

ABBOTT LABORATORIES  
Form 10-K  
February 17, 2017

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549**

---

**FORM 10-K**

(MARK ONE)

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

For the fiscal year ended December 31, 2016

Commission file number 1-2189

**Abbott Laboratories**

An Illinois Corporation  
100 Abbott Park Road  
Abbott Park, Illinois 60064-6400

**36-0698440**  
(I.R.S. employer identification number)  
**(224) 667-6100**  
(telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, Without Par Value	New York Stock Exchange Chicago Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or

Edgar Filing: ABBOTT LABORATORIES - Form 10-K

for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

The aggregate market value of the 1,434,314,510 shares of voting stock held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of Abbott Laboratories' most recently completed second fiscal quarter (June 30, 2016), was \$56,382,903,388. Abbott has no non-voting common equity. Number of common shares outstanding as of January 31, 2017: 1,727,997,596

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the 2017 Abbott Laboratories Proxy Statement are incorporated by reference into Part III. The Proxy Statement will be filed on or about March 17, 2017.

---

**PART I**

**ITEM 1. BUSINESS**

**GENERAL DEVELOPMENT OF BUSINESS**

Abbott Laboratories is an Illinois corporation, incorporated in 1900. Abbott's\* principal business is the discovery, development, manufacture, and sale of a broad and diversified line of health care products.

**FINANCIAL INFORMATION RELATING TO INDUSTRY SEGMENTS, GEOGRAPHIC AREAS, AND CLASSES OF SIMILAR PRODUCTS**

Incorporated herein by reference is Note 15 entitled "Segment and Geographic Area Information" of the Notes to Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data."

**NARRATIVE DESCRIPTION OF BUSINESS**

As of December 31, 2016, Abbott had four reportable segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Vascular Products.

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc. (St. Jude Medical), a global medical device manufacturer, for approximately \$23.6 billion, including approximately \$13.6 billion in cash and approximately \$10 billion in Abbott common shares, based on the closing Abbott share price on the acquisition date. Because the acquisition was completed during 2017, the financial condition and results of operations presented herein are those of Abbott and its subsidiaries prior to the completion of the acquisition, and do not include the financial conditions and results of operations of St. Jude Medical and its subsidiaries.

On September 14, 2016, Abbott entered into a definitive agreement to sell its surgical cataract treatment, surgical vision correction and consumer eye health businesses to Johnson & Johnson for \$4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The transaction reflects Abbott's proactive shaping of its portfolio in line with its strategic priorities. The transaction is expected to close in the first quarter of 2017 and is subject to customary closing conditions, including regulatory approvals.

On January 30, 2016, Abbott entered into a definitive merger agreement to acquire Alere Inc. (Alere), a diagnostic device and service provider, for \$56.00 per common share in cash. The acquisition is subject to satisfaction of customary closing conditions, including the accuracy of Alere's representations and warranties (subject to certain materiality qualifications), compliance in all material respects with Alere's covenants and receipt of applicable regulatory approvals. Due to a number of adverse developments that have occurred with respect to Alere since the date of the merger agreement, Abbott has filed a complaint in the Delaware Court of Chancery seeking to terminate the merger agreement on the basis that Alere has experienced a "material adverse effect" under the acquisition agreement and has materially breached certain of its covenants. See Item 3, "Legal Proceedings."

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business, which was previously included in the Established Pharmaceutical Products segment, to Mylan Inc. for 110 million shares of Mylan N.V., a newly formed entity that combined Mylan's existing business with Abbott's developed markets branded generics pharmaceuticals business. Abbott retained the branded generics pharmaceuticals business and products of its Established Pharmaceutical Products segment in emerging markets. In April 2015, Abbott sold 40,250,000 of its Mylan N.V. ordinary shares. Abbott currently owns 69,750,000 Mylan N.V. ordinary shares.

---

\*

As used throughout the text of this report on Form 10-K, the term "Abbott" refers to Abbott Laboratories, an Illinois corporation, or Abbott Laboratories and its consolidated subsidiaries, as the context requires.



### Established Pharmaceutical Products

These products include a broad line of branded generic pharmaceuticals manufactured worldwide and marketed and sold outside the United States. These products are generally sold directly to wholesalers, distributors, government agencies, health care facilities, pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses, depending on the market served. Certain products are co-marketed or co-promoted with, or licensed from, other companies.

