


Abbott Laboratories (ABT)

Analyst Notes : None

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Balance Sheet

Income Statement

Cash Flow Data Points

Income Statement Adjustments

Amortization of Prior Service Cost in Non-Operating Items

- Amortization of prior service cost (credits) : (\$1.00)

Net Non-Operating Expense Hidden in Operating Earnings Pre-Tax Net Non-Operating Expense/(Income) Hidden in Operating Earnings

- Amortization of inventory step-up : 32.0
- Cost of products sold : 5.0
- Research and development : 10.0
- Selling, general and administrative expense. : 37.0
- Cost of products sold : 10.0

Notes to Consolidated Financial Statements (Continued)

Note 8 - Goodwill and Intangible Assets (Continued)

in-process research and development project related to the Cardiovascular and Neuromodulation Products segment.

The estimated annual amortization expense for intangible assets recorded at December 31, 2018 is approximately \$2.0 billion in 2019, \$2.2 billion in 2020, \$2.1 billion in 2021, \$2.0 billion in 2022 and \$2.0 billion in 2023. Amortizable intangible assets are amortized over 2 to 20 years (weighted average 12 years).

Note 9 - Restructuring Plans

In 2017 and 2018, Abbott management approved restructuring plans as part of the integration of the acquisitions of St. Jude Medical into the Cardiovascular and Neuromodulation Products segment, and Alere into the Diagnostic Products segment, in order to leverage economies of scale and reduce costs. Abbott recorded employee related severance and other charges of approximately \$52 million in 2018 and \$187 million in 2017. Approximately \$3 million in 2018 and 2017 is recorded in cost of products sold, approximately \$10 million in 2018 is recorded in Research and development, and approximately \$37 million in 2018 and \$182 million in 2017 are recorded in Selling, general and administrative expense. Abbott also assumed restructuring liabilities of approximately \$22 million as part of the St. Jude Medical and Alere acquisitions. The following summarizes the activity related to these actions and the status of the related accruals:

(in millions)