MYRIAD GENETICS INC
Form DEF 14A
October 15, 2007
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Information Required in Proxy Statement

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.__)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

MYRIAD GENETICS, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11,

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with preliminary materials

¨ Check box if any part of the fee is offset as provided by Exchange act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

---

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

Table of Contents

MYRIAD GENETICS, INC.

October 15, 2007

Dear Stockholder,

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of Myriad Genetics, Inc. to be held at 9:00 a.m. MST on Thursday, November 15, 2007, at the offices of Myriad Genetics, Inc., 320 Wakara Way, Salt Lake City, Utah 84108. The attached notice of annual meeting and proxy statement describe the business we will conduct at the Annual Meeting and provide information about Myriad Genetics, Inc. that you should consider when you vote your shares.

At the Annual Meeting, three persons will be elected to the Board of Directors. We will also seek stockholder approval of an increase in the aggregate number of shares for which stock options may be granted under our 2003 Employee, Director and Consultant Stock Option Plan. In addition, we will ask stockholders to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending June 30, 2008. The Board of Directors recommends the approval of each of these proposals. Such other business will be transacted as may properly come before the Annual Meeting.

We hope you will be able to attend the Annual Meeting. Whether you plan to attend the Annual Meeting or not, it is important that your shares are represented. Therefore, when you have finished reading the proxy statement, you are urged to complete, sign, date and return the enclosed proxy card promptly in accordance with the instructions set forth on the card. We encourage you to vote by proxy so that your shares will be represented and voted at the meeting, whether or not you can attend.

Sincerely,

Peter D. Meldrum
President and Chief Executive Officer

YOUR VOTE IS IMPORTANT.

PLEASE RETURN YOUR PROXY CARD PROMPTLY.

Table of Contents

MYRIAD GENETICS, INC.

NOTICE OF 2007 ANNUAL MEETING OF STOCKHOLDERS

TIME: 9:00 a.m. MST

DATE: Thursday, November 15, 2007

PLACE: The offices of Myriad Genetics, Inc., 320 Wakara Way, Salt Lake City, Utah 84108

PURPOSES:

1. To elect three members to the Board of Directors to serve three-year terms expiring in 2010.

2. To approve a proposed amendment to our 2003 Employee, Director and Consultant Stock Option Plan to increase the number of shares of our common stock available for issuance under this plan by 1,500,000 shares.

3. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2008.

4. To consider any other business that is properly presented at the Annual Meeting and any adjournments thereof.

WHO MAY VOTE:

You may vote if you were the record owner of Myriad Genetics, Inc. common stock at the close of business on September 28, 2007. A list of stockholders of record will be available at the meeting and, during the 10 days prior to the meeting, at the office of the Secretary at the above address.

All stockholders are cordially invited to attend the Annual Meeting. Whether you plan to attend the Annual Meeting or not, you are requested to complete, sign, date and return the enclosed proxy card as soon as possible in accordance with the instructions on the proxy card. A pre-addressed, postage prepaid return envelope is enclosed for your convenience.

BY ORDER OF THE BOARD OF DIRECTORS

Richard M. Marsh

Secretary

October 15, 2007

Table of Contents

TABLE OF CONTENTS

Table of Contents

MYRIAD GENETICS, INC.

320 WAKARA WAY

SALT LAKE CITY, UTAH 84108

(801) 584-3600

PROXY STATEMENT FOR THE MYRIAD GENETICS, INC.

2007 ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Why Did You Send Me this Proxy Statement?

We sent you this proxy statement and the enclosed proxy card because the Board of Directors of Myriad Genetics, Inc., is soliciting your proxy to vote at the 2007 Annual Meeting of stockholders to be held at our offices, 320 Wakara Way, Salt Lake City, Utah 84108, on Thursday, November 15, 2007, at 9:00 a.m., MST, and any adjournments of the meeting. This proxy statement along with the accompanying Notice of Annual Meeting of Stockholders summarizes the purposes of the meeting and the information you need to know to vote at the Annual Meeting.

On October 15, 2007 we began sending this proxy statement, the attached notice of annual meeting and the enclosed proxy card to all stockholders entitled to vote at the meeting. Although not part of this proxy statement, we are also sending along with the proxy statement our 2007 annual report, which includes our financial statements for the fiscal year ended June 30, 2007. You can also find a copy of our 2007 Annual Report on Form 10-K on the Internet through the Securities and Exchange Commission s (SEC) electronic data system called EDGAR at *www.sec.gov* or through the Investor Relations section of our website at *www.myriad.com*.

Who Can Vote?

Only stockholders who owned Myriad Genetics, Inc. common stock at the close of business on September 28, 2007 are entitled to vote at the Annual Meeting. On this record date, there were 43,834,441 shares of our common stock outstanding and entitled to vote. Myriad Genetics, Inc. common stock is our only class of voting stock.

You do not need to attend the Annual Meeting to vote your shares. Shares represented by valid proxies, received in time for the meeting and not revoked prior to the meeting, will be voted at the meeting. A stockholder may revoke a proxy before the proxy is voted by delivering to our Secretary a signed statement of revocation or a duly executed proxy card bearing a later date. Any stockholder who has executed a proxy card but attends the meeting in person may revoke the proxy and vote at the meeting.

How Many Votes Do I Have?

Each share of Myriad Genetics, Inc. common stock that you own entitles you to one vote.

How Do I Vote?

Whether you plan to attend the Annual Meeting or not, we urge you to vote by proxy. Voting by proxy will not affect your right to attend the Annual Meeting. If your shares are registered directly in your name through our stock transfer agent, American Stock Transfer and Trust Company, or you have stock certificates, you may vote by mail or in person. If by mail, please complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you attend the meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

Table of Contents

If your shares are held in street name (held in the name of a bank, broker or other nominee), you must provide the bank, broker or other nominee with instructions on how to vote your shares and can do so as follows:

- **By Internet or by telephone.** Follow the instructions attached to the proxy card to vote by Internet or telephone.
- **By mail.** Complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you hold your shares through a broker, you will receive instructions from your broker or other nominee explaining how to vote your shares.
- **In person at the meeting.** Contact the broker or other nominee who holds your shares to obtain a broker s proxy card and bring it with you to the meeting. You will not be able to vote at the meeting unless you have a proxy card from your broker.

If you properly fill in your proxy card and send it to us in time, your proxy will be voted in accordance with your instructions. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board of Directors.

How Does the Board of Directors Recommend That I Vote on the Proposals?

The Board of Directors recommends that you vote as follows:

- **FOR** the election of the three nominees for director;
- **FOR** the amendment to our 2003 Employee, Director and Consultant Stock Option Plan to increase the number of shares of our common stock available for issuance under this plan by 1,500,000 shares; and
- **FOR** ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending June 30, 2008.

If any other matter is presented, the proxy card provides that your shares will be voted by the proxy holder listed on the proxy card in accordance with his best judgment. At the time this proxy statement was printed, we knew of no matters that needed to be acted on at the Annual Meeting, other than those discussed in this proxy statement.

May I Revoke My Proxy?

If you give us your proxy, you may revoke it at any time before the meeting. You may revoke your proxy in any one of the following ways:

- signing a new proxy card and submitting it as instructed above;
- if your shares are held in street name, re-voting by Internet or by telephone as instructed above; only your latest Internet or telephone vote will be counted;
- notifying our Secretary in writing before the Annual Meeting that you have revoked your proxy; or

attending the meeting in person and voting in person. Attending the meeting in person will not in and of itself revoke a previously submitted proxy unless you specifically request it.

What if I receive More Than One Proxy Card?

You may receive more than one proxy card or voting instruction form if you hold shares of our common stock in more than one account, which may be in registered form or held in street name. Please vote in the manner described under How Do I Vote? for each account to ensure that all of your shares are voted.

Table of Contents

Will My Shares be Voted if I Do Not Return My Proxy Card?

If your shares are registered in your name or if you have stock certificates, they will not be voted if you do not return your proxy card by mail or vote at the meeting as described above under How Do I Vote? If your shares are held in street name and you do not provide voting instructions to the bank, broker or other nominee that holds your shares as described above under How Do I Vote?, the bank, broker or other nominee has the authority to vote your unvoted shares on both Proposals 1 and 3 even if it does not receive instructions from you. We encourage you to provide voting instructions. This ensures your shares will be voted at the meeting in the manner you desire. If your broker cannot vote your shares on a particular matter because it has not received instructions from you and does not have discretionary voting authority on that matter or because your broker chooses not to vote on a matter for which it does have discretionary voting authority, this is referred to as a broker non-vote .

What Vote is Required to Approve Each Proposal and How are Votes Counted?

Proposal 1: Elect Directors	The nominees for director who receive the most votes (also known as a plurality of the votes) will be elected. Abstentions are not counted for purposes of electing directors. You may vote either FOR all of the nominees, WITHHOLD your vote from all of the nominees or WITHHOLD your vote from any one or more of the nominees. Votes that are withheld will not be included in the vote tally for the election of directors. Brokerage firms have authority to vote customers unvoted shares held by the firms in street name for the election of directors. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote. We have adopted a policy on plurality votes for the election of directors which is described in Notice Item 1 Election of Directors of this proxy statement.
Proposal 2: Approve Amendment to Increase the Shares Available Under Our 2003 Employee, Director and Consultant Stock Option Plan	The affirmative vote of a majority of the shares voted affirmatively or negatively for this proposal is required to approve the amendment to the Myriad Genetics, Inc. 2003 Employee, Director and Consultant Stock Option Plan. Abstentions will have no effect on the results of this vote. Brokerage firms do not have authority to vote customers unvoted shares held by the firms in street name on this proposal; therefore, any shares not voted by a customer will be treated as a broker non-vote, such broker non-votes will have no effect on the results of this vote.
Proposal 3: Ratify Selection of Independent Public Accountants	The affirmative vote of a majority of the shares voted affirmatively or negatively for this proposal is required to ratify the selection of independent public accountants. Abstentions will have no effect on the results of this vote. Brokerage firms have authority to vote customers unvoted shares held by the firms in street name on this proposal. If a broker does not exercise this authority, such broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to select our independent public accountants. However, if our stockholders do not ratify the selection of Ernst & Young LLP as our independent public accountants for the fiscal year ending June 30, 2008, our Audit Committee of our Board of Directors will reconsider its selection.

Is Voting Confidential?

We will keep all the proxies, ballots and voting tabulations private. We only let our Inspectors of Election examine these documents. Management, other than the Inspectors of Election, will not know how you voted on a specific proposal unless it is necessary to meet legal requirements. We will, however, forward to management any written comments you make, on the proxy card or elsewhere.

Table of Contents

Who Will Bear the Costs of Soliciting these Proxies?

We will pay all of the costs of soliciting these proxies. Our directors and employees may solicit proxies in person or by telephone, fax or email. We will pay these employees and directors no additional compensation for these services. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward these proxy materials to their principals and to obtain authority to execute proxies. We will then reimburse them for their expenses.

What Constitutes a Quorum for the Meeting?

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock is necessary to constitute a quorum at the meeting. If a quorum is not represented at the meeting, the meeting cannot take place. Votes of stockholders of record who are present at the meeting in person or by proxy, abstentions, and broker non-votes are counted for purposes of determining whether a quorum exists.

Householding of Annual Disclosure Documents

In December 2000, the SEC adopted a rule concerning the delivery of annual disclosure documents. The rule allows us or your broker to send a single set of our annual report and proxy statement to any household at which two or more of our shareholders reside, if we or your broker believe that the shareholders are members of the same family. This practice, referred to as householding, benefits both you and us. It reduces the volume of duplicate information received at your household and helps to reduce our expenses. The rule applies to our annual reports, proxy statements and information statements. Once you receive notice from your broker or from us that communications to your address will be householded, the practice will continue until you are otherwise notified or until you revoke your consent to the practice. Each shareholder will continue to receive a separate proxy card or voting instruction card.

If your household received a single set of disclosure documents this year, but you would prefer to receive your own copy, please contact our transfer agent, American Stock Transfer and Trust Company, by calling their toll free number, 1-800-937-5449. If you do not wish to participate in householding and would like to receive your own set of our annual disclosure documents in future years, follow the instructions described below. Conversely, if you share an address with another Myriad shareholder and together both of you would like to receive only a single set of our annual disclosure documents, follow these instructions:

- If your Myriad shares are registered in your own name, please contact our transfer agent, American Stock Transfer and Trust Company, and inform them of your request by calling them at 1-800-937-5449 or writing them at American Stock Transfer and Trust Company, 6201 15th Avenue, 2nd Floor, Brooklyn, New York 11219.

- If a broker or other nominee holds your Myriad shares, please contact the broker or other nominee directly and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of September 20, 2007 for (a) each stockholder that we know to be the beneficial owner of more than 5% of our common stock, (b) the executive officers named in the Summary Compensation Table on page 21 of this proxy statement, (c) each of our directors and director nominees and (d) all of our current directors and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. We deem shares of common stock that may be acquired by an individual or group within 60 days of September 20, 2007 pursuant to the exercise of options or warrants to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table. Except as indicated in footnotes to this table, we believe that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them based on information provided to us by these stockholders. Percentage of ownership is based on 43,820,361 shares of common stock outstanding on September 20, 2007.

	Shares Beneficially Owned (1)	
Name and Address**	**Number**	**Percent**
5% or More Stockholders		
FMR Corp. (2)	4,376,113	10.0%
82 Devonshire Street		
Boston, MA 02109		
T. Rowe Price Associates, Inc. (3)	4,095,790	9.3%
100 E. Pratt Street		
Baltimore, MD 21202		
Citadel Limited Partnership (4)	2,355,472	5.4%
131 S. Dearborn Street, 32nd Floor		
Chicago, IL 60603		
Named Executive Officers		
Mark H. Skolnick, Ph.D. (5)	967,448	2.2%
Peter D. Meldrum (6)	613,429	1.4%
Adrian N. Hobden Ph.D. (7)	607,260	1.4%
Gregory C. Critchfield M.D. (8)	486,037	1.1%
Jay M. Moyes (9)	348,203	*
Directors and Director Nominees		
Arthur H. Hayes, Jr., M.D. (10)	100,000	*
Linda S. Wilson, Ph.D. (11)	97,500	*
Walter Gilbert, Ph.D. (12)	70,000	*
Robert S. Attiyeh (13)	43,000	*
John T. Henderson, M.D. (14)	42,000	*
Dennis H. Langer, M.D., J.D. (15)	40,000	*
All current executive officers and directors as a group (17 persons) (16)	4,146,020	8.8%

* Represents beneficial ownership of less than 1% of our outstanding shares of common stock.

** Unless otherwise indicated, the address for each beneficial owner is c/o Myriad Genetics, Inc., 320 Wakara Way, Salt Lake City, Utah 84108.