The principal products included in the broad therapeutic area portfolios of the Established Pharmaceutical Products segment are:

gastroenterology products, including Creon®, for the treatment of pancreatic exocrine insufficiency associated with several underlying conditions, including cystic fibrosis and chronic pancreatitis; Duspatal® and Dicletel®, for the treatment of irritable bowel syndrome or biliary spasm; Heptral®, Transmetil®, and Samyr®, for the treatment of intrahepatic cholestasis (associated with liver disease) or depressive symptoms; and Duphalac®, for regulation of the physiological rhythm of the colon;

women's health products, including Duphaston®, for the treatment of many different gynecological disorders; and Femoston®, a hormone replacement therapy for postmenopausal women;

cardiovascular and metabolic products, including Lipanthy® and TriCor®, for the treatment of dyslipidemia; Teveten® and Teveten® Plus, for the treatment of essential hypertension, and Physiotens®, for the treatment of hypertension; and Synthroid®, for the treatment of hypothyroidism;

pain and central nervous system products, including Serc, for the treatment of Ménière's disease and vestibular vertigo; Brufen®, for the treatment of pain, fever, and inflammation, and Sevedol®, for the treatment of severe migraines; and

respiratory drugs and vaccines, including the anti-infective clarithromycin (sold under the trademarks Biaxin®, Klacid®, and Klaricid®); and Influvac®, an influenza vaccine.

The Established Pharmaceutical Products segment directs its primary marketing efforts toward building a strong brand with key stakeholders, including consumers, pharmacists, physicians, and other healthcare providers. Government agencies are also important customers.

Competition in the Established Pharmaceutical Products segment is generally from other health care and pharmaceutical companies. In addition, the substitution of generic drugs for the brand prescribed and introduction of additional forms of already marketed established products by generic or branded competitors have increased competitive pressures.

### Diagnostic Products

These products include a broad line of diagnostic systems and tests manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to blood banks, hospitals, commercial laboratories, clinics, physicians' offices, government agencies, alternate care testing sites, and plasma protein therapeutic companies from Abbott owned distribution centers, public warehouses or third party distributors.

The principal products included in the Diagnostic Products segment are:

immunoassay and clinical chemistry systems, including ARCHITECT®, ABBOTT PRISM®, and the next-generation Alinity family of instruments, with assays used for screening and/or diagnosis for cancer, cardiac, metabolics, drugs of abuse, fertility, general chemistries, infectious diseases such as hepatitis and HIV, and therapeutic drug monitoring;

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

a full line of hematology systems and reagents known as the Cell-Dyn® series;

the i-STAT® and next-generation i-STAT Alinity point-of-care diagnostic systems and cartridges for blood analysis;

m2000 , an instrument that automates the extraction, purification, and preparation of DNA and RNA from patient samples, and detects and measures infectious agents including HIV, HBV, HCV, HPV, and CT/NG;

the Vysis® FISH product line of genomic-based tests, including the PathVysion® HER-2 DNA probe kit; the UroVysion® bladder cancer recurrence kit; and the Vysis ALK Break Apart FISH Probe Kit, an FDA-approved companion diagnostic to Pfizer's approved non-small-cell lung cancer therapy XALKORI®; and

informatics and automation solutions for use in laboratories, including ACCELERATOR a3600®, and AlinIQ , a suite of informatics tools and professional services.

The Diagnostic Products segment's products are subject to competition in technological innovation, price, convenience of use, service, instrument warranty provisions, product performance, laboratory efficiency, long-term supply contracts, and product potential for overall cost-effectiveness and productivity gains. Some products in this segment can be subject to rapid product obsolescence or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

### **Nutritional Products**

These products include a broad line of pediatric and adult nutritional products manufactured, marketed, and sold worldwide. These products are generally marketed and sold directly to consumers and to institutions, wholesalers, retailers, health care facilities, government agencies, and third-party distributors from Abbott-owned distribution centers or third-party distributors.

The principal products included in the Nutritional Products segment are:

various forms of prepared infant formula and follow-on formula, including Similac®, Similac® Pro-Advance®, Similac® Advance®, Similac® Advance® Non-GMO, Similac Pro-Sensitive , Similac Sensitive®, Similac Sensitive® Non-GMO, Go&Grow by Similac , Similac® NeoSure®, Similac Organic®, Similac® Special Care®, Similac Total Comfort , Similac® For Supplementation, Isomil® Advance®, Isomil®, Alimentum®, Gain®, Grow®, Similac Qinti , and Eleva ;

adult and other pediatric nutritional products, including Ensure®, Ensure Plus®, Ensure® Enlive®, Ensure® (with NutriVigor®), Ensure Complete®, Ensure® High Protein, Glucerna®, Glucerna Hunger Smart®, ProSure®, PediaSure®, PediaSure Sidekicks®, PediaSure Peptide®, EleCare®, Juven®, Abound®, and Pedialyte®;

nutritional products used in enteral feeding in health care institutions, including Jevity®, Glucerna® 1.2 Cal, Glucerna® 1.5 Cal, Osmolite®, Oxepa®, Freego® (Enteral Pump) and Freego® sets, Nepro®, and Vital®; and

Zone Perfect® bars and the EAS® family of nutritional brands, including Myoplex® and AdvantEdge®.

