31 2011
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,345,910	\$ 6,812,820
Investments, primarily time deposits and certificates of deposit	5,180,651	1,284,539
Trade receivables, less allowances of \$422,157 in 2012 and \$420,579 in 2011	7,659,882	7,683,920
Inventories:		
Finished products	2,320,275	2,220,527
Work in process	497,466	432,358
Materials	731,607	631,364
Total inventories	3,549,348	3,284,249
Prepaid expenses, deferred income taxes, and other receivables	4,866,340	4,703,246
Total Current Assets	25,602,131	23,768,774
Investments	374,746	378,225
Property and Equipment, at Cost	18,379,308	18,016,565
Less: accumulated depreciation and amortization	10,424,051	10,142,610
Net Property and Equipment	7,955,257	7,873,955
Intangible Assets, net of amortization	9,792,287	9,989,636
Goodwill	15,903,365	15,705,380
Deferred Income Taxes and Other Assets	2,788,015	2,560,923
	\$ 62,415,801	\$ 60,276,893
Liabilities and Shareholders Investment		
Current Liabilities:		
Short-term borrowings	\$ 3,757,859	\$ 2,347,859
Trade accounts payable	1,726,962	1,721,127
Salaries, wages and commissions	1,021,925	1,260,121
Other accrued liabilities	7,689,629	7,854,994
Dividends payable	802,611	754,284
Income taxes payable	759,361	514,947
Current portion of long-term debt	1,027,576	1,026,896
Total Current Liabilities	16,785,923	15,480,228
Long-term Debt	11,861,505	12,039,822
Post-employment Obligations, Deferred Income Taxes and Other Long-term Liabilities	8,224,939	8,230,698
Commitments and Contingencies		
Shareholders Investment:		
Preferred shares, one dollar par value Authorized 1,000,000 shares, none issued		
Common shares, without par value Authorized - 2,400,000,000 shares Issued at stated capital amount - Shares: 2012: 1,652,439,855; 2011: 1,638,870,201	10,378,070	9,817,134
Common shares held in treasury, at cost - Shares: 2012: 79,048,388; 2011: 68,491,382	(4,297,725)	(3,687,478)
Earnings employed in the business	21,314,465	20,907,362

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Accumulated other comprehensive income (loss)	(1,941,119)	(2,597,185)
Total Abbott Shareholders' Investment	25,453,691	24,439,833
Noncontrolling Interests in Subsidiaries	89,743	86,312
Total Shareholders' Investment	25,543,434	24,526,145
	\$ 62,415,801	\$ 60,276,893

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

Abbott Laboratories and Subsidiaries

Notes to Condensed Consolidated Financial Statements

March 31, 2012

(Unaudited)

Note 1 Basis of Presentation

The accompanying unaudited, condensed consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission and, therefore, do not include all information and footnote disclosures normally included in audited financial statements. However, in the opinion of management, all adjustments (which include only normal adjustments) necessary to present fairly the results of operations, financial position and cash flows have been made. It is suggested that these statements be read in conjunction with the financial statements included in Abbott's Annual Report on Form 10-K for the year ended December 31, 2011. The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

Effective January 1, 2011, the one month lag in the consolidation of the accounts of foreign subsidiaries was eliminated and the year-end of foreign subsidiaries was changed to December 31. In accordance with applicable accounting literature, a change in subsidiaries' year-end is treated as a change in accounting principle and requires retrospective application. The impact of the change was not material to the results of operations for the previously reported annual and interim periods after January 1, 2009, and thus, those results have not been revised. A charge of \$137 million was recorded to Other (income) expense, net in the first three months of 2011 to recognize the cumulative immaterial impacts to 2009 and 2010.

Note 2 Supplemental Financial Information

Unvested restricted stock units that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between common shares and participating securities. Net earnings allocated to common shares for the three months ended March 31, 2012 and 2011 were \$1.238 billion and \$862 million, respectively.

Other (income) expense, net, for 2012 includes income of approximately \$60 million from the resolution of a contractual agreement. Other, net in Net cash from operating activities for 2012 and 2011 includes the effects of contributions to defined benefit plans of \$290 million and \$288 million, respectively, and to the post-employment medical and dental benefit plans of \$40 million in each quarter.

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The components of long-term investments as of March 31, 2012 and December 31, 2011 are as follows:

(dollars in millions)	March 31		December 31	
	2012		2011	
Equity securities	\$	314	\$	317