(1) Attached to each share of common stock is a Preferred Share Purchase Right to acquire one one-hundredth of a share of our Series A Junior Participating Preferred Stock, par value $.01 per share, which Preferred Share Purchase Rights are not presently exercisable.

(2) This information is based solely on a Schedule 13G filed on January 10, 2007 with the SEC. Fidelity Management & Research Company (Fidelity), a wholly-owned subsidiary of FMR Corp. and an investment adviser, is deemed to be the beneficial owner of 4,376,113 shares of our common stock as a result of acting as investment adviser to various investment companies, one of which, Fidelity Growth

Table of Contents

Equity Fund, holds 3,404,948 shares of our common stock. Edward C. Johnson 3d and FMR Corp., through its control of Fidelity, each has sole power to dispose of but not the power to vote or direct the voting of these shares, as such voting power resides with the funds Boards of Trustees.

(3) This information is based solely on a Schedule 13G/A filed on February 14, 2007 with the SEC. These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(4) This information is based solely on a Schedule 13G filed on July 6, 2007 with the SEC. Citadel Limited Partnership is a member of a group which includes Citadel Investment Group, L.L.C., a Delaware limited liability company, Kenneth Griffin, a U.S. citizen, Citadel Equity Fund Ltd., a Cayman Islands company, and Citadel Derivatives Group LLC, a Delaware limited liability company. Each member of the group is deemed to be a beneficial owner with shared voting and dispositive power.

(5) Includes shares held directly by Dr. Skolnick and his wife, shares held by a family limited partnership of which Dr. Skolnick is a general partner, and shares held in a grantor retained annuity trust. Also includes 412,496 shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(6) Includes 463,267 shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(7) Includes 560,024 shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(8) Includes 440,222 shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(9) Includes shares held directly by Mr. Moyes and his children. Also includes 322,521 shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(10) Consists solely of shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(11) Includes 93,900 shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(12) Consists solely of shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(13) Includes 40,000 shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(14) Includes 40,000 shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(15) Consists solely of shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007.

(16) See Notes 6-15 above. Also includes 3,280,103 shares of common stock subject to currently exercisable options and options exercisable within 60 days of September 20, 2007 held by other executive officers.

Table of Contents

MANAGEMENT

The Board of Directors

Our Restated Certificate of Incorporation, as amended, and Restated By-Laws provide that our business is to be managed by or under the direction of our Board of Directors. Our Board of Directors is divided into three classes for purposes of election. One class is elected at each annual meeting of stockholders to serve for a three-year term. Our Board of Directors currently consists of eight members, classified into three classes as follows: Robert S. Attiyeh and John T. Henderson, M.D. constitute a class with a term ending at the 2009 annual meeting (the Class I directors); Peter D. Meldrum, Mark H. Skolnick, Ph.D., and Linda S. Wilson, Ph.D. constitute a class with a term which expires at the upcoming annual meeting (the Class II directors); and Walter Gilbert, Ph.D., Arthur H. Hayes, Jr., M.D., and Dennis H. Langer, M.D., J.D. constitute a class with a term ending at the 2008 annual meeting (the Class III directors).

On September 26, 2007, our Board of Directors accepted the recommendation of the Nominating and Governance Committee and voted to nominate Mr. Meldrum, Dr. Skolnick and Dr. Wilson for election at the annual meeting for a term of three years to serve until the 2010 annual meeting of stockholders, and until their respective successors have been elected and qualified, or until their earlier death, resignation, retirement or removal.

Set forth below are the names of the persons nominated as directors and directors whose terms do not expire this year, their ages as of September 20, 2007, their offices at Myriad, if any, their principal occupations or employment for at least the past five years, the length of their tenure as directors and the names of other public companies in which such persons hold directorships.

NAME	AGE	POSITION WITH MYRIAD
John T. Henderson, M.D. (2)	63	Chairman of the Board of Directors
Walter Gilbert, Ph.D. (1)(2)	75	Vice Chairman of the Board of Directors
Peter D. Meldrum	60	President, Chief Executive Officer, Director
Mark H. Skolnick, Ph.D.	61	Chief Scientific Officer, Director
Robert S. Attiyeh (1)	73	Director
Arthur H. Hayes, Jr., M.D. (3)	74	Director
Dennis H. Langer, M.D., J.D. (2)(3)	56	Director
Linda S. Wilson, Ph.D. (1)(3)	70	Director

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominating and Governance Committee.

The following is a brief summary of the background of each of our directors.

John T. Henderson, M.D. has been a Director of Myriad since May 2004 and Chairman of the Board of Directors since April 2005. Since December 2000, Dr. Henderson has served as a consultant to the pharmaceutical industry as president of Futurepharm LLC. Until his retirement in December 2000, Dr. Henderson was with Pfizer for over 25 years, most recently as a Vice President in the Pfizer Pharmaceuticals Group. Dr. Henderson previously held Vice Presidential level positions with Pfizer in Research and Development in Europe and later in Japan. He was also Vice President, Medical for the Europe, U.S. and International Pharmaceuticals groups at Pfizer. Dr. Henderson earned his bachelor s and medical degree from the University of Edinburgh and is a Fellow of the Royal College of Physicians (Ed.).

Walter Gilbert, Ph.D., Vice Chairman of the Board of Directors, joined Myriad as a founding scientist and Director in March 1992. Dr. Gilbert won the Nobel Prize in Chemistry in 1980 for his contributions to the development of DNA sequencing technology. He was a founder of Biogen, Inc. (now Biogen Idec Inc.) and its

Chairman of the Board and Chief Executive Officer from 1981 to 1985. He has held professorships at Harvard University in the Departments of Physics, Biophysics, Biology, Biochemistry and Molecular Biology, and Molecular and Cellular Biology. Dr. Gilbert currently is a Carl M. Loeb University Professor Emeritus at Harvard University and serves on the Board of Directors of Memory Pharmaceuticals Corp., and as a General Partner of BioVentures Investors II Investment Fund.

Peter D. Meldrum has been a Director of Myriad since its inception in May 1991 and has been our President and Chief Executive Officer since November 1991. Prior to joining us he was President and Chief Executive Officer of Founders Fund, Inc., a venture capital group specializing in the biotechnology industry. He received a honorary Doctorate of Science from Westminster College in 2004, an M.B.A. from the University of Utah in 1974 and a B.S. in Chemical Engineering from the University of Utah in 1970.

Mark H. Skolnick, Ph.D., a scientific founder of Myriad, has been a Director since our inception in 1991 and has served as Chief Scientific Officer since 1997. Dr. Skolnick and several colleagues were the first to conceive of using restriction fragment length polymorphism technology as genetic markers, a breakthrough that underpinned the Human Genome Project. He received his Ph.D. in Genetics from Stanford University in 1975, and a B.A. in Economics from the University of California at Berkeley in 1968.

Robert S. Attiyeh joined Myriad as a Director in December 2003. Mr. Attiyeh has been a manager of Beacon Hill Properties, LLC, a real estate investment firm, from 1998 to the present. Mr. Attiyeh served Amgen as its Chief Financial Officer and Senior Vice President, Finance and Corporate Development from 1994 to 1998. Prior to joining Amgen, he was a director of McKinsey and Company, a management-consulting firm, from 1967 to 1994. He served as a Director of the Federal Reserve Bank of San Francisco from 1997 through 2002, and Chairman of the Federal Reserve Bank s Audit Review Committee from 1999 through 2002. He received his M.B.A. from Harvard University in 1961 and his bachelor s degree in electrical engineering from Cornell University. Mr. Attiyeh currently serves on the Board of Directors of International Rectifier Corporation.

Arthur H. Hayes, Jr., M.D., a Director of Myriad since November 1992, served as Commissioner of the U.S. Food and Drug Administration from 1981 to 1983. From 1991 to 2006, he served as the President and COO of Mediscience Associates. From 1986 to 1991, Dr. Hayes served as the President and CEO of EM Pharmaceuticals, Inc., the United States affiliate of E. Merck of Darmstadt, Germany (now Merck KGaA). He also served as Provost and Dean of New York Medical College from 1983 to 1986. Dr. Hayes serves on the Board of Directors of Tapestry Pharmaceuticals, Inc. and Celgene Corporation. He also serves on the Board of Directors of the Macy Foundation.

Dennis H. Langer, M.D., J.D., has been a Director of Myriad since May 2004. Since August 2005, Dr. Langer has served as Managing Partner of Phoenix IP Ventures, LLC. From January 2004 to July 2005, Dr. Langer served as President, North America for Dr. Reddy s Laboratories, Inc. From September 1994 until January 2004, Dr. Langer held several high-level positions at GlaxoSmithKline, and its predecessor, SmithKline Beecham, including most recently as a Senior Vice President of Research and Development. He has a broad base of experience in innovative R&D companies such as Eli Lilly, Abbott and GD Searle. He is also a Clinical Professor at the Department of Psychiatry, Georgetown University School of Medicine. Dr. Langer has earned a J.D. (cum laude) from Harvard Law School, an M.D. from Georgetown University School of Medicine, and a B.A. in Biology from Columbia University. Dr. Langer currently serves on the Board of Directors of Auxilium Pharmaceuticals, Inc., Cytogen Corporation, and Pharmacopeia, Inc.

Linda S. Wilson, Ph.D., a Director of Myriad since October 1999, served as President of Radcliffe College, Cambridge, MA from 1989 to 1999. Dr. Wilson has also served as Vice President for Research, University of Michigan, and as Associate Vice Chancellor for Research and Associate Dean of the Graduate College, University of Illinois. Dr. Wilson is a member of the Institute of Medicine of the National Academy of Sciences. She served seven years as a Trustee and three years as an Honorary Trustee of the Massachusetts General Hospital, and six years on the Board of Visitors of the University of Wisconsin College of Letters and Science.

Table of Contents

She served on the Boards of Directors for INACOM, Inc. and ICANN (the Internet Corporation for Assigned Names and Numbers) until June 2003. She is also a Trustee of Tulane University, a Trustee of the Murphy Foundation, and a Director of Friends of the DaPonte String Quartet. Dr. Wilson received her Ph.D. in Chemistry from the University of Wisconsin and her B.A. in Chemistry from Newcomb College, Tulane University.

Director Independence

Our Board of Directors has reviewed the materiality of any relationship that each of our directors has with Myriad, either directly or indirectly. Based on this review, our Board has determined that the following members of the Board are independent directors as defined by The Nasdaq Stock Market LLC: Mr. Attiyeh, Dr. Gilbert, Dr. Hayes, Dr. Henderson, Dr. Langer and Dr. Wilson.

Committees of the Board of Directors and Meetings

Meeting Attendance. During the fiscal year ended June 30, 2007 (Fiscal 2007) there were five meetings of the Board of Directors, and the various committees of the Board met a total of 15 times. No director attended fewer than 75% of the total number of meetings of the Board and of committees of the Board on which he or she served during Fiscal 2007, except for Dr. Gilbert, who had scheduling conflicts during one of the Board meetings and three of the eight meetings of committees on which he served. The Board has adopted a policy under which each member of the Board is encouraged but not required to attend each annual meeting of our stockholders. At the time of our 2006 annual meeting of stockholders we had eight board members, seven of whom attended the 2006 annual meeting.

Audit Committee. Our Audit Committee met five times during Fiscal 2007. This committee currently has three members, Mr. Attiyeh (Chairman), Dr. Gilbert and Dr. Wilson. Our Audit Committee s role and responsibilities are set forth in the Audit Committee s written charter and include the authority to retain and terminate the services of our independent registered public accounting firm. In addition, the Audit Committee reviews annual financial statements, considers matters relating to accounting policy and internal controls and reviews the scope of annual audits. Our Board of Directors has determined that all members of the Audit Committee satisfy the current independence standards promulgated by the SEC and by The Nasdaq Stock Market LLC, as such standards apply specifically to members of audit committees. The Board has determined that Mr. Attiyeh is an audit committee financial expert, as the SEC has defined that term in Item 407 of Regulation S-K under the Securities Act of 1933, as amended (the Securities Act). A copy of the Audit Committee s written charter is publicly available on the Investor Relations Corporate Governance section of our website at *www.myriad.com*.

Please also see the report of the Audit Committee set forth elsewhere in this proxy statement.

Compensation Committee. Our Compensation Committee met three times during Fiscal 2007. This committee currently has three members, Dr. Langer (Chairman), Dr. Gilbert, and Dr. Henderson. Our Compensation Committee s role and responsibilities are set forth in the Compensation Committee s written charter and include reviewing, approving and making recommendations regarding our compensation policies, practices and procedures to ensure that legal and fiduciary responsibilities of the Board of Directors are carried out and that such policies, practices and procedures contribute to our success. The Compensation Committee also is responsible for recommending to the independent members of our Board the compensation of our Chief Executive Officer, and conducts its decision making process with respect to that issue without the Chief Executive Officer present. Our Board of Directors has determined that all members of the Compensation Committee qualify as independent under the definition promulgated by The Nasdaq Stock Market LLC.

The Compensation Committee is charged with establishing a compensation policy for our executives and directors that is designed to attract and retain the best possible executive talent, to motivate them to achieve corporate objectives, and reward them for superior performance. Our Compensation Committee is also responsible for establishing and administering our executive compensation policies and equity compensation plans. The Compensation Committee meets at least three times per year and more often as necessary to review and make decisions with regard to executive compensation matters. As part of its review of executive compensation matters, the Compensation Committee may delegate any of the powers given to it to a subcommittee of the Committee. A copy of the Compensation Committee s written charter is publicly available on the Investor Relations Corporate Governance section of our website at *www.myriad.com*.

Further discussion of the process and procedures for considering and determining executive compensation, including the role that our executive officers play in determining compensation for other executive officers, is included below in the section entitled Compensation Discussion and Analysis. In addition, we have retained Radford Surveys + Consulting as our compensation consultant to assist us in providing recommendations for director compensation and determining a peer group of comparable industry companies for our executive officer compensation review.

Please also see the report of the Compensation Committee set forth elsewhere in this proxy statement.

Nominating and Governance Committee. Our Nominating and Governance Committee met seven times during Fiscal 2007 and has three members, Dr. Wilson (Chairman), Dr. Hayes and Dr. Langer. This committee s role is set forth in the Nominating and Governance Committee s written charter and include evaluating and making recommendations to the full Board as to the size and composition of the Board and its committees, evaluating and making recommendations as to potential candidates, and developing and recommending to the Board corporate governance guidelines applicable to Myriad. The committee also oversees the annual Board performance evaluations submitted anonymously by each member of the Board, as well as Myriad s policy on plurality voting for director elections, which is described in Notice Item 1 Election of Directors of this proxy statement. The Board of Directors has determined that all members of the Nominating and Governance Committee qualify as independent under the definition promulgated by The Nasdaq Stock Market LLC.