Primary marketing efforts for nutritional products are directed toward consumers or to securing the recommendation of Abbott's brand of products by physicians or other health care professionals. In addition, certain nutritional products sold as Similac®, Gain®, Grow®, Eleva , PediaSure®, PediaSure Sidekicks®, Pedialyte®, Ensure®, Zone Perfect®, EAS®/Myoplex®, and Glucerna® are also promoted directly to the public by consumer marketing efforts in select markets where appropriate.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

Competition for nutritional products in the segment is generally from other diversified consumer and health care manufacturers. Competitive factors include consumer advertising, formulation, packaging, scientific innovation, intellectual property, price, retail distribution, and availability of product forms. A significant aspect of competition is the search for ingredient innovations. The introduction of new products by competitors, changes in medical practices and procedures, and regulatory changes can result in product obsolescence. In addition, private label and local manufacturers' products may increase competitive pressure.

### Vascular Products

These products include a broad line of coronary, endovascular, vessel closure, and structural heart devices for the treatment of vascular disease that are manufactured, marketed and sold worldwide. In the United States, these products are generally marketed and sold directly to hospitals from Abbott-owned distribution centers and public warehouses. Outside the United States, sales are made either directly to customers or through distributors, depending on the market served.

The principal products included in the Vascular Products segment are:

the XIENCE family of drug-eluting coronary stent systems developed on the Multi-Link Vision® platform;

StarClose SE® and ProGlide vessel closure devices;

TREK® coronary balloon dilatation products;

Hi-Torque Balance Middleweight Universal and ASAHI® coronary guidewires (licensed from Asahi Intecc Co., Ltd.);

MitraClip®, a percutaneous mitral valve repair system;

Supera® Peripheral Stent System, a peripheral vascular stent system; and

Acculink®/Accunet® and Xact®/Emboshield NAV, carotid stent systems.

The products in Abbott's Vascular Products segment are subject to competition in technological innovation, price, convenience of use, service, product performance, long-term supply contracts, and product potential for overall cost-effectiveness and productivity gains. Some products in this segment can be subject to rapid product obsolescence or regulatory changes. Although Abbott has benefited from technological advantages of certain of its current products, these advantages may be reduced or eliminated as competitors introduce new products.

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical. St. Jude Medical's products include a broad line of rhythm management, electrophysiology, heart failure, vascular and structural heart devices for the treatment of cardiovascular diseases, as well as neuromodulation devices for the management of chronic pain and movement disorders.

The principal products included in St. Jude Medical's businesses are:

rhythm management products, including Assurity® and Endurity® pacemaker systems, Ellipse® and Fortify Assura® implantable cardioverter defibrillators and Quadra Assura® MultiPoint implantable cardioverter defibrillator with cardiac resynchronization therapy;

electrophysiology products, including TactiCath® Quartz Contact Force Sensing and FlexAbility® irrigated ablation catheters, Ampere® RF ablation generator, EnSite Precision® cardiac mapping system;

Edgar Filing: ABBOTT LABORATORIES - Form 10-K

heart failure related products, including the HeartMate® family of left ventricular assist devices and the CardioMEMS® pulmonary artery sensor, a heart failure monitoring system;



## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

vascular products, including the OPTIS® integrated system with the Dragonfly® OPTIS® imaging catheter and OPTIS® OTC and PressureWire® X FFR measurement systems;

structural heart products, including Trifecta® Valve with Glide Technology, a surgical tissue heart valve, Portico® transcatheter aortic heart valve, Regent mechanical heart valve, and Amplatzer® occluders; and

neuromodulation products, including spinal cord stimulators Proclaim® Elite Recharge-free and Prodigy MRI®, both with BurstDR stimulation; Axium® Neurostimulator System, a neurostimulation device designed for dorsal root ganglion therapy, and the Infinity® Deep Brain Stimulation System with directional lead technology, for the treatment of movement disorders.

### **Other Products**

The principal products in Abbott's other businesses include blood glucose and flash glucose monitoring systems, including test strips, sensors, data management decision software, and accessories for people with diabetes, under the FreeStyle® brand, and medical devices for the eye, including cataract surgery, LASIK surgery, contact lens care products, and dry eye products. These products are marketed worldwide and generally sold directly to wholesalers, government agencies, private health care organizations, health care facilities, mail order pharmacies, and independent retailers from Abbott-owned distribution centers and public warehouses. Some of these products are marketed and distributed through distributors. Blood and flash glucose monitoring systems, contact lens care products, and dry eye products are also marketed and sold to consumers. These products are subject to regulatory changes and competition in technological innovation, price, convenience of use, service, and product performance.