The Nominating and Governance Committee may consider candidates recommended by stockholders as well as from other sources such as other directors or officers, third party search firms or other appropriate sources. For all potential candidates, the Nominating and Governance Committee may consider all factors it deems relevant, such as a candidate s personal integrity and sound judgment, business and professional skills and experience, independence, knowledge of the industry in which we operate, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the Board, and concern for the long-term interests of the stockholders. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to nominate a candidate to be considered for election as a director at the 2007 Annual Meeting of Stockholders using the procedures set forth in the Company s Restated By-laws, it must follow the procedures described below and in Stockholder Proposals and Nominations For Director at the end of this proxy statement. If a stockholder wishes simply to propose a candidate for consideration as a nominee by the Nominating and Governance Committee, for each annual meeting, the Nominating and Governance Committee will consider only one recommended nominee from any stockholder or group of affiliated stockholders, and such recommending stockholder or group must have held at least 5% of our common stock for at least one year. All stockholder recommendations for proposed director nominees must be in writing to the Nominating and Governance Committee, care of Myriad s Secretary at 320 Wakara Way, Salt Lake City, Utah 84108, and must be received no later than 120 days prior to the first anniversary of the date of the proxy statement for the previous year s annual meeting. The recommendation must be accompanied by the following information concerning the recommending stockholder:

- the name, address and telephone number of the recommending stockholder;

- the number of shares of our common stock owned by the recommending stockholder and the time period for which such shares have been held;

Table of Contents

- if the recommending stockholder is not a stockholder of record, a statement from the record holder verifying the holdings of the recommending stockholder and a statement from the recommending stockholder of the length of time such shares have been held (alternatively the recommending stockholder may furnish a current Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5 filed with the SEC, together with a statement of the length of time that the shares have been held); and
- a statement from the recommending stockholder as to a good faith intention to continue to hold such shares through the date of the next annual meeting.

The recommendation must also be accompanied by the following information concerning the proposed nominee:

- the information required by Items 401, 403 and 404 of Regulation S-K under the Securities Act;
- a description of all relationships between the proposed nominee and the recommending stockholder, including any agreements or understandings regarding the nomination;
- a description of all relationships between the proposed nominee and any of our competitors, customers, suppliers, labor unions or other persons with special interests regarding Myriad; and
- the contact information of the proposed nominee.

The recommending stockholder must also furnish a statement supporting a view that the proposed nominee possesses the minimum qualifications as set forth below for director nominees and describing the contributions that the proposed nominee would be expected to make to the board and to the governance of Myriad and must state whether, in its view, the proposed nominee, if elected, would represent all stockholders and not serve for the purpose of advancing or favoring any particular stockholder or other constituency of Myriad. The recommendation must also be accompanied by the written consent of the proposed nominee (i) to be considered by the Nominating and Governance Committee and interviewed if the committee chooses to do so in its discretion, and (ii) if nominated and elected, to serve as a director.

For all potential candidates, the Nominating and Governance Committee may consider all factors it deems relevant, including the following threshold criteria:

- candidates should possess the highest personal and professional standards of integrity and ethical values;
- candidates must be committed to promoting and enhancing the long-term value of Myriad for its stockholders;
- candidates must be able to represent fairly and equally all stockholders without favoring or advancing any particular stockholder or other constituency of Myriad;
- candidates must have demonstrated achievement in one or more fields of business, professional, governmental, community, scientific or educational endeavor, and possess mature and objective business judgment and expertise;
- candidates are expected to have sound judgment, derived from management or policy making experience that demonstrates an ability to function effectively in an oversight role;

candidates must have a general appreciation regarding major issues facing public companies of a size and operational scope similar to Myriad, including, governance concerns, regulatory obligations, strategic business planning, competition and basic concepts of accounting and finance; and

candidates must have, and be prepared to devote, adequate time to the Board of Directors and its committees.

In addition, the Nominating and Governance Committee will also take into account the extent to which the candidate would fill a present need on the Board, including the extent to which a candidate meets the independence and experience standards promulgated by the SEC and by The Nasdaq Stock Market LLC.

A copy of the Nominating and Governance Committee s written charter is publicly available on the Investor Relations Corporate Governance section of our website at *www.myriad.com*.

The foregoing summary of our corporate governance policies is qualified in its entirety and subject to the terms of such policies as modified by the Board of Directors from time to time. The following corporate governance documents are publicly available on the Investor Relations Corporate Governance section of our website at *www.myriad.com*:

Corporate Governance Principles;

Corporate Code of Conduct and Ethics;

Nominating and Governance Committee Charter;

Audit Committee Charter;

Compensation Committee Charter;

Policy on Annual Shareholder Meeting Attendance by Directors;

Policy on Security Holder Communications with Directors;

Policy on Security Holder Recommendation of Candidates for Election as Directors;

Procedures for Security Holders Submitting Nominating Recommendations;

Policy Regarding Qualifications of Directors;

Policy For Handling Complaints Regarding Accounting and Auditing Matters and Code of Conduct Matters;

Policy on Plurality Vote for Director Elections;

Policy on Limiting Service on Public Company Boards;

Policy on New Director Orientation;

Policy on Continuing Education; and

Policy on Related Person Transactions.

Compensation Committee Interlocks and Insider Participation. Our Compensation Committee currently has three members, Dr. Langer (Chairman), Dr. Gilbert, and Dr. Henderson. No member of our Compensation Committee has at any time been an employee of ours. None of our executive officers is a member of the Compensation Committee, nor do any of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

Stockholder Communications to the Board

Generally, stockholders who have questions or concerns should contact our Investor Relations department at (801) 584-3600. However, any stockholders who wish to address questions regarding our business directly with the Board of Directors, or any individual director, should direct his or her questions in writing to the Chairman of the Board or a designated member of the Board at 320 Wakara Way, Salt Lake City, Utah 84108. Communications will be distributed to the Board, to the Nominating and Governance Committee, or to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communications. Items that are unrelated to the duties and responsibilities of the Board may be excluded, such as:

junk mail and mass mailings;

resumes and other forms of job inquiries;

surveys; and

solicitations or advertisements.

In addition, any material that is unduly hostile, threatening, or illegal in nature may be excluded, provided that any communication that is filtered out will be made available to any outside director upon request.

Executive Officers

The following table sets forth certain information regarding our executive officers.

Name	Age	Position
Peter D. Meldrum	60	President and Chief Executive Officer
Mark C. Capone	45	Chief Operating Officer, Myriad Genetic Laboratories, Inc.
Gregory C. Critchfield, M.D.	55	President, Myriad Genetic Laboratories, Inc.
James S. Evans	44	Vice President Finance
Adrian N. Hobden, Ph.D.	54	President, Myriad Pharmaceuticals, Inc.
William A. Hockett III	50	Executive Vice President of Corporate Communications
Jerry S. Lanchbury, Ph.D.	48	Executive Vice President of Research
W. Wayne Laslie	62	Chief Operating Officer, Myriad Pharmaceuticals, Inc.
Richard M. Marsh, Esq.	49	Executive Vice President, General Counsel and Secretary
Jay M. Moyes	53	Chief Financial Officer and Treasurer
Mark H. Skolnick, Ph.D.	61	Chief Scientific Officer

Peter D. Meldrum. Please see biography above under Management The Board of Directors.

Mark C. Capone, Chief Operating Officer since February 2006 of Myriad Genetics Laboratories, Inc., a wholly owned subsidiary of Myriad, joined us in October 2002 as our Senior Vice President of Sales. Prior to joining Myriad, Mr. Capone served 17 years with Eli Lilly and Company, where he held positions as Product Development Manager, Manufacturing Plant Manager, and Area Sales Director. Mr. Capone received his B.S. degree in Chemical Engineering from Penn State University, graduating with highest distinction, his M.S. degree in Chemical Engineering from Massachusetts Institute of Technology, and his M.S. in Management from Massachusetts Institute of Technology.

Gregory C. Critchfield, M.D., President of Myriad Genetic Laboratories, Inc., a wholly owned subsidiary of Myriad, joined us in July 1998. Dr. Critchfield previously served as Senior Vice President, Chief Medical and Science Officer of Quest Diagnostics (formerly Corning Clinical Laboratories). Prior to Quest Diagnostics, Dr. Critchfield was Director of Clinical Pathology for Intermountain Health Care. Dr. Critchfield received his M.D. from the University of Utah and his M.S. in Biophysical Sciences from the University of Minnesota. He is Board Certified in Clinical Pathology.

James S. Evans, Vice President Finance joined us in 1995. Mr. Evans served as Myriad s Corporate Controller from 1995 until July 2005, when he was named Vice President Finance. Mr. Evans began his career in the Audit/Attestation division of the international accounting firm KPMG, LLP, where he held several positions. He worked as the Controller for Genmark, Inc. and Shaperite Concepts, Ltd. prior to joining Myriad. Mr. Evans received a B.S. and Master of Accounting degrees from Brigham Young University and is a Certified Public Accountant licensed in the State of Utah.

Adrian N. Hobden, Ph.D., President of Myriad Pharmaceuticals, Inc., a wholly owned subsidiary of Myriad, joined us in October 1998. Dr. Hobden previously served as Director, Global Biotechnology Ventures with Glaxo Wellcome Inc. During Dr. Hobden s 17-year tenure with Glaxo, he held several senior management positions, including heading the Genetics, Molecular Science and Pharmacology Research Department before undertaking the directorship. Dr. Hobden received his Ph.D. from Leicester University in Microbiology/Molecular Biology and his B.A. in Biochemistry from Cambridge University.

Table of Contents

William A. Hockett III, Executive Vice President of Corporate Communications, joined us in September 1993, serving as Vice President of Marketing for Myriad Genetic Laboratories prior to assuming the head communications position. Over 19 years in the medical diagnostics industry, in research, sales and marketing roles, Mr. Hockett managed a diverse range of immunological products and services. He was most recently Marketing Manager for a line of over 120 products for Diagnostic Products Corporation in Los Angeles. Mr. Hockett received his B.A. in Biochemistry from the University of California, Santa Cruz.

Jerry S. Lanchbury, Ph.D., Executive Vice President of Research, joined us in September 2002. Dr. Lanchbury came to us from GKT School of Medicine, King s College where he had served as Reader in Molecular Immunogenetics and Head of Molecular Immunogenetics Unit since 1997. Dr. Lanchbury earned his Ph.D. from the University of Newcastle upon Tyne and 1st Class Honours, B.Sc. Biology of Man & his Environment degree from the University of Aston.

W. Wayne Laslie, Chief Operating Officer of Myriad Pharmaceuticals, Inc., a wholly owned subsidiary of Myriad, joined us in October 2004. Mr. Laslie came to us after working, beginning in 2003, as President and Chief Executive Officer of Cappharma Services, a global pharmaceutical marketing consulting firm. From 1998 until 2003 Mr. Laslie served as Executive Vice President of Otsuka America Pharmaceutical, Inc. Mr. Laslie has also worked in various positions with Aventis and Pfizer during his career. He received his B.S. degree in Biology from Georgia State University and earned his M.S. in Microbiology from the University of Georgia.

Richard M. Marsh, Esq., Executive Vice President, General Counsel and Secretary, joined us in November 2002. Mr. Marsh previously served as Director of Intellectual Property (2001-2002), Acting General Counsel and Secretary (2000-2001), and Director of Commercial Legal Affairs (1998-2000) for Iomega Corporation. Mr. Marsh served as a partner with the law firm of Parsons, Behle & Latimer in Salt Lake City from 1989 to 1998. Mr. Marsh received a LL.M. degree in Taxation from Georgetown University Law Center, a J.D. degree, *magna cum laude*, from Thomas M. Cooley Law School, and a B.S. degree in Accounting from Brigham Young University, and was formerly a Certified Public Accountant. Mr. Marsh currently serves on the boards of two not-for-profit organizations.

Jay M. Moyes, has served as our Chief Financial Officer and Treasurer since June 1996. Mr. Moyes previously served as our Vice President of Finance from July 1993 until July 2005. From 1991 into 1993, Mr. Moyes served as Vice President of Finance and Chief Financial Officer of Genmark, Inc. Mr. Moyes held various positions with the accounting firm of KPMG LLP from 1979 through 1991, most recently as a Senior Manager. He holds an M.B.A. degree from the University of Utah, a B.A. degree in Economics from Weber State University, and was formerly a Certified Public Accountant. Mr. Moyes currently serves on the Board of Directors of Osiris Therapeutics, Inc.

Mark H. Skolnick, Ph.D. Please see biography above under Management The Board of Directors.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The primary objectives of our Compensation Committee in establishing and maintaining our executive compensation programs are to attract and retain the best possible executive talent, motivate our executive officers to enhance our growth and profitability and increase long-term shareholder value, and reward the executive officers for their contribution to our growth, profitability, and increased shareholder value through the recognition of individual leadership, initiatives, achievements and other contributions. The specific directives of the Compensation Committee are to provide appropriate short- and long-term compensation and incentives, in the form of cash and equity, that motivate and reward the accomplishment of measurable individual and corporate objectives and which align executive officer compensation with creation of shareholder value. To achieve these objectives, the Compensation Committee has adopted and implements a compensation plan that bases a substantial portion of our executive officers compensation on our operational performance, including progress in our research, clinical and regulatory programs.

Formulating and Setting Executive Compensation

The Compensation Committee is responsible for formulating, evaluating, and approving the compensation, including the award of equity compensation, for our directors and executive officers. The Compensation Committee also assists the full Board in establishing and administering appropriate incentive compensation and equity-based plans. Historically, the Compensation Committee has utilized publicly available compensation data and subscription compensation survey data for national and regional companies in the biotechnology industry, and in particular, data provided by the Radford Biotechnology Survey. This year, the Compensation Committee retained a consulting firm, Radford Surveys + Consulting (Radford), for the purpose of determining a peer group of companies for the derivation of competitive market data on the compensation of executive officers and to provide the Compensation Committee recommendations for director compensation. We believe that these data provide us appropriate compensation benchmarks because these companies are in our industry, share similar corporate structures, and are in similar development and operational stages.

As recommended by Radford, our peer group of companies for analyzing compensation paid to executives and directors consists of the following: Alkermes, BioMarin Pharmaceuticals, CV Therapeutics, Digene, Enzon Pharmaceuticals, Exelixis, Human Genome Sciences, Isis Pharmaceuticals, InterMune, Medarex, Medicis Pharmaceuticals, MGI PHARMA, Millennium Pharmaceuticals, Nektar Pharmaceuticals, OSI Pharmaceuticals, Pharmion, The Medicines Company, Theravance, United Therapeutics, and Vertex Pharmaceuticals. This peer group was selected on the basis of several factors to achieve a peer group representative of our industry. These factors include: number of employees, market value, revenues, net income, and product pipeline. Based on this peer group we determined an average salary and bonus compensation, as well as the average FAS 123R expense for equity compensation, at each of the executive officer levels. Additionally, we reviewed the 2006 Radford Biotechnology Survey data to determine the executive compensation between the 50th-75th percentile range. The Compensation Committee uses this information to evaluate the competitive nature of the compensation provided to our executive officers, including annual salary, bonus and equity grants.