As discussed above, Abbott has entered into a definitive agreement to sell its surgical cataract treatment, surgical vision correction and consumer eye health businesses to Johnson & Johnson. The transaction is expected to close in the first quarter of 2017.

## **INFORMATION WITH RESPECT TO ABBOTT'S BUSINESS IN GENERAL**

### **Sources and Availability of Raw Materials**

Abbott purchases, in the ordinary course of business, raw materials and supplies essential to Abbott's operations from numerous suppliers in the United States and around the world. There have been no recent significant availability problems or supply shortages for raw materials or supplies.

### **Patents, Trademarks, and Licenses**

Abbott is aware of the desirability for patent and trademark protection for its products. Accordingly, where possible, patents and trademarks are sought and obtained for Abbott's products in the United States and countries of interest to Abbott. Abbott owns or has licenses under a substantial number of patents and patent applications. Principal trademarks and the products they cover are discussed in the Narrative Description of Business on pages 1 through 5. These, and various patents which expire during the period 2017 to 2037, in the aggregate, are believed to be of material importance in the operation of Abbott's business. Abbott believes that no single patent, license, or trademark is material in relation to Abbott's business as a whole.

### **Seasonal Aspects, Customers, Backlog, and Renegotiation**

There are no significant seasonal aspects to Abbott's business. Abbott has no single customer that, if the customer were lost, would have a material adverse effect on Abbott. Orders for Abbott's products are generally filled on a current basis, and order backlog is not material to Abbott's business. No material portion of Abbott's business is subject to renegotiation of profits or termination of contracts at the election of a government.

## Research and Development

Abbott spent approximately \$1.4 billion in 2016, \$1.4 billion in 2015, and \$1.3 billion in 2014 on research to discover and develop new products and processes and to improve existing products and processes.

## Environmental Matters

Abbott believes that its operations comply in all material respects with applicable laws and regulations concerning environmental protection. Regulations under federal and state environmental laws impose stringent limitations on emissions and discharges to the environment from various manufacturing operations. Abbott's capital and operating expenditures for pollution control in 2016 were approximately \$19 million and \$35 million, respectively. Capital and operating expenditures for pollution control in 2017 are estimated to be \$19 million and \$38 million, respectively.

Abbott has been identified as one of many potentially responsible parties in investigations and/or remediations at several locations in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as Superfund. Abbott is also engaged in remediation at several other sites, some of which are owned by Abbott, in cooperation with the Environmental Protection Agency or similar agencies. While it is not feasible to predict with certainty the final costs related to those investigations and remediation activities, Abbott believes that such costs, together with other expenditures to maintain compliance with applicable laws and regulations concerning environmental protection, should not have a material adverse effect on Abbott's financial position, cash flows, or results of operations.

## Employees

Abbott employed approximately 75,000 people as of December 31, 2016. Following the acquisition of St. Jude Medical, Abbott employs approximately 94,000 people.

## Regulation

The development, manufacture, marketing, sale, promotion, and distribution of Abbott's products are subject to comprehensive government regulation by the U.S. Food and Drug Administration and similar international regulatory agencies. Government regulation by various international, supranational, federal and state agencies addresses (among other matters) the development and approval to market Abbott's products, as well as the inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, labeling, packaging, supply chains, marketing and promotion, pricing and reimbursement, sampling, distribution, quality control, post-market surveillance, record keeping, storage, and disposal practices. Abbott's international operations are also affected by trade and investment regulations in many countries. These may require local investment, restrict Abbott's investments, or limit the import of raw materials and finished products. In addition, Abbott is subject to laws and regulations pertaining to health care fraud and abuse, including state and federal anti-kickback and false claims laws in the United States. Prescription drug, nutrition, and medical device manufacturers such as Abbott are also subject to taxes, as well as application, product, user, establishment, and other fees. Governmental agencies can also invalidate intellectual property rights.

Compliance with these laws and regulations is costly and materially affects Abbott's business. Among other effects, health care regulations substantially increase the time, difficulty, and costs incurred in obtaining and maintaining approval to market newly developed and existing products. Abbott expects this regulatory environment will continue to require significant technical expertise and capital investment to ensure compliance. Failure to comply can delay the release of a new product or result in regulatory and enforcement actions, the seizure or recall of a product, the suspension or revocation of the authority

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

necessary for a product's production and sale, and other civil or criminal sanctions, including fines and penalties.