With input from management, the Compensation Committee has approved a pay-for-performance philosophy for the compensation of our executive officers which is intended to provide base salary, bonus and total compensation within the 50^{th} to 75^{th} percentile of comparable companies in our industry. The comparable group of companies on which we rely for this determination is our peer group of companies as recommended by Radford, and as further corroborated by the 2006 Radford Biotechnology Survey information.

Within the scope of this pay-for-performance philosophy, we have determined the various components of each executive s initial compensation package based on various factors, including: the executive s particular background, training, and relevant work experience; the executive s role and responsibilities and the

Table of Contents

compensation paid to similar persons in comparable companies represented in the compensation data that we utilized; the demand for individuals with the executive s specific talents and expertise and our ability to attract and retain comparable talents; the performance goals and other expectations of the executive for his position; and the comparison to other executives within our company having similar skills and experience levels and responsibilities.

Establishment of Management Business Objectives and Annual Performance Evaluations

The Compensation Committee has implemented an annual management performance program for the purpose of establishing annual performance objectives for our executives to align their performance with the overall goals and objectives for Myriad. This process commences in the fourth quarter of each fiscal year as each executive meets with our President and CEO to propose annual Management Business Objectives (MBOs) for the ensuing fiscal year. After review and discussion, our President and CEO finalizes the executive s MBOs for the ensuing fiscal year. Similarly, our President and CEO meets with the Compensation Committee at the end of each fiscal year to propose his MBOs for the ensuing fiscal year which, after review and discussion, are finalized by the Compensation Committee. All executive MBOs are then reported to, and reviewed by, the independent Board of Directors for comment and approval. At the end of the ensuing fiscal year, each executive s performance for the fiscal year is reviewed, including an assessment by management and the Compensation Committee (including the independent Board of Directors in the case of the President and CEO) of the achievement of these MBOs. At this time, our President and CEO recommends an incentive cash bonus amount and salary adjustment for the executive for the ensuing fiscal year. The Compensation Committee, after further review and discussion with our President and CEO, then determines the annual cash bonus and base salary amount for the executive for the ensuing fiscal year. In the case of our President and CEO, the Compensation Committee makes its review and recommendations to the independent members of the Board of Directors without any compensation recommendations from our President and CEO, who is not present in any meetings of the Compensation Committee where his compensation is reviewed and discussed.

In evaluating compensation for our fiscal year 2007, we considered, among others, the following factors and events that occurred during fiscal year 2007:

- the achievement of record quarterly and annual revenues for our predictive medicine products;
- improved gross profit and operating margins;
- improved net loss and loss per share;
- increase in per share price;
- progress in our research and development programs, including the introduction of new pharmaceutical product candidates for pre-clinical studies;
- progress in our product pipeline, including the anticipated movement of pre-clinical compounds into human clinical trials;
- progress of US and European Phase III trials for Flurizan;
- progress in development plans for commercialization of Flurizan;
- initiation of Phase II trials for Azixa;

the development and anticipated introduction of Theraguide 5-FU product; and

improvements to our manufacturing and laboratory operations measured by productivity metrics.

The individual MBOs for our named executive officers for fiscal year 2007 were as follows:

Peter D. Meldrum, President and CEO manage the company and support the other executive officers to maximize the achievement of their MBOs; manage the company to achieve certain financial targets of total

Table of Contents

revenues, net loss and loss per share; provide training and experience opportunities for the executive officers with respect to management succession; manage the company with a goal to increase our stock price by a certain target percentage during fiscal 2007; and continue execution and development of corporate strategy.

Adrian N. Hobden, Ph.D., President, Myriad Pharmaceuticals, Inc. initiate two Phase 2 clinical trials for Azixa; advance the preclinical development of Vivecon ; complete enrollment of the European Phase 3 trial for Flurizan; and complete the additional Flurizan Phase 1 trials necessary for submission of a New Drug Application to the Food and Drug Administration.

Gregory C. Critchfield, M.D., President, Myriad Genetic Laboratories, Inc. achieve specified targets for predictive medicine revenues for fiscal year 2007; reduce laboratory turn around times and reque rates; achieve target gross profit margin percentage; improve existing diagnostic tests by including additional testing parameters; improve operational goals for equipment and laboratory processes; and continue to improve insurance reimbursement and coverage.

Jay M. Moyes, Chief Financial Officer and Treasurer implement specific cost saving proposals to achieve target cash savings for fiscal year 2007; increase First Call research analyst coverage with the addition of new research analysts; improve outstanding account receivables and days sales outstanding to targeted levels; and manage the company s annual shareholder meeting with the goal of approval of management recommendations to the shareholders.

Mark H. Skolnick, Ph.D., Chief Scientific Officer identify and develop two new potential personalized medicine products and prepare the launch of at least one new product; execute existing research agreements and manage projects to completion; and manage research operations to fiscal year 2007 budget.

Role of Management in Our Compensation Program

Our management, including our President and CEO, supports the Compensation Committee, attends its meetings at its request, and performs various administrative functions at its request. Our President and CEO provides input to the Compensation Committee on the effectiveness of our compensation program and makes specific recommendations as to the base salary amounts, annual bonus amounts and stock option grants for the executive officers, other than for himself. Except for our President and CEO, no executive officer is present when the Compensation Committee discusses and determines the salary, bonus and stock option grants to be made for the executive officers. In addition, our President and CEO is excused from all meetings, and is not present, where matters pertaining to his compensation are discussed and determined for recommendation to the independent members of the Board by the Compensation Committee. Only the independent members of the Board are present for, and take part in, the review, discussion and approval of the compensation awarded to our President and CEO.

In June of each year, our President and CEO evaluates the annual performance of each of our executive officers, including an assessment of the accomplishment of each officer s MBOs, and submits his recommendations to the Compensation Committee which then determines an annual cash incentive bonus amount and the base salary amount for the ensuing fiscal year for each of the executives. In September and February of each fiscal year, our President and CEO also makes recommendations to the Compensation Committee for stock option awards based on the performance of the officer to date, including progress on accomplishing MBOs. Annual bonuses, as well as base salary increases and stock option awards, are granted within the discretion of the Compensation Committee.

In the case of our President and CEO, his individual performance is reviewed and evaluated by the Compensation Committee in June of each year with respect to his annual cash bonus and base salary for the ensuing fiscal year, and in September and February of each year with respect to stock option awards. For the compensation, including the award of equity compensation, of our President and CEO, the Compensation Committee is responsible for (i) reviewing and approving corporate goals and objectives relevant to him,

Table of Contents

(ii) evaluating his performance in light of these goals and objectives, and (iii) recommending to the Board his compensation based on this evaluation. The independent members of the Board of Directors then make the final determination of compensation, including the award of equity compensation, for our President and CEO.

Elements of our Compensation Program

The compensation program for our executive officers consists principally of base salary, an annual cash incentive bonus, long-term compensation in the form of stock options, and certain severance and termination benefits. We believe that these elements of our compensation policy strike an appropriate balance to incentivize and reward our executive officers for ongoing, short-term and long-term performance. An annual base salary provides the foundation of our compensation program and ensures that the executive officer is being paid ongoing compensation which allows us to attract and retain high-quality talent. The annual incentive cash bonus forms an important part of our compensation strategy by providing an incentive to reward short-term performance as measured by management objectives given to the executive officers. Stock option awards also form an important part of our compensation strategy. These equity grants reward our executive officers for the long-term performance of Myriad, and help to ensure that our executive officers have a stake in our long-term success by providing an incentive to improve our overall growth and value as measured by our stock price. This aligns the executive officer s interests with stockholders long-term interests. Finally, we have entered into retention agreements with each of our executive officers to provide certain severance and termination benefits following a change in control to ensure our executive officers are motivated to stay with us during periods of uncertainty.

Base Salary

Base salaries for executive officers are based on various factors, including the scope of their role and responsibilities and their particular background, training and relevant work experience, taking into account the compensation paid to similar positions in comparable companies represented in the compensation data that we utilized, and also considering the demand for individuals with the executives specific talents and expertise and our ability to attract and retain comparable talents. We believe that the base salaries for our executive officers should generally be in the 50^{th} to 75^{th} percentile range of salaries for executives in similar positions and with similar responsibilities in comparable companies in our industry as represented in the compensation data we utilized. An executive s base salary is also evaluated together with other components of the executive s other compensation to ensure that the executive s total compensation is in line with our overall compensation philosophy.

Each year we evaluate base salaries as part of our management performance program, and establish each executive s base salary for the ensuing year. In establishing base salaries, we assess the executive officer s performance in each of the areas in which individual management objectives were established, the financial performance of Myriad in the areas of responsibility of the executive officer, the overall financial performance of Myriad and other significant accomplishments and contributions of the executive officer. We also review and determine if there are any significant differences in the compensation of an executive officer compared to similar positions with the comparable companies in our industry as represented in the compensation data we utilized. We increase annual base salaries if we deem such an adjustment is warranted based on differences in comparable market salaries, changes in the scope of responsibilities of the executive officer, or internal pay inequities.

Annual Cash Bonus

An important part of our compensation program for our executive officers is an annual performance based cash bonus. This practice is designed to enable us to attract and retain executive level talent, as well as providing variable compensation to incentivize and reward executives for ongoing performance which provides a contemporaneous benefit to our overall operations and successes. The cash bonus amount is determined annually as part of our management performance program. As a part of this review, we assess the executive officer s performance in each of the areas in which individual management objectives were established, the financial performance of Myriad in the areas of responsibility of the executive officer, the overall financial performance of Myriad, and other significant accomplishments and contributions of the executive officer. The actual bonus amount is awarded each year in the discretion of the Compensation Committee without any pre-arranged targets. In fiscal 2007, bonus amounts for our named executive officers ranged from 61% to 81% of the executive s base salary, with the larger bonus percentages following the increased rank of the executive officer. We also review and determine if there are any significant differences in the annual bonus of an executive officer compared to similar positions with the comparable companies in our industry as represented in the compensation data we utilized. We change annual cash bonuses if we deem such an adjustment is warranted based on differences in comparable market data, significant accomplishments for the year, changes in the scope of responsibilities of the executive officer, or internal pay inequities.

Long-Term Incentives

To incentivize and reward long-term performance by our executives, we provide awards of stock options. These equity-based awards help ensure that our executive officers have a stake in our long-term success by providing an incentive to improve the overall growth and value of Myriad. We believe this fosters an executive culture that aligns our executives interests with the long-term interests of our shareholders. Our 2003 Employee, Director and Consultant Stock Plan, as amended, or the 2003 Option Plan, allows the grant of stock options to our employees, directors and consultants. To date, we have only awarded stock options, but we may amend the 2003 Option Plan to permit the use of other equity-based awards in the future. We typically will make an initial stock option award to new executive officers upon initial hire. We also provide annual stock option awards. We have not adopted stock ownership guidelines. In recent years, we have sought annual shareholder approval for additional shares for options under our 2003 Option Plan. The Compensation Committee determines the terms of all stock option grants for the named executive officers, except for the President and CEO, whose grants of stock options are determined by the independent directors of the Board following a recommendation from the Compensation Committee.

Initial Stock Option Awards

Executives who join us are awarded initial stock option grants. These grants have an exercise price equal to the closing price of our common stock on the date of grant, which is generally the first day of the officer s employment, and a four-year vesting schedule with 1/4th of the shares vesting on each anniversary of the date of grant. The amount of the initial stock option award is determined based on the executive s position with us and analysis of the competitive practices of the companies similar in size to us represented in the compensation data that we review with the goal of creating a total compensation package for new employees that is competitive with other biotechnology companies and that will enable us to attract high quality people.

Annual Stock Option Awards

Our practice is to make annual stock option awards as part of our overall performance management program. The Compensation Committee believes that stock options provide management with a strong link to long-term corporate performance and the creation of stockholder value. Annual stock option awards are made twice a year in connection with the Board of Director meetings in February and September. The Board determines the dates of its meetings for the ensuing year at a meeting of the Board in the preceding year. For example, on September 26, 2007, the Board set the dates of February 27, 2008 and September 10, 2008, as the meeting dates for the Board where stock option grants will be considered. Thus, the dates on which stock options are granted are set well in advance. The Board does not time the grant of stock options with respect to the release of material non-public information, whether or not that information may favorably or unfavorably impact the price of the our common stock. Annual stock option awards are approved by the Compensation Committee in the case of executive officers, and in the case of our President and CEO, by the independent members of our Board of Directors upon recommendation of the Compensation Committee. Annual stock option awards are granted at an exercise price equal to the closing price of our common stock on the date of the Board meeting in which they are granted, and generally vest in equal annual installments over a four year period.

We intend that the annual aggregate value of these awards will be set near competitive median levels for companies represented in the compensation data we review, taking into consideration the total number of our outstanding shares of common stock and the relative dilution to shareholders. Individual stock option awards are based on individual accomplishments of each executive as measured by performance and achievement of individual management objectives. The Compensation Committee grants stock option awards primarily to reward performance but also to retain officers and provide incentives for future performance. The size of option grants increases as the rank of the executive officer increases. In determining the amount of stock options to be awarded, the Compensation Committee considers various factors, including, Myriad s financial and operating performance for the applicable period; the executive officer s contribution to Myriad s performance; the anticipated contribution of the executive officer to Myriad s future performance; a review of compensation for comparable positions in our peer group from our benchmarking studies; and the total compensation of the executive officer and the anticipated retentive effect of the grant of additional options.

Other Compensation

We maintain broad-based benefits and perquisites that are provided to all employees, including health and dental insurance, life and disability insurance, and a 401(k) plan. Additionally, we may provide other perquisites to new executive officers such as a signing bonus, relocation package or other related compensation as we determine on a case by case basis.

Termination Based Compensation

We recognize that, as is the case with many publicly-held corporations, the possibility of a change in control of the company exists and that such possibility, and the uncertainty and questions which it may raise among key personnel, may result in the departure or distraction of key personnel to the detriment of Myriad and its stockholders. Therefore, we have entered into a form of retention agreement with each of our executive officers to reinforce and encourage the continued employment and dedication of our executive officers without distraction from the possibility of a change in control of the company and related events and circumstances. We believe that the terms of our retention agreement are consistent with those maintained by others in our industry and therefore are important for attracting and retaining key employees who are critical to our long-term success. The potential benefits provided under the retention agreement are in addition to the current compensation arrangements we have with our executive officers. For the payments each of our named executive officers is entitled to receive upon a change in control, see Potential Payments Upon Termination or Change-in-Control later in this proxy statement.

Conclusion

Our compensation policies are designed and are continually being developed to retain and motivate our senior executive officers and to ultimately reward them for outstanding individual and corporate performance.