Abbott's business can also be affected by ongoing studies of the utilization, safety, efficacy, and outcomes of health care products and their components that are regularly conducted by industry participants, government agencies, and others. These studies can call into question the utilization, safety, and efficacy of previously marketed products. In some cases, these studies have resulted, and may in the future result, in the discontinuation of marketing of such products in one or more countries, and may give rise to claims for damages from persons who believe they have been injured as a result of their use.

Access to human health care products continues to be a subject of investigation and action by governmental agencies, legislative bodies, and private organizations in many countries. A major focus is cost containment. Efforts to reduce health care costs are also being made in the private sector, notably by health care payors and providers, which have instituted various cost reduction and containment measures. Abbott expects insurers and providers will continue attempts to reduce the cost or utilization of health care products. Many countries control the price of health care products directly or indirectly, through reimbursement, payment, pricing, coverage limitations, or compulsory licensing. Budgetary pressures on health care payors may also heighten the scope and severity of pricing pressures on Abbott's products for the foreseeable future.

In the United States, the federal government regularly evaluates reimbursement for medical procedures in which medical devices and diagnostics may be used. The government follows a diagnosis-related group (DRG) payment system for certain institutional services provided under Medicare or Medicaid and has implemented a prospective payment system (PPS) for services delivered in hospital outpatient, nursing home, and home health settings. DRG and PPS entitle a health care facility to a fixed reimbursement based on the diagnosis and/or procedure rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Medicare also implemented a competitive bidding system for durable medical equipment (including diabetes products), enteral nutrition products, and supplies. Additionally, the Protecting Access to Medicare Act establishes a new payment system for clinical laboratory tests, which goes into effect in 2018.

In 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (together, the Affordable Care Act), imposed an excise tax on Abbott and other medical device manufacturers and importers. The excise tax was subsequently suspended from January 1, 2016 through December 31, 2017 as part of the Consolidated Appropriations Act of 2016. The excise tax is scheduled to apply to sales of taxable medical devices beginning on January 1, 2018.

The Affordable Care Act also includes provisions known as the Physician Payments Sunshine Act, which require manufacturers of drugs, devices, and medical supplies covered under Medicare and Medicaid to record any transfers of value to physicians and teaching hospitals and to report this data to the Centers for Medicare and Medicaid Services for subsequent public disclosure. Similar reporting requirements have also been enacted on the state level domestically, and an increasing number of governments worldwide either have adopted or are considering similar laws requiring transparency of interactions with health care professionals. Failure to report appropriate data may result in civil or criminal fines and/or penalties.

Policy changes, including potential modification or repeal of all or parts of the Affordable Care Act or implementation of new health care legislation, could result in significant changes to the health care system.

The regulation of data privacy and security, and the protection of the confidentiality of certain patient health information, is increasing. For example, the European Union has enacted stricter data protection laws, which will take effect in 2018, that contain enhanced financial penalties for noncompliance. Similarly, the U.S. Department of Health and Human Services has issued rules governing the use, disclosure, and

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

security of protected health information, and the U.S. Food and Drug Administration has issued further guidance concerning data security for medical devices. In addition, certain countries have issued or are considering "data localization" laws, which limit companies' ability to transfer protected data across country borders. Failure to comply with data privacy and security laws and regulations can result in enforcement actions, which could include civil or criminal penalties. Transferring and managing protected health information will become more challenging as laws and regulations are enacted or amended, and Abbott expects there will be increasing complexity in this area.

Governmental cost containment efforts also affect Abbott's nutritional products business. In the United States, for example, under regulations governing the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children, all states must have a cost containment program for infant formula. As a result, through competitive bidding states obtain rebates from manufacturers of infant formula whose products are used in the program.

Abbott expects debate to continue at all government levels worldwide over the marketing, manufacture, availability, method of delivery, and payment for health care products and services, as well as data privacy and security. Abbott believes that future legislation and regulation in the markets it serves could affect access to health care products and services, increase rebates, reduce prices or reimbursements or the rate of price increases for health care products and services, change health care delivery systems, create new fees and obligations for the pharmaceutical, nutrition, diagnostic, and medical device industries, or require additional reporting and disclosure. It is not possible to predict the extent to which Abbott or the health care industry in general might be affected by the matters discussed above.

### INTERNATIONAL OPERATIONS

As discussed in greater detail in the section captioned, "Narrative Description of Business," Abbott markets products worldwide through affiliates and distributors. Most of the products discussed in the preceding sections of this report are also sold outside the United States. In addition, certain products of a local nature and variations of product lines to meet local regulatory requirements and marketing preferences are manufactured and marketed to customers outside the United States. International operations are subject to certain additional risks inherent in conducting business outside the United States, including price and currency exchange controls, changes in currency exchange rates, limitations on foreign participation in local enterprises, expropriation, nationalization, and other governmental action.

### INTERNET INFORMATION

Copies of Abbott's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through Abbott's investor relations website ([www.abbottinvestor.com](http://www.abbottinvestor.com)) as soon as reasonably practicable after Abbott electronically files the material with, or furnishes it to, the Securities and Exchange Commission.

Abbott's corporate governance guidelines, outline of directorship qualifications, code of business conduct and the charters of Abbott's audit committee, compensation committee, nominations and governance committee, and public policy committee are all available on Abbott's investor relations website ([www.abbottinvestor.com](http://www.abbottinvestor.com)).

## ITEM 1A. RISK FACTORS

In addition to the other information in this report, the following risk factors should be considered before deciding to invest in any of Abbott's securities. Additional risks and uncertainties not presently known to Abbott, or risks Abbott currently considers immaterial, could also affect Abbott's actual results. Abbott's business, financial condition, results of operations, or prospects could be materially adversely affected by any of these risks.

**Abbott may acquire other businesses, license rights to technologies or products, form alliances, or dispose of or spin-off businesses, which could cause it to incur significant expenses and could negatively affect profitability.**

Abbott may pursue acquisitions, licensing arrangements, and strategic alliances, or dispose of or spin-off some of its businesses, as part of its business strategy. Abbott may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and may not realize the expected benefits. If Abbott is successful in making an acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. Abbott may not be able to integrate acquisitions successfully into its existing business or transition disposed businesses efficiently, and could incur or assume significant debt and unknown or contingent liabilities. Abbott could also experience negative effects on its reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets. These effects could cause a deterioration of Abbott's credit rating, result in increased borrowing costs and interest expense, and decrease liquidity.

**Abbott is subject to cost containment efforts that could cause a reduction in future revenues and operating income.**

In the United States and other countries, Abbott's businesses have experienced downward pressure on product pricing. Cost containment efforts by governments and private organizations are described in greater detail in the section captioned "Regulation." To the extent these cost containment efforts are not offset by greater patient access to health care or other factors, Abbott's future revenues and operating income will be reduced.

**Abbott is subject to numerous governmental regulations and it can be costly to comply with these regulations and to develop compliant products and processes.**

Abbott's products are subject to rigorous regulation by the U.S. Food and Drug Administration (FDA) and numerous international, supranational, federal, and state authorities. The process of obtaining regulatory approvals to market a drug or medical device can be costly and time-consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain, approvals for future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues, and in substantial additional costs.

In addition, no assurance can be given that Abbott will remain in compliance with applicable FDA and other regulatory requirements once approval or marketing authorization has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling, and advertising and postmarketing reporting, including adverse event reports and field alerts. Many of Abbott's facilities and procedures and those of Abbott's suppliers are subject to ongoing regulation, including periodic inspection by the FDA and other regulatory authorities. Abbott must incur expense and spend time and effort to ensure compliance with these complex regulations. Possible regulatory actions for non-compliance could include warning letters, fines, damages, injunctions, civil penalties, recalls, seizures of Abbott's products, and criminal prosecution.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

These actions could result in, among other things, substantial modifications to Abbott's business practices and operations; refunds, recalls, or seizures of Abbott's products; a total or partial shutdown of production in one or more facilities while Abbott or Abbott's suppliers remedy the alleged violation; the inability to obtain future pre-market approvals or marketing authorizations; and withdrawals or suspensions of current products from the market. Any of these events could disrupt Abbott's business and have a material adverse effect on Abbott's revenues, profitability and financial condition.

### **Laws and regulations affecting government benefit programs could impose new obligations on Abbott, require Abbott to change its business practices, and restrict its operations in the future.**

Abbott's industry is subject to various international, supranational, federal, and state laws and regulations pertaining to government benefit program reimbursement, price reporting and regulation, and health care fraud and abuse, including anti-kickback and false claims laws, and international and individual state laws relating to pricing and sales and marketing practices. Violations of these laws may be punishable by criminal and/or civil sanctions, including, in some instances, substantial fines, imprisonment, and exclusion from participation in government health care programs, including Medicare, Medicaid, and Veterans Administration health programs in the U.S. These laws and regulations are broad in scope and they are subject to evolving interpretations, which could require Abbott to incur substantial costs associated with compliance or to alter one or more of its sales or marketing practices. In addition, violations of these laws, or allegations of such violations, could disrupt Abbott's business and result in a material adverse effect on Abbott's revenues, profitability, and financial condition.