Table of Contents

Summary Compensation Table

The following table shows the total compensation paid or accrued during the fiscal year ended June 30, 2007 to (1) our President and Chief Executive Officer, (2) our Chief Financial Officer and (3) our three next most highly compensated executive officers who earned more than $100,000 during the fiscal year ended June 30, 2007.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	All Other Compensation ($)(2)	Total ($)
Peter D. Meldrum President and Chief Executive Officer	2007	676,978	550,761	428,543	9,084	1,665,366
Gregory C. Critchfield, M.D. President, Myriad Genetic Laboratories, Inc.	2007	465,478	350,761	378,292	9,084	1,203,615
Adrian N. Hobden, Ph.D. President, Myriad Pharmaceuticals, Inc.	2007	465,478	300,761	378,292	9,440	1,153,971
Jay M. Moyes Chief Financial Officer	2007	355,478	220,761	352,634	9,502	938,375
Mark H. Skolnick Chief Scientific Officer	2007	377,465	150,761	279,412	9,264	816,902

(1) Amounts shown reflect the dollar amounts of the compensation cost for equity-based compensation recognized for each of the named executive officers for financial statement reporting purposes for the fiscal year ended June 30, 2006, in accordance with FAS 123R. Information regarding the assumptions used in the valuation of option awards can be found in Note 4 Share-Based Compensation of our Annual Report on Form 10-K for the period ended June 30, 2007, filed with the SEC on August 29, 2007. Our executive officers will not realize the value of these awards in cash until these awards are exercised and the underlying shares are subsequently sold. See also our discussion of stock-based compensation under Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our Annual Report on Form 10-K.

(2) Consists of (i) $84.36 of premiums paid by us with respect to term life insurance for the benefit of each named executive officer and (ii) the balance of the amount shown for matching contributions made under our 401(k) plan on behalf of each named executive officer.

Grants of Plan-Based Awards

The following table shows information regarding semi-annual incentive grants of equity awards that we made during the fiscal year ended June 30, 2007 to each of the executive officers named in the Summary Compensation Table.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)(1)	Grant Date Fair Value of Stock and Option Awards ($)(2)
Peter D. Meldrum	9/6/2006	36,000	25.57	535,054
President and Chief Executive Officer	2/21/2007	40,000	34.43	767,392

Gregory C. Critchfield, M.D.	9/6/2006	32,000	25.57	475,603
President, Myriad Genetic Laboratories, Inc.	2/21/2007	34,000	34.43	652,283
Adrian N. Hobden, Ph.D.	9/6/2006	32,000	25.57	475,603
President, Myriad Pharmaceuticals, Inc.	2/21/2007	34,000	34.43	652,283
Jay M. Moyes	9/6/2006	30,000	25.57	445,878
Chief Financial Officer	2/21/2007	30,000	34.43	575,544
Mark H. Skolnick, Ph.D.	9/6/2006	25,000	25.57	371,565
Chief Scientific Officer	2/21/2007	25,000	34.43	479,620

Table of Contents

(1) All options were granted as part of our compensation policy of awarding annual stock option grants at the meetings of our Board of Directors in September and February of each fiscal year. The exercise price for all stock option grants is the closing price of the common stock on the day when such options are approved by the Compensation Committee in the case of executive officers, and in the case of our President and CEO, the day the grant is approved by the independent members of our Board of Directors. The options vest in equal annual installments over a four year period.

(2) Represents the grant date fair value in accordance with FAS 123R. Information regarding the assumptions used in the valuation of option awards can be found in Note 4 Share-Based Compensation of our Annual Report on Form 10-K for the period ended June 30, 2007, filed with the SEC on August 29, 2007. Our executive officers will not realize the value of these awards in cash until these awards are exercised and the underlying shares are subsequently sold. See also our discussion of stock-based compensation under Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our Annual Report on Form 10-K.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

We have entered into an employment agreement with no defined term with each of our named executive officers. Pursuant to each of these agreements, either party may terminate employment without cause at any time upon 15 days written notice to the other party or immediately with cause upon written notice to the other party, except in the case of Dr. Hobden, who must provide us with 30 days written notice. Each employment agreement also provides that the employee will not disclose confidential information of ours during and after employment and will not compete with us during the term of employment. Since the dates of these agreements entered into with our executive officers, the compensation paid to each executive officer has been increased and additional stock options have been granted as discussed below.

We have also entered into an Executive Retention Agreement with each of our named executive officers under which they are entitled to certain benefits upon a change in control, as discussed below under Potential Payments Upon Termination or Change-in-Control.

Mr. Meldrum was appointed to the position of President and Chief Executive Officer in November 1991. In May 1993, Mr. Meldrum entered into the company s standard form of Employment Agreement as required of all Myriad employees. As recommended by our Compensation Committee and approved by the independent members of our Board of Directors, Mr. Meldrum received an annual salary of $676,978 for the fiscal year ended June 30, 2007, and will be paid an annual base salary of $727,000 for the fiscal year ending June 30, 2008. Mr. Meldrum s discretionary bonus for fiscal 2007 was $550,000 as recommended by our Compensation Committee and approved by the independent members of our Board. On September 26, 2007, Mr. Meldrum was granted 65,000 options to purchase our common stock at $51.08, the closing price of our common stock on that date, as part of our compensation policy of awarding annual stock option grants at the meetings of our Board of Directors in September and February of each fiscal year. The bonus, salary adjustment and stock option awards for Mr. Meldrum were awarded after determining the level to which he satisfied his annual MBOs for fiscal 2007 and in light of his relative contribution to the overall success and accomplishments of the company and to maintain parity within the 50-75% peer group of companies reflected by the compensation data we utilized.

Dr. Critchfield was appointed to the position of President, Myriad Genetic Laboratories, Inc. in July 1998 and entered into the company s standard form of Employment Agreement at that time. As determined by our Compensation Committee, Dr. Critchfield received an annual salary of $465,478 for the fiscal year ended June 30, 2007, and will be paid an annual base salary of $500,000 for the fiscal year ending June 30, 2008. Dr. Critchfield s discretionary bonus for fiscal 2007 was $350,000 as determined by our Compensation Committee. On September 26, 2007, Dr. Critchfield was granted 50,000 options to purchase our common stock at $51.08, the closing price of our common stock on that date, as part of our compensation policy of awarding annual stock option grants at the meetings of our Board of Directors in September and February of each fiscal

Table of Contents

year. The bonus, salary adjustment and stock option awards for Dr. Critchfield were awarded after determining the level to which he satisfied his annual MBOs for fiscal 2007 and in light of his relative contribution to the overall success and accomplishments of the company and to maintain parity within the 50-75% peer group of companies reflected by the compensation data we utilized.

Dr. Hobden was appointed to the position of President, Myriad Pharmaceuticals, Inc. in October 1998. Dr. Hobden entered into an employment agreement at that time with terms the same as our standard form of agreement, except as described above. As determined by our Compensation Committee, Dr. Hobden received an annual salary of $465,478 for the fiscal year ended June 30, 2007 and will be paid an annual base salary of $500,000 for the fiscal year ended June 30, 2008. Dr. Hobden s discretionary bonus for fiscal 2007 was $300,000 as determined by our Compensation Committee. On September 26, 2007, Dr. Hobden was granted 45,000 options to purchase our common stock at $51.08, the closing price of our common stock on that date, as part of our compensation policy of awarding annual stock option grants at the meetings of our Board of Directors in September and February of each fiscal year. The bonus, salary adjustment and stock option awards for Dr. Hobden were awarded after determining the level to which he satisfied his annual MBOs for fiscal 2007 and in light of his relative contribution to the overall success and accomplishments of the company and to maintain parity within the 50-75% peer group of companies reflected by the compensation data we utilized.

Mr. Moyes was appointed to the position of Vice President of Finance in July 1993 and entered into the company s standard form of Employment Agreement at that time. As determined by our Compensation Committee, Mr. Moyes received an annual salary of $355,478 for the fiscal year ended June 30, 2007, and will be paid an annual base salary of $380,000 for the fiscal year ended June 30, 2008. Mr. Moyes discretionary bonus for fiscal 2007 was $220,000 as determined by our Compensation Committee. On September 26, 2007, Mr. Moyes was granted 35,000 options to purchase our common stock at $51.08, the closing price of our common stock on that date, as part of our compensation policy of awarding annual stock option grants at the meetings of our Board of Directors in September and February of each fiscal year. The bonus, salary adjustment and stock option awards for Mr. Moyes were awarded after determining the level to which he satisfied his annual MBOs for fiscal 2007 and in light of his relative contribution to the overall success and accomplishments of the company and to maintain parity within the 50-75% peer group of companies reflected by the compensation data we utilized.

Dr. Skolnick was appointed to the position of Executive Vice President of Research and Development in May 1991. In January 1994 Dr. Skolnick entered into the company s standard form of Employment Agreement. As determined by our Compensation Committee, Dr. Skolnick received an annual salary of $377,465 for the fiscal year ended June 30, 2007, and will be paid an annual base salary at a rate of $500,000 for the fiscal year ending June 30, 2008. Dr. Skolnick is compensated on an hourly basis. His base salary information for fiscal 2008 reflects an annualized salary based on 2,080 hours worked in a fiscal year. Actual amounts paid to Dr. Skolnick may vary significantly depending on the actual number of hours he works. Dr. Skolnick s discretionary bonus for fiscal 2007 was $150,000 as determined by our Compensation Committee. On September 26, 2007, Dr. Skolnick was granted 30,000 options to purchase our common stock at $51.08, the closing price of our common stock on that date, as part of our compensation policy of awarding annual stock option grants at the meetings of our Board of Directors in September and February of each fiscal year. The bonus, salary adjustment and stock option awards for Dr. Skolnick were awarded after determining the level to which he satisfied his annual MBOs for fiscal 2007 and in light of his relative contribution to the overall success and accomplishments of the company and to maintain parity within the 50-75% peer group of companies reflected by the compensation data we utilized.

In addition to the annual cash bonus paid to each of our named executive officers, all employees, including the named executive officers received a holiday bonus of $750 that was tax adjusted to $761.

All option awards granted to our named executive officers have an exercise price equal to the closing price of our common stock on the date of grant, a 10 year life, and vest annually over a four year period.

Table of Contents

Outstanding Equity Awards At Fiscal Year-End

The following table shows grants of stock options outstanding on the last day of the fiscal year ended June 30, 2007, to each of the executive officers named in the Summary Compensation Table. We have not granted any stock options that are subject to performance conditions, nor have we granted any stock awards.

	Option Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**
Peter D. Meldrum	21,262(1)	0(1)	9.3125	6/4/2008
President and Chief Executive Officer	15,998(2)	0(2)	4.781	6/17/2009
	56,000(3)	0(3)	25.0625	4/20/2010
	30,000(4)	0(4)	70.00	6/21/2010
	25,000(5)	0(5)	72.125	2/1/2011
	30,000(6)	0(6)	57.26	6/27/2011
	35,000(7)	0(7)	35.76	2/22/2012
	35,000(8)	0(8)	24.56	8/16/2012
	26,248(9)	0(9)	10.74	2/13/2013
	39,521(10)	0(10)	12.54	9/9/2013
	35,000(11)	0(11)	16.97	2/19/2014

	45,000(12)	0(12)	16.64	9/8/2014		
	50,000(13)	0(13)	22.12	2/17/2015		
	11,250(14)	33,750(14)	20.56	9/14/2015		
	9,000(15)	27,000(15)	24.40	2/16/2016		
	0(16)	36,000(16)	25.57	9/6/2016		
	0(17)	40,000(17)	34.43	2/21/2017		
Gregory C. Critchfield, M.D.	14,222(18)	0(18)	7.031	7/31/2008	828	906
President, Myriad Genetic Laboratories, Inc.	42,000(2)	0(2)	4.781	6/17/2009		
	48,000(3)	0(3)	25.0625	4/20/2010		
	20,000(4)	0(4)	70.00	Salaries, wages and commissions		
	20,000(5)	0(5)	72.125			
	25,000(6)	0(6)	57.26			
	30,000(7)	0(7)	35.76			
	30,000(8)	0(8)	24.56			

	25,000(9)	0(9)	10.74
	35,000(10)	0(10)	12.54
	30,000(11)	0(11)	16.97
	40,000(12)	0(12)	16.64
	45,000(13)	0(13)	22.12
	10,000(14)	30,000(14)	20.56
	8,000(15)	24,000(15)	24.40
	0(16)	32,000(16)	25.57
	0(17)	34,000(17)	34.43

Other accrued liabilities	3,247	3,500
Dividends payable	331	341
Income taxes payable	181	175
Current portion of long-term debt	9	9
Current liabilities held for disposition	242	386
Total Current Liabilities	9,853	9,507
Long-term debt	3,403	3,388
Post-employment obligations, deferred income taxes and other long-term liabilities	4,514	4,784
Non-current liabilities held for disposition	1	7
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: 2014: 1,691,263,815; 2013: 1,685,827,096	12,126	12,048
	(8,709)	(6,844)

Common shares held in treasury, at cost - Shares: 2014: 187,564,782; 2013: 137,728,810				
Earnings employed in the business		22,137		21,979
Accumulated other comprehensive income (loss)		(1,952)		(2,012)
Total Abbott Shareholders Investment		23,602		25,171
Noncontrolling Interests in Subsidiaries		102		96
Total Shareholders Investment		23,704		25,267
	$	41,475	$	42,953

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

5

Table of Contents

Abbott Laboratories and Subsidiaries

Condensed Consolidated Statement of Cash Flows

(Unaudited)

(dollars in millions)

	Six Months Ended June 30	
	2014	2013
Cash Flow From (Used in) Operating Activities:		
Net earnings	$ 841	$ 1,021
Adjustments to reconcile net earnings to net cash from operating activities -		
Depreciation	463	461
Amortization of intangibles	335	396
Share-based compensation	168	177
Trade receivables	(76)	(91)
Inventories	(141)	(232)
Other, net	(354)	(555)
Net Cash From Operating Activities	1,236	1,177
Cash Flow From (Used in) Investing Activities:		
Acquisitions of property and equipment	(513)	(565)
Sales (Purchases) of investment securities, net	1,119	(1,507)
Other	27	
Net Cash From (Used in) Investing Activities	633	(2,072)
Cash Flow From (Used in) Financing Activities:		
Proceeds from issuance of short-term debt and other	872	3,150
Transfer of cash and cash equivalents to AbbVie Inc.		(5,901)
Purchases of common shares	(2,193)	(1,215)
Proceeds from stock options exercised, including income tax benefit	226	142
Dividends paid	(676)	(444)
Net Cash (Used in) Financing Activities	(1,771)	(4,268)
Effect of exchange rate changes on cash and cash equivalents	(3)	(67)
Net Increase (Decrease) in Cash and Cash Equivalents	95	(5,230)
Cash and Cash Equivalents, Beginning of Year	3,475	10,802
Cash and Cash Equivalents, End of Period	$ 3,570	$ 5,572

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

Table of Contents

Abbott Laboratories and Subsidiaries

Notes to the Condensed Consolidated Financial Statements

June 30, 2014

(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, 2013. The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

Note 2 Separation of AbbVie Inc.