### **Changes in the health care regulatory environment may adversely affect Abbott's business.**

Both in the U.S. and internationally, government authorities may enact changes in regulatory requirements, make legislative or administrative reforms to existing reimbursement programs, make adverse decisions relating to our products' coverage or reimbursement, or make changes to patient access to health care, all of which could adversely impact the demand for and usage of Abbott's products or the prices that Abbott's customers are willing to pay for them.

Further, in the U.S., a number of the provisions of the U.S. Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 change access to health care products and services and establish certain fees for the medical device industry. These provisions may be modified, repealed, or otherwise invalidated, in whole or in part. Future rulemaking could affect rebates, prices or the rate of price increases for health care products and services, or required reporting and disclosure. Abbott cannot predict the timing or impact of any future rulemaking or changes in the law.

For additional information concerning health care regulation, see the discussion in "Regulation" under Item 1, "Business."

### **Abbott incurred and assumed significant additional indebtedness in connection with the acquisition of St. Jude Medical, which could decrease business flexibility and increase consolidated interest expense.**

Following the acquisition of St. Jude Medical, Abbott's consolidated indebtedness as of January 31, 2017 is approximately \$27.8 billion, representing a substantial increase in comparison to Abbott's consolidated indebtedness on a recent historical basis. This increased consolidated indebtedness could have the effect, among other things, of reducing Abbott's flexibility to respond to changing business and economic conditions, increasing Abbott's consolidated interest expense, and reducing funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes.

Further, Abbott may be required to raise additional financing for working capital, capital expenditures, future acquisitions or other general corporate purposes. Abbott's ability to arrange additional financing or refinancing will depend on, among other factors, Abbott's financial position and performance, as well as prevailing market conditions and other factors beyond Abbott's control. Consequently, Abbott cannot assure that it will be able to obtain additional financing or refinancing on

terms acceptable to Abbott or at all, which could adversely impact Abbott's ability to make scheduled payments with respect to its consolidated indebtedness and its profitability and financial condition. Additionally, further borrowing could cause a deterioration of Abbott's credit rating.

**Changes in credit markets or to Abbott's credit rating could impact Abbott's ability to obtain financing for its business operations or result in increased borrowing costs and interest expense.**

Abbott's credit ratings reflect each credit rating agency's then opinion of Abbott's financial strength, operating performance and ability to meet its debt obligations. Abbott utilizes the short- and long-term debt markets to obtain capital from time to time. Adverse changes in Abbott's credit ratings may result in increased borrowing costs for future long-term debt or short-term borrowing facilities and may limit financing options, including access to the unsecured borrowing market. Abbott may also be subject to additional restrictive covenants that would reduce flexibility. Macroeconomic conditions, such as continued or increased volatility or disruption in the credit markets, may adversely affect Abbott's ability to refinance existing debt or obtain additional financing to support operations or to fund new acquisitions or capital-intensive internal initiatives.

**Abbott depends on sophisticated information technology systems and a cyber attack or other breach of these systems could have a material adverse effect on Abbott's results of operations.**

Similar to other large multi-national companies, the size and complexity of the information technology systems on which Abbott relies for both its infrastructure and products makes them susceptible to a cyber attack, malicious intrusion, breakdown, destruction, loss of data privacy, or other significant disruption. These systems have been and are expected to continue to be the target of malware and other cyber attacks. In addition, third party hacking attempts may cause Abbott's information technology systems and related products, protected data, or proprietary information to be compromised. A significant attack or other disruption could result in adverse consequences, including increased costs and expenses, problems with product functionality, damage to customer relations, lost revenue, and legal or regulatory penalties.

Abbott invests in its systems and technology and in the protection of its products and data to reduce the risk of an attack or other significant disruption, and monitors its systems on an ongoing basis for any current or potential threats and for changes in technology and the regulatory environment. There can be no assurance that these measures and efforts will prevent future attacks or other significant disruptions to any of the systems on which Abbott relies or that related product issues will not arise in the future. Any significant attack or other disruption on Abbott's systems or products could have a material adverse effect on Abbott's business.

**The expiration or loss of patent protection and licenses may affect Abbott's future revenues and operating income.**

Many of Abbott's businesses rely on patent and trademark and other intellectual property protection. Although most of the challenges to Abbott's intellectual property have come from other businesses, governments may also challenge intellectual property protections. To the extent Abbott's intellectual property is successfully challenged, invalidated, or circumvented or to the extent it does not allow Abbott to compete effectively, Abbott's businesses could suffer. To the extent that countries do not enforce Abbott's intellectual property rights or to the extent that countries require compulsory licensing of its intellectual property, Abbott's future revenues and operating income could be reduced. Any material litigation regarding Abbott's patents and trademarks is described in the section captioned "Legal Proceedings."