On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott s research-based proprietary pharmaceuticals business. Abbott and AbbVie entered into transitional services agreements prior to the separation pursuant to which Abbott and AbbVie are providing to each other, on an interim transitional basis, various services. Transition services may be provided for up to 24 months with an option for a one-year extension by the recipient. Services being provided by Abbott include certain information technology and back office support. Billings by Abbott under these transitional services agreements are recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Condensed Consolidated Statement of Earnings. This transitional support will enable AbbVie to establish its stand-alone processes for various activities that were previously provided by Abbott and does not constitute significant continuing support of AbbVie s operations.

For a small portion of AbbVie s operations, the legal transfer of AbbVie s assets (net of liabilities) did not occur with the separation of AbbVie on January 1, 2013, in certain countries, due to the time required to transfer marketing authorizations and other regulatory requirements in each of these countries. Under the terms of the separation agreement with Abbott, AbbVie is subject to the risks and entitled to the benefits generated by these operations and assets. The majority of these operations were transferred to AbbVie in 2013 with the remainder expected to be transferred in 2014 or 2015. These assets and liabilities have been presented as held for disposition in the Condensed Consolidated Balance Sheet. At June 30, 2014, the assets and liabilities held for disposition consist of trade accounts receivable of $137 million, inventories of $89 million, equipment of $16 million, other assets of $62 million, trade accounts payable and accrued liabilities of $242 million and other liabilities of $1 million. Abbott s obligation to transfer the net assets held for disposition to AbbVie of $61 million is included in Other accrued liabilities.

Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie s business. AbbVie generally will be liable for all other taxes attributable to its business.

Earnings from discontinued operations in the second quarter and first six months of 2014 reflect the recognition of $6 million and $42 million, respectively, of net tax benefits primarily as a result of the resolution of various tax positions related to AbbVie s operations for years prior to the separation.

Note 3 Supplemental Financial Information

Shares of unvested restricted stock that contain non-forfeitable rights to dividends are treated as participating securities and are included in the computation of earnings per share under the two-class method. Under the two-class method, net earnings are allocated between common shares and participating securities. Earnings from Continuing Operations allocated to common shares for the three months ended June 30, 2014 and 2013 were $458 million and $473 million, respectively and for the six months ended June 30, 2014 and 2013 were $795 million and $1.013 billion, respectively. Net earnings allocated to common shares for the three months ended June 30, 2014 and 2013 were $463 million and $473 million, respectively, and for the six months ended June 30, 2014 and 2013 were $837 million and $1.013 billion, respectively.

Other, net use of cash in Net cash from operating activities in the Condensed Consolidated Statement of Cash Flows for the first six months of 2014 and 2013 includes the effects of contributions to defined benefit plans of $330 million and $320 million, respectively, and to the post-employment medical and dental benefit plans of $40 million in each six month period, as well as the non-cash impact

Table of Contents

in the first six months of 2014 of approximately $70 million of tax benefits, net of cash refunded by taxing authorities, resulting from the resolution of various tax positions pertaining to prior years.

The components of long-term investments as of June 30, 2014 and December 31, 2013 are as follows:

(in millions)	June 30, 2014	December 31, 2013
Equity securities	$ 95	$ 93
Other	35	26
Total	$ 130	$ 119

Note 4 Changes in Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) from continuing operations, net of income taxes, are as follows:

Three Months Ended June 30								
	Cumulative Foreign Currency Translation Adjustments		Net Actuarial Losses and Prior Service Costs and Credits		Cumulative Unrealized Gains on Marketable Equity Securities		Cumulative Gains on Derivative Instruments Designated as Cash Flow Hedges	
(in millions)	2014	2013	2014	2013	2014	2013	2014	2013
Balance at March 31 (a)	$ (656)	$ (777)	$ (1,296)	$ (2,186)	$ 13	$ 32	$ 5	$ 38
Other comprehensive income (loss) before Reclassifications	(19)	(360)			1	7		12
Amounts reclassified from accumulated other comprehensive income (b)			12	28	(5)	(5)	(7)	(15)
Net current period comprehensive income from continuing operations	(19)	(360)	12	28	(4)	2	(7)	(3)
Balance at June 30 (a)	$ (675)	$ (1,137)	$ (1,284)	$ (2,158)	$ 9	$ 34	$ (2)	$ 35

Six Months Ended June 30								
	Cumulative Foreign Currency Translation Adjustments		Net Actuarial Losses and Prior Service Costs and Credits		Cumulative Unrealized Gains on Marketable Equity Securities		Cumulative Gains on Derivative Instruments Designated as Cash Flow Hedges	
(in millions)	2014	2013	2014	2013	2014	2013	2014	2013
Balance at December 31, 2013 and 2012	$ (718)	$ (79)	$ (1,312)	$ (3,596)	$ 13	$ 31	$ 5	$ 50
Separation of AbbVie (a)		(308)		1,451				8

Other comprehensive income (loss) before Reclassifications	43	(750)		(69)	2	14	(1)	(5)
Amounts reclassified from accumulated other comprehensive income (b)			28	56	(6)	(11)	(6)	(18)
Net current period comprehensive income from continuing operations (a)	43	(750)	28	(13)	(4)	3	(7)	(23)
Balance at June 30	$ (675)	$ (1,137)	$ (1,284)	$ (2,158)	$ 9	$ 34	$ (2)	$ 35

(a) Prior year amounts have been appropriately revised to reflect a reclassification between Cumulative foreign currency translation adjustment and Net actuarial losses and prior service costs and credits.

(b) Reclassified amounts for foreign currency translation are recorded in the Condensed Consolidated Statement of Earnings as Net foreign exchange loss (gain); gains on marketable equity securities as Other (income) expense, net and cash flow hedges as Cost of products sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit plan costs; see Note 11 for additional details.

8

Table of Contents

Note 5 Business Acquisitions

In August 2013, Abbott acquired 100 percent of IDEV Technologies, net of debt, for $310 million, in cash. The acquisition of IDEV Technologies expands Abbott s endovascular portfolio. The final allocation of the fair value at the date of acquisition resulted in non-deductible acquired in-process research and development of approximately $170 million which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation; non-deductible definite-lived intangible assets of approximately $66 million; non-deductible goodwill of approximately $112 million; and net deferred tax liabilities of $47 million. Acquired intangible assets consist of developed technology and are being amortized over 11 years.

In August 2013, Abbott acquired 100 percent of OptiMedica for $260 million, in cash, plus additional payments up to $150 million to be made upon completion of certain development, regulatory and sales milestones. The acquisition of OptiMedica provides Abbott with an immediate entry point into the laser assisted cataract surgery market. The final allocation of the fair value at the date of acquisition resulted in non-deductible definite-lived intangible assets of approximately $160 million; non-deductible acquired in-process research and development of approximately $60 million which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation; non-deductible goodwill of approximately $130 million; net deferred tax liabilities of $49 million; and contingent consideration of approximately $70 million. The fair value of the contingent consideration was determined based on an independent appraisal. Acquired intangible assets consist of developed technology and are being amortized over 18 years.

Note 6 Goodwill and Intangible Assets

The total amount of goodwill reported was $9.751 billion at June 30, 2014 and $9.772 billion at December 31, 2013. In the six months ended June 30, 2014, foreign currency translation adjustments increased goodwill by approximately $5 million, while purchase price allocation adjustments associated with recent acquisitions decreased goodwill by approximately $26 million. The amount of goodwill related to reportable segments at June 30, 2014 was $3.0 billion for the Established Pharmaceutical Products segment, $286 million for the Nutritional Products segment, $444 million for the Diagnostic Products segment, and $3.1 billion for the Vascular Products segment. There was no reduction of goodwill relating to impairments.

The gross amount of amortizable intangible assets, primarily product rights and technology was $12.3 billion as of June 30, 2014 and $12.2 billion as of December 31, 2013, and accumulated amortization was $7.0 billion as of June 30, 2014 and $6.8 billion as of December 31, 2013. Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, was approximately $114 million at June 30, 2014 and $266 million at December 31, 2013. The change reflects the movement of an IDEV-related intangible asset, *Supera,* to amortizable assets due to the receipt of regulatory approval in the first quarter of 2014. Abbott s estimated annual amortization expense for intangible assets is approximately $655 million in 2014, $615 million in 2015, $590 million in 2016, $575 million in 2017 and $500 million in 2018. Amortizable intangible assets are amortized over 2 to 20 years (weighted average 11 years).

Note 7 Restructuring Plans

In the first six months of 2014, Abbott management approved plans to streamline various operations in order to reduce costs and improve efficiencies in Abbott s vascular, diagnostics and nutritional businesses. Abbott recorded employee related severance and other charges of approximately $80 million in 2014. Approximately $17 million is recognized in Cost of products sold, $41 million is recognized in Research and development and approximately $22 million is recognized in Selling, general and administrative expense. The following summarizes the activity for these restructurings:

(in millions)		
Restructuring charges recorded in 2014	$	80
Payments and other adjustments		(20)
Accrued balance at June 30, 2014	$	60

In 2014 and 2013, Abbott management approved plans to reduce costs and improve efficiencies across various functional areas. In 2013, Abbott management also approved plans to streamline certain manufacturing operations in order to reduce costs and improve efficiencies in Abbott s established pharmaceuticals business. In 2012, Abbott management approved plans to streamline various commercial operations in order to reduce costs and improve efficiencies in Abbott s core diagnostics, established pharmaceuticals and nutritionals businesses. Additional charges of approximately $76 million were recognized in 2014 of which approximately $2 million is recorded in Cost of products sold and approximately $74 million in Selling, general and administrative expense.

Table of Contents

The following summarizes the activity for the first six months of 2014 related to these restructuring actions and the status of the related accrual as of June 30, 2014:

(in millions)		
Accrued balance at December 31, 2013	$	148
Restructuring charges recorded in 2014		76
Payments and other adjustments		(42)
Accrued balance at June 30, 2014	$	182

In 2013 and prior years, Abbott management approved plans to realign its vascular manufacturing operations in order to reduce costs. The following summarizes the activity for the first six months of 2014 related to these restructuring actions and the status of the related accrual as of June 30, 2014:

(in millions)		
Accrued balance at December 31, 2013	$	20
Restructuring charges recorded in 2014		
Payments and other adjustments		(1)
Accrued balance at June 30, 2014	$	19

In 2011 and 2008, Abbott management approved plans to streamline global manufacturing operations, reduce overall costs, and improve efficiencies in Abbott s core diagnostics business. The following summarizes the activity for the first six months of 2014 related to these restructuring actions and the status of the related accrual as of June 30, 2014:

(in millions)		
Accrued balance at December 31, 2013	$	41
Restructuring charges recorded in 2014		
Payments and other adjustments		(8)
Accrued balance at June 30, 2014	$	33

Note 8 Incentive Stock Programs

In the first six months of 2014, Abbott granted 3,721,084 stock options, 546,800 restricted stock awards and 5,318,607 restricted stock units under its incentive stock programs. At June 30, 2014, approximately 110 million shares were reserved for future grants. Information regarding the number of stock options outstanding and exercisable at June 30, 2014 is as follows:

		Outstanding		**Exercisable**
Number of shares		40,505,063		33,055,510
Weighted average remaining life (*years*)		4.3		3.3
Weighted average exercise price	$	27.38	$	25.36
Aggregate intrinsic value (*in millions*)	$	551	$	517

The total unrecognized share-based compensation cost at June 30, 2014 amounted to approximately $222 million which is expected to be recognized over the next three years.

Note 9 Financial Instruments, Derivatives and Fair Value Measures

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, with notional amounts totaling approximately $140 million at June 30, 2014 and December 31, 2013, respectively, are designated as cash flow hedges of the variability of the cash flows due to changes in foreign exchange rates and are recorded at fair value. Accumulated gains and losses as of June 30, 2014 will be included in Cost of products sold at the time the products are sold, generally through the next twelve months. The amount of hedge ineffectiveness was not significant in 2014 and 2013.

Abbott enters into foreign currency forward exchange contracts to manage currency exposures for foreign currency denominated third-party trade payables and receivables, and for intercompany loans and trade accounts payable where the receivable or payable is denominated in a currency other than the functional currency of the entity. For intercompany loans, the contracts require Abbott to

Table of Contents

sell or buy foreign currencies, primarily European currencies and Japanese yen, in exchange for primarily U.S. dollars and other European currencies. For intercompany and trade payables and receivables, the currency exposures are primarily the U.S. dollar, European currencies and Japanese yen. At June 30, 2014 and December 31, 2013, Abbott held $13.1 billion and $13.8 billion, respectively, of such foreign currency forward exchange contracts.

Abbott has designated foreign denominated short-term debt as a hedge of the net investment in a foreign subsidiary of approximately $523 million and approximately $505 million as of June 30, 2014 and December 31, 2013, respectively. Accordingly, changes in the reported value of this debt due to changes in exchange rates are recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate swap contracts totaling approximately $1.5 billion at June 30, 2014 and December 31, 2013 to manage its exposure to changes in the fair value of fixed-rate debt. These contracts are designated as fair value hedges of the variability of the fair value of fixed-rate debt due to changes in the long-term benchmark interest rates. The effect of the hedge is to change a fixed-rate interest obligation to a variable rate for that portion of the debt. Abbott records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount. No hedge ineffectiveness was recorded in income in 2014 or 2013 for these hedges.

The following table summarizes the amounts and location of certain derivative financial instruments as of June 30, 2014 and December 31, 2013:

	Fair Value - Assets			**Fair Value - Liabilities**		
(in millions)	**June 30, 2014**	**Dec. 31, 2013**	**Balance Sheet Caption**	**June 30, 2014**	**Dec. 31, 2013**	**Balance Sheet Caption**
Interest rate swaps designated as fair value hedges	$ 106	$ 87	Deferred income taxes and other assets	$	$	Post-employment obligations, deferred income taxes and other long-term liabilities
Foreign currency forward exchange contracts:						
Hedging instruments	4	14	Prepaid expenses, deferred income taxes, and other receivables			Other accrued liabilities
Others not designated as hedges	67	70	Prepaid expenses, deferred income taxes, and other receivables	24	75	Other accrued liabilities
Debt designated as a hedge of net investment in a foreign subsidiary			n/a	523	505	Short-term borrowings
	$ 177	$ 171		$ 547	$ 580	

The following table summarizes the activity for foreign currency forward exchange contracts designated as cash flow hedges, debt designated as a hedge of net investment in a foreign subsidiary and the amounts and location of income (expense) and gain (loss) reclassified into income in the second quarter and first six months of 2014 and 2013 and for certain other derivative financial instruments. The amount of hedge ineffectiveness was not significant in 2014 and 2013 for these hedges.

11

Table of Contents

(in millions)	Gain (loss) Recognized in Other Comprehensive Income (loss) Three Months Ended June 30 2014	2013	Six Months Ended June 30 2014	2013	Income (expense) and Gain (loss) Reclassified into Income Three Months Ended June 30 2014	2013	Six Months Ended June 30 2014	2013	Income Statement Caption
Foreign currency forward exchange contracts designated as cash flow hedges	$ (3)	$ 14	$ (1)	$ 31	$ 3	$ 11	$ 6	$ 14	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	(7)	25	(18)	75	n/a	n/a	n/a	n/a	n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	n/a	8	(71)	19	(81)	Interest expense
Foreign currency forward exchange contracts not designated as hedges	n/a	n/a	n/a	n/a	(10)	50	(23)	140	Net foreign exchange loss (gain)

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

The carrying values and fair values of certain financial instruments as of June 30, 2014 and December 31, 2013 are shown in the following table. The carrying values of all other financial instruments approximate their estimated fair values. The counterparties to financial instruments consist of select major international financial institutions. Abbott does not expect any losses from nonperformance by these counterparties.

(in millions)	June 30, 2014 Carrying Value	Fair Value	December 31, 2013 Carrying Value	Fair Value
Long-term Investment Securities:				
Equity securities	$ 95	$ 95	$ 93	$ 93
Other	35	31	26	24
Total Long-term Debt	(3,412)	(4,033)	(3,397)	(3,930)
Foreign Currency Forward Exchange Contracts:				
Receivable position	71	71	84	84
(Payable) position	(24)	(24)	(75)	(75)
Interest Rate Hedge Contracts:				
Receivable position	106	106	87	87

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

12

Table of Contents

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

		Basis of Fair Value Measurement		
(in millions)	Outstanding Balances	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
June 30, 2014:				
Equity securities	$ 19	$ 19	$	$
Interest rate swap derivative financial instruments	106		106	
Foreign currency forward exchange contracts	71		71	
Total Assets	$ 196	$ 19	$ 177	$
Fair value of hedged long-term debt	$ 1,642	$	$ 1,642	$
Foreign currency forward exchange contracts	24		24	
Contingent consideration related to business combinations	75			75
Total Liabilities	$ 1,741	$	$ 1,666	75
December 31, 2013:				
Equity securities	$ 26	$ 26	$	$
Interest rate swap derivative financial instruments	87		87	
Foreign currency forward exchange contracts	84		84	
Total Assets	$ 197	$ 26	$ 171	$
Fair value of hedged long-term debt	$ 1,623	$	$ 1,623	$
Foreign currency forward exchange contracts	75		75	
Contingent consideration related to business combinations	208			208
Total Liabilities	$ 1,906	$	$ 1,698	$ 208

The fair value of the debt was determined based on the face value of the debt adjusted for the fair value of the interest rate swaps, which is based on a discounted cash flow analysis. The fair value of foreign currency forward exchange contracts is determined using a market approach, which utilizes values for comparable derivative instruments. The fair value of the contingent consideration was determined based on an independent appraisal adjusted for the time value of money, exchange, payments and other changes in fair value. The change in contingent consideration from the previous year end primarily reflects the payment of contingent consideration in the first six months of 2014.

Note 10 Litigation and Environmental Matters

Abbott has been identified as a potentially responsible party for investigation and cleanup costs at a number of locations in the United States and Puerto Rico under federal and state remediation laws and is investigating potential contamination at a number of company-owned locations. Abbott has recorded an estimated cleanup cost for each site for which management believes Abbott has a probable loss exposure. No individual site cleanup exposure is expected to exceed $4 million, and the aggregate cleanup exposure is not expected to exceed $15 million.

Abbott is involved in various claims and legal proceedings, and Abbott estimates the range of possible loss for its legal proceedings and environmental exposures to be from approximately $65 million to $90 million. The recorded accrual balance at June 30, 2014 for these proceedings and exposures was approximately $75 million. This accrual represents management s best estimate of probable loss, as defined by FASB ASC No. 450, Contingencies. Within the next year, legal proceedings may occur that may result in a change in the estimated loss accrued by Abbott. While it is not feasible to predict the outcome of all such proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on Abbott s financial position, cash flows, or results of operations.

Table of Contents

Note 11 Post-Employment Benefits

Retirement plans consist of defined benefit, defined contribution, and medical and dental plans. Net cost recognized in continuing operations for the three months and six months ended June 30 for Abbott s major defined benefit plans and post-employment medical and dental benefit plans is as follows:

	Defined Benefit Plans				Medical and Dental Plans			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
(in millions)	2014	2013	2014	2013	2014	2013	2014	2013
Service cost benefits earned during the period	$ 62	$ 76	$ 128	$ 152	$ 9	$ 11	$ 18	$ 23
Interest cost on projected benefit obligations	75	66	152	132	16	15	32	30
Expected return on plan assets	(113)	(94)	(226)	(187)	(9)	(9)	(19)	(18)
Net amortization of:								
Actuarial loss, net	24	40	49	80	4	8	9	16
Prior service cost (credit)		1	1	2	(9)	(8)	(18)	(16)
Net Cost	$ 48	$ 89	$ 104	$ 179	$ 11	$ 17	$ 22	$ 35

Abbott funds its domestic defined benefit plans according to IRS funding limitations. International pension plans are funded according to similar regulations. In the first six months of 2014 and 2013, $330 million and $320 million, respectively, were contributed to defined benefit plans and $40 million was contributed to the post-employment medical and dental benefit plans in the first six months of each fiscal year.

Note 12 Taxes on Earnings

Taxes on earnings from continuing operations reflect the estimated annual effective rates and include charges for interest and penalties. In the first six months of 2014, taxes on earnings from continuing operations reflect the recognition of $58 million of net tax benefits as the result of the favorable resolution of various tax positions pertaining to prior years. Earnings from Discontinued Operations, net of tax, in the first six months of 2014 reflects the recognition of $42 million of net tax benefits primarily as a result of the resolution of various tax positions related to AbbVie s operations for years prior to the separation. The conclusion of these tax matters decreased the gross amount of unrecognized tax benefits by approximately $134 million. As a result of the American Taxpayer Relief Act of 2012 signed into law in January 2013, Abbott recorded a tax benefit to taxes on continuing operations of approximately $103 million in the first six months of 2013 for the retroactive extension of the research tax credit and the look-through rules of section 954(c)(6) of the Internal Revenue Code to the beginning of 2012.

Tax authorities in various jurisdictions regularly review Abbott s income tax filings. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease by up to $350 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

Note 13 Segment Information

Abbott s principal business is the discovery, development, manufacture and sale of a broad line of health care products. Abbott s products are generally sold directly to retailers, wholesalers, hospitals, health care facilities, laboratories, physicians offices and government agencies throughout the world. Abbott s reportable segments are as follows:

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

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

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

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

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

Table of Contents

Abbott s underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. Intersegment transfers of inventory are recorded at standard cost and are not a measure of segment operating earnings. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not allocated to segments. In addition, intangible asset amortization is not allocated to operating segments, and intangible assets and goodwill are not included in the measure of each segment s assets. The following segment information has been prepared in accordance with the internal accounting policies of Abbott, as described above, and are not presented in accordance with generally accepted accounting principles applied to the consolidated financial statements.

	Net Sales to External Customers				Operating Earnings			
	Three Months Ended June 30		Six Months Ended June 30		Three Months Ended June 30		Six Months Ended June 30	
(in millions)	2014	2013	2014	2013	2014	2013	2014	2013
Established Pharmaceutical Products	$ 1,216	$ 1,218	$ 2,367	$ 2,450	$ 245	$ 258	$ 475	$ 543
Nutritional Products	1,731	1,704	3,362	3,404	302	313	585	655
Diagnostic Products	1,189	1,135	2,306	2,223	279	242	501	503
Vascular Products	765	751	1,503	1,492	303	221	524	408
Total Reportable Segments	4,901	4,808	9,538	9,569	1,129	1,034	2,085	2,109
Other	650	638	1,257	1,255				
Net Sales	$ 5,551	$ 5,446	$ 10,795	$ 10,824				
Corporate functions and benefit plans costs					(103)	(127)	(161)	(247)
Non-reportable segments					105	99	168	187
Net interest expense					(20)	(23)	(43)	(49)
Share-based compensation (a)					(49)	(52)	(168)	(177)
Amortization of intangible assets					(161)	(197)	(335)	(396)
Other, net (b)					(164)	(133)	(386)	(272)
Consolidated Earnings from Continuing Operations Before Taxes					$ 737	$ 601	$ 1,160	$ 1,155

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

(b) The increase in expense from 2013 to 2014 primarily reflects higher charges for cost reduction initiatives.

Note 14 Subsequent Event

On July 14, 2014, Abbott announced that it will sell its developed markets branded generics pharmaceuticals business to Mylan for equity ownership of a newly formed entity that will combine Mylan s existing business and Abbott s developed markets pharmaceuticals business, and will be publicly traded. This represents a value of approximately $5.3 billion based on Mylan s closing stock price on July 11, 2014. Abbott s developed markets branded generics pharmaceuticals business generated approximately $2 billion in sales in 2013. Abbott will retain its branded generics pharmaceuticals business in emerging markets. The transaction is expected to close in the first quarter of 2015. Abbott expects to report the results of its developed markets branded generics pharmaceuticals business as discontinued operations beginning in the third quarter of 2014.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Financial Review - Results of Operations

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

	Net Sales to External Customers				
	Three Months ended June 30, 2014	Three Months ended June 30, 2013	Total Change	Impact of Foreign Exchange	Total Change Excl. Foreign Exchange
Established Pharmaceutical Products	$ 1,216	$ 1,218	(0.1)%	(2.4)%	2.3%
Nutritional Products	1,731	1,704	1.6	(1.5)	3.1
Diagnostic Products	1,189	1,135	4.8	(0.7)	5.5
Vascular Products	765	751	1.9	0.5	1.4
Total Reportable Segments	4,901	4,808	2.0	(1.2)	3.2
Other	650	638	1.7	0.3	1.4
Net Sales	$ 5,551	$ 5,446	1.9	(1.1)	3.0
Total U.S.	$ 1,561	$ 1,560	0.1		0.1
Total International	$ 3,990	$ 3,886	2.7	(1.5)	4.2

	Net Sales to External Customers				
	Six Months ended June 30, 2014	Six Months ended June 30, 2013	Total Change	Impact of Foreign Exchange	Total Change Excl. Foreign Exchange
Established Pharmaceutical Products	$ 2,367	$ 2,450	(3.4)%	(4.2)%	0.8%
Nutritional Products	3,362	3,404	(1.2)	(1.9)	0.7
Diagnostic Products	2,306	2,223	3.7	(1.6)	5.3
Vascular Products	1,503	1,492	0.7	(0.5)	1.2
Total Reportable Segments	9,538	9,569	(0.3)	(2.2)	1.9
Other	1,257	1,255	0.1	(0.7)	0.8
Net Sales	$ 10,795	$ 10,824	(0.3)	(2.1)	1.8
Total U.S.	$ 3,050	$ 3,094	(1.4)		(1.4)
Total International	$ 7,745	$ 7,730	0.2	(2.8)	3.0

The net sales growth for the second quarter and first six months of 2014 was negatively impacted by changes in foreign currency exchange rates. The relatively stronger U.S. dollar decreased total international sales by 1.5 percent for the quarter and 2.8 percent for the first six months of 2014. Excluding the unfavorable impact of foreign exchange, total net sales increased 3.0 percent in the quarter and 1.8 percent for the first six months, driven by higher sales across all business segments due primarily to unit volume growth. The growth in diagnostic products reflects continued momentum in core laboratory diagnostics in both developed and emerging markets. Year-over-year changes in nutritional product sales continue to be negatively impacted in the quarter and year-to-date period by a previously reported supplier recall in certain international markets in August 2013.

Table of Contents

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

(in millions)	June 30, 2014	June 30, 2013	Total Change	Impact of Foreign Exchange	Total Change Excl. Foreign Exchange
Established Pharmaceutical Products sales					
Key Emerging Markets	$ 1,147	$ 1,175	(2.4)%	(7.4)%	5.0%
Developed and Other Markets	1,220	1,275	(4.3)	(1.2)	(3.1)
Nutritionals					
U.S. Pediatric Nutritionals	756	768	(1.6)		(1.6)
International Pediatric Nutritionals	1,116	1,193	(6.5)	(2.8)	(3.7)
U.S. Adult Nutritionals	657	665	(1.1)		(1.1)
International Adult Nutritionals	833	778	7.1	(4.0)	11.1
Diagnostics					
Immunochemistry	1,774	1,696	4.6	(1.8)	6.4
Vascular Products (1)					
Drug Eluting Stents (DES) and Bioresorbable Vascular Scaffold (BVS) products	738	776	(4.9)	(1.2)	(3.7)
Other Coronary products	295	292	1.0		1.0
Endovascular	257	234	10.2	0.4	9.8

(1) Other Coronary Products include primarily guidewires and balloon catheters. Endovascular includes vessel closure, carotid stents and other peripheral products.

The Established Pharmaceutical Products segment is focused on 14 key emerging markets including India, Russia, China and Brazil. Excluding the negative impact of foreign exchange rates, the 5.0% sales increase in these key emerging markets reflects strong growth in India and Brazil due in part to improved commercial execution and market conditions in India and product portfolio expansion in Brazil. Sales in Developed and Other Markets in the Established Pharmaceutical Products segment decreased in 2014 due primarily to continued pricing pressures, as well as the unfavorable effects of exchange in 2014.

International Pediatric Nutritional sales decreased due primarily to the impact of a supplier recall in certain international markets in the third quarter of 2013, which created disruption in these markets that unfavorably impacted sales volumes. The decline in U.S. Pediatric Nutritional revenue primarily reflects lower infant formula sales. The sales growth in International Adult Nutritionals was led by strong growth of *Ensure* products and double-digit growth in emerging markets. Immunochemistry Diagnostics sales increased primarily as a result of continued market share gains in the U.S. and strong growth in emerging markets. In the Vascular Products segment, sales of DES products declined due to year-over-year declines in the U.S. DES market and in market share; these declines were partially offset by increased penetration of the *Absorb* bioresorbable vascular scaffold in various international markets. The increase in Endovascular sales was driven by higher revenues from *Supera*.

The gross profit margin percentage was 51.9 percent for the second quarter of 2014 compared to 49.7 percent for the second quarter of 2013. First six months 2014 gross profit margin was 50.8 percent compared to 50.4 percent in the first six months 2013. The second quarter and first six months 2014 gross margins reflect the resolution of an intellectual property matter that lowered product costs in the Vascular Products segment, as well as lower intangible amortization and restructuring costs in 2014 compared to 2013.