**Competitors' intellectual property may prevent Abbott from selling its products or have a material adverse effect on Abbott's future profitability and financial condition.**

Competitors may claim that an Abbott product infringes upon their intellectual property. Resolving an intellectual property infringement claim can be costly and time consuming and may require Abbott to enter into license agreements. Abbott cannot guarantee that it would be able to obtain license agreements on commercially reasonable terms. A successful claim of patent or other intellectual property infringement could subject Abbott to significant damages or an injunction preventing the manufacture, sale or use of affected Abbott products. Any of these events could have a material adverse effect on Abbott's profitability and financial condition.

**Abbott's research and development efforts may not succeed in developing commercially successful products and technologies, which may cause Abbott's revenue and profitability to decline.**

To remain competitive, Abbott must continue to launch new products and technologies. To accomplish this, Abbott commits substantial efforts, funds, and other resources to research and development. A high rate of failure is inherent in the research and development of new products and technologies. Abbott must make ongoing substantial expenditures without any assurance that its efforts will be commercially successful. Failure can occur at any point in the process, including after significant funds have been invested.

Promising new products and technologies may fail to reach the market or may only have limited commercial success because of efficacy or safety concerns, failure to achieve positive clinical outcomes, inability to obtain necessary regulatory approvals, limited scope of approved uses, excessive costs to manufacture, failure to establish or maintain intellectual property rights, or infringement of the intellectual property rights of others. Even if Abbott successfully develops new products or enhancements or new generations of Abbott's existing products, they may be quickly rendered obsolete by changing customer preferences, changing industry standards, or competitors' innovations. Innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice or uncertainty over third-party reimbursement. Abbott cannot state with certainty when or whether any of its products under development will be launched, whether it will be able to develop, license, or otherwise acquire compounds or products, or whether any products will be commercially successful. Failure to launch successful new products or technologies, or new indications or uses for existing products, may cause Abbott's products or technologies to become obsolete, causing Abbott's revenues and operating results to suffer.

**New products and technological advances by Abbott's competitors may negatively affect Abbott's results of operations.**

Abbott's products face intense competition from its competitors' products. Competitors' products may be safer, more effective, more effectively marketed or sold, or have lower prices or superior performance features than Abbott's products. Abbott cannot predict with certainty the timing or impact of the introduction of competitors' products.

**The manufacture of many of Abbott's products is a highly exacting and complex process, and if Abbott or one of its suppliers encounters problems manufacturing products, Abbott's business could suffer.**

The manufacture of many of Abbott's products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, natural disasters, and environmental factors. In addition, single suppliers are currently used for certain products and materials. If problems arise during the production of a batch of product, that batch of product may have to be discarded. This could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause and, depending on the cause,



similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. To the extent Abbott or one of its suppliers experiences significant manufacturing problems, this could have a material adverse effect on Abbott's revenues and profitability.

**Significant safety concerns could arise for Abbott's products, which could have a material adverse effect on Abbott's revenues and financial condition.**

Health care products typically receive regulatory approval based on data obtained in controlled clinical trials of limited duration. Following regulatory approval, these products will be used over longer periods of time in many patients. Investigators may also conduct additional, and perhaps more extensive, studies. If new safety issues are reported, Abbott may be required to amend the conditions of use for a product. For example, Abbott may be required to provide additional warnings on a product's label or narrow its approved intended use, either of which could reduce the product's market acceptance. If serious safety issues arise with an Abbott product, sales of the product could be halted by Abbott or by regulatory authorities. Safety issues affecting suppliers' or competitors' products also may reduce the market acceptance of Abbott's products.

In addition, in the ordinary course of business, Abbott is the subject of product liability claims and lawsuits alleging that its products or the products of other companies that Abbott promotes have resulted or could result in an unsafe condition for or injury to patients. Product liability claims and lawsuits, safety alerts or product recalls, and other allegations of product safety or quality issues, regardless of their validity or ultimate outcome, may have a material adverse effect on Abbott's business and reputation and on Abbott's ability to attract and retain customers. Consequences may also include additional costs, a decrease in market share for the products, lower income or exposure to other claims. Product liability losses are self-insured. Product liability claims could have a material adverse effect on Abbott's profitability and financial condition.

**Abbott cannot predict at this time whether or when it will consummate the acquisition of Alere Inc.**

On January 30, 2016, Abbott entered into a merger agreement to acquire Alere Inc. Since entering into the merger agreement, several key