Research and development expenses decreased 7.5 percent in the second quarter of 2014 due in part to the impact of previous restructuring actions, while research and development expenses for the first six months of 2014 increased 1.8 percent due primarily to the impact of restructuring actions recorded in 2014. For the first six months ended June 30, 2014, research and development expenditures totaled $139 million for the Vascular Products segment, $198 million for the Diagnostic Products segment, $112 million for the Established Pharmaceutical Products segment and $97 million for the Nutritional Products segment.

Selling, general and administrative expenses for the second quarter and first six months 2014 increased 4.3 percent and 1.4 percent, respectively, due to restructuring charges, partially offset by a continuing focus on cost savings initiatives.

Table of Contents

Restructuring Plans

The results for the first six months of 2014 reflect charges recognized for actions associated with the company s plans to streamline various operations in order to reduce costs and improve efficiencies in Abbott s vascular, diagnostics, and nutritional businesses. Abbott recorded employee related severance and other charges of approximately $80 million in 2014 related to these initiatives. Approximately $17 million is recognized in Cost of products sold, $41 million is recognized in Research and development and approximately $22 million is recognized in Selling, general and administrative expense. In the first six months of 2014, Abbott management also approved plans to streamline various operations in order to reduce costs and improve efficiencies across various functional areas and recognized a charge of $76 million. Approximately $2 million is recorded in Cost of products sold and approximately $74 million in Selling, general and administrative expense. See Note 7 to the financial statements, Restructuring Plans, for additional information regarding these charges.

Interest Expense (Income), net

Interest expense (income), net for the second quarter and first six months of 2014 decreased due to the favorable impact of lower interest rates on interest expense, as well as an increase in interest income.

Taxes on Earnings from Continuing Operations

Taxes on earnings from continuing operations reflect the estimated annual effective rates and include charges for interest and penalties. In the first six months of 2014, taxes on earnings from continuing operations reflect the recognition of $58 million of tax benefits as the result of the favorable resolution of various tax positions pertaining to prior years. Earnings from discontinued operations, net of tax, in the first six months of 2014 reflects the recognition of $42 million of net tax benefits primarily as a result of the favorable resolution of various tax positions related to AbbVie s operations for years prior to the separation. The conclusion of these tax matters decreased the gross amount of unrecognized tax benefits by approximately $134 million. As a result of the American Taxpayer Relief Act of 2012 signed into law in January 2013, Abbott recorded a tax benefit to taxes on continuing operations of approximately $103 million in the first six months of 2013 for the retroactive extension of the research tax credit and the look-through rules of section 954(c)(6) of the Internal Revenue Code to the beginning of 2012. Excluding these discrete items, the change in the effective rate from 2013 to 2014 primarily reflects the impact of the repatriation of 2014 earnings generated outside the U.S.

Tax authorities in various jurisdictions regularly review Abbott s income tax filings. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease by up to $350 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

Separation of AbbVie Inc.

On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott s research-based proprietary pharmaceuticals business. Abbott and AbbVie entered into transitional services agreements prior to the separation pursuant to which Abbott and

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

For a small portion of AbbVie s operations, the legal transfer of AbbVie s assets (net of liabilities) did not occur with the separation of AbbVie on January 1, 2013, in certain countries, due to the time required to transfer marketing authorizations and other regulatory requirements in each of these countries. Under the terms of the separation agreement with Abbott, AbbVie is subject to the risks and entitled to the benefits generated by these operations and assets. The majority of these operations were transferred to AbbVie in 2013 with the remainder expected to be transferred in 2014 or 2015. These assets and liabilities have been presented as held for disposition in the Condensed Consolidated Balance Sheet. At June 30, 2014, the assets and liabilities held for disposition consist of trade accounts receivable of $137 million, inventories of $89 million, equipment of $16 million, other assets of $62 million, trade accounts payable and accrued liabilities of $242 million and other liabilities of $1 million. Abbott s obligation to transfer the net assets held for disposition to AbbVie of $61 million is included in Other accrued liabilities.

Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie s business. AbbVie generally will be liable for all other taxes attributable to its business.

Table of Contents

Earnings from discontinued operations in the first six months of 2014 reflect the recognition of $42 million of net tax benefits primarily as a result of the resolution of various tax positions related to AbbVie s operations for years prior to the separation.

Liquidity and Capital Resources June 30, 2014 Compared with December 31, 2013

The $95 million increase in cash and cash equivalents from $3.475 billion at December 31, 2013 to $3.570 billion at June 30, 2014 reflects the favorable impact of cash generated by operating activities and a reduction in short term investments partially offset by share repurchases and dividends paid in the first six months of 2014.

Net cash from operating activities for the first six months of 2014 totaled $1.24 billion. Other, net in Net cash from operating activities for the first six months of 2014 of $(354) million reflects contributions to defined benefit plans of $330 million in 2014, as well as the non-cash impact in the first six months of approximately $70 million of tax benefits, net of cash refunds by tax authorities, from the resolution of various tax positions pertaining to prior years. The $(555) million of Other, net activity in Net cash from operating activities for 2013 reflects approximately $435 million of one-time net cash outflows related to the separation of AbbVie, the non-cash impact of the $103 million tax benefit for the retroactive impact of U.S. tax law changes due to the timing of tax filings and $320 million of contributions to defined benefit plans. Abbott expects annual cash flow from operating activities to continue to exceed Abbott s capital expenditures and cash dividends on an annual basis.

Working capital was $8.4 billion at June 30, 2014 and $9.7 billion at December 31, 2013. The $1.3 billion decrease in working capital in 2014 is due primarily to the use of cash to repurchase shares and pay a higher dividend.

A majority of Abbott s trade receivables in Italy, Spain, Portugal, and Greece are with governmental health systems. Governmental receivables in these four countries accounted for approximately 1% of Abbott s total assets and 9% of total net trade receivables as of June 30, 2014 as compared to 1% of total assets and 12% of total net receivables as of December 31, 2013. With the exception of Greece, Abbott historically has collected almost all of the outstanding receivables in these countries. Abbott closely monitors economic conditions and budgetary and other fiscal developments in these countries. Abbott regularly communicates with its customers regarding the status of receivable balances, including their payment plans and obtains positive confirmation of the validity of the receivables. Abbott also monitors the potential for and periodically has utilized factoring arrangements to mitigate risk although such arrangements were not material in the first six months of 2014.

At June 30, 2014, Abbott s long-term debt rating was A+ by Standard & Poor s Corporation and A1 by Moody s Investors Service. Abbott has readily available financial resources, including unused lines of credit of $5.0 billion that support commercial paper borrowing arrangements which expire in 2019.

In June 2013, the board of directors authorized the purchase of up to $3.0 billion of Abbott s common shares from time to time and 54.6 million shares at a cost of $2.1 billion were purchased in the first six months of 2014 under this program. Approximately $512 million remains available for repurchase under this authorization. In the first six months of 2013, 32.9 million shares were purchased at a cost of approximately $1.2 billion under a previous share repurchase authorization.

In each of the first two quarters of 2014, Abbott declared a quarterly dividend of $0.22 per share on its common shares, which represents a 57% increase over the $0.14 per share quarterly dividend declared in each of the first two quarters of 2013.

Business Developments

On July 14, 2014, Abbott announced that it will sell its developed markets branded generics pharmaceuticals business to Mylan for equity ownership of a newly formed entity that will combine Mylan s existing business and Abbott s developed markets pharmaceuticals business, and will be publicly traded. This represents a value of approximately $5.3 billion based on Mylan s closing stock price on July 11, 2014. Abbott s developed markets branded generics pharmaceuticals business generated approximately $2 billion in sales in 2013. Abbott will retain its branded generics pharmaceuticals business in emerging markets. The transaction is expected to close in the first quarter of 2015. Abbott expects to report the results of its developed markets branded generics pharmaceuticals business as discontinued operations beginning in the third quarter of 2014.

In the second quarter of 2014, Abbott entered into a definitive agreement to acquire CFR Pharmaceuticals, a Latin American pharmaceutical company. Under the terms of the agreement, Abbott will acquire the holding company that indirectly owns approximately 73 percent of CFR Pharmaceuticals and will conduct a public cash tender offer for all of the remaining outstanding shares of CFR. Assuming all publicly-held shares are tendered, the total purchase price would be approximately $2.9 billion, plus the assumption of net debt of approximately $430 million. The acquisition is expected to close in the third quarter of 2014.

Table of Contents

In the second quarter of 2014, Abbott entered into a definitive agreement to acquire Veropharm, a Russian pharmaceutical manufacturer. Under the terms of the agreement, Abbott will acquire Limited Liability Company Garden Hills, the holding company that currently owns a controlling interest in Veropharm, for between 13.6 billion rubles and 17 billion rubles (or a range of approximately $395 million to $495 million U.S. dollars) depending on Garden Hills share ownership of Veropharm at time of close. Pursuant to the agreement, Abbott will also assume net debt of 4.7 billion rubles (or approximately $136 million U.S. dollars). The acquisition is expected to close in the fourth quarter of 2014.

The acquisitions of CFR Pharmaceuticals and Veropharm are expected to be funded with current cash on hand and short term investments.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, which provides a single comprehensive model for accounting for revenue from contracts with customers and will supersede most existing revenue recognition guidance. Early adoption is not permitted. The standard becomes effective for Abbott in the first quarter of 2017. Abbott is currently evaluating the effect, if any, that the standard will have on its consolidated financial statements and related disclosures.

Legislative Issues

Abbott s primary markets are highly competitive and subject to substantial government regulations throughout the world. Abbott expects debate to continue over the availability, method of delivery, and payment for health care products and services. It is not possible to predict the extent to which Abbott or the health care industry in general might be adversely affected by these factors in the future. A more complete discussion of these factors is contained in Item 1, Business, and Item 1A, Risk Factors, in the 2013 Annual Report on Form 10-K.

Private Securities Litigation Reform Act of 1995 A Caution Concerning Forward-Looking Statements

Under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Abbott cautions investors that any forward-looking statements or projections made by Abbott, including those made in this document, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Economic, competitive, governmental, technological and other factors that may affect Abbott s operations are discussed in Item 1A, Risk Factors, in the 2013 Annual Report on Form 10-K.

PART I. FINANCIAL INFORMATION

Item 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* The Chief Executive Officer, Miles D. White, and Chief Financial Officer, Thomas C. Freyman, evaluated the effectiveness of Abbott Laboratories disclosure controls and procedures as of the end of the period covered by this report, and concluded that Abbott Laboratories disclosure controls and procedures were effective to ensure that information Abbott is required to disclose in the reports that it files or submits with the Securities and Exchange Commission (the Commission) under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms, and to ensure that information required to be disclosed by Abbott in the reports that it files or submits under the Exchange Act is accumulated and communicated to Abbott s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) *Changes in internal control over financial reporting.* During the quarter ended June 30, 2014, there were no changes in Abbott s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Abbott s internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Abbott is involved in various claims, legal proceedings and investigations, including (as of June 30, 2014, except where noted below) those described below. While it is not feasible to predict the outcome of such pending claims, proceedings and investigations with certainty, management is of the opinion that their ultimate resolution should not have a material adverse effect on Abbott s financial position, cash flows, or results of operations.

In its 2013 Annual Report on Form 10-K, Abbott reported that seven shareholder derivative lawsuits are pending in a consolidated proceeding, *In Re Abbott-Depakote Shareholder Derivative Litigation*, in the United States District Court for the Northern District of Illinois, and that on January 21, 2014, Abbott and the lead plaintiff in the consolidated proceeding entered into a Memorandum of Understanding in which they reached an agreement to settle. On May 22, 2014, the court issued a final order and judgment approving the settlement in the consolidated proceeding, including the related Montini Family Trust and West Virginia Pipe Trades Health & Welfare Fund action, which had been consolidated with the consolidated proceeding. The deadline to appeal has passed and the settlement is final.

In its 2013 Annual Report on Form 10-K, Abbott reported that Medinol Limited (Medinol) sued Abbott in Germany, asserting that certain of Abbott s coronary bare metal and all of its metal-based drug-eluting stent products infringe certain of Medinol s European and German stent design patents, and that the validity of certain of Medinol s patents had been appealed to the German Federal Supreme Court. On April 29, 2014, the validity of these patents was upheld, and Medinol may proceed with the infringement cases that were previously stayed pending the conclusion of these validity cases.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) *Issuer Purchases of Equity Securities*

Period	**(a) Total Number of Shares (or Units) Purchased**	**(b) Average Price Paid per Share (or Unit)**	**(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs**
April 1, 2014 April 30, 2014	5,173(1)	$ 37.981		$ 511,537,561(2)
May 1, 2014 May 31, 2014	47,818(1)	$ 39.325		$ 511,537,561(2)
June 1, 2014 June 30, 2014	56,088(1)	$ 39.937		$ 511,537,561(2)
Total	109,079(1)	$ 39.576		$ 511,537,561(2)

(1) These shares include:

(i) the shares deemed surrendered to Abbott to pay the exercise price in connection with the exercise of employee stock options 5,173 in April, 17,318 in May, and 25,588 in June; and

(ii) the shares purchased on the open market for the benefit of participants in the Abbott Laboratories, Limited Employee Stock Purchase Plan 0 in April, 30,500 in May, and 30,500 in June.

These shares do not include the shares surrendered to Abbott to satisfy tax withholding obligations in connection with the vesting of restricted stock or restricted stock units.

(2) On June 14, 2013, Abbott announced that its board of directors approved the purchase of up to $3 billion of its common shares, from time to time.

Item 6. Exhibits

Incorporated by reference to the Exhibit Index included herewith.

Table of Contents

SIGNATURE

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

ABBOTT LABORATORIES

By:	/s/ Thomas C. Freyman Thomas C. Freyman Executive Vice President, Finance and Chief Financial Officer
	Date: August 5, 2014

Table of Contents

EXHIBIT INDEX

Exhibit No.	Exhibit
2.1	Transaction Agreement, dated as of May 15, 2014, by and between Abbott Investments Luxemburg S.à.r.l. and Positron Limited.*
12	Statement re: computation of ratio of earnings to fixed charges.
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be filed under the Securities Exchange Act of 1934.	
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements and notes from the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter and six months ended June 30, 2014, formatted in XBRL: (i) Condensed Consolidated Statement of Earnings; (ii) Condensed Consolidated Statement of Comprehensive Income; (iii) Condensed Consolidated Balance Sheet; (iv) Condensed Consolidated Statement of Cash Flows and (v) the notes to the condensed consolidated financial statements.

* Certain schedules have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. In accordance with Item 601(b)(2), Abbott will furnish supplemental copies of any such schedules to the U.S. Securities and Exchange Commission upon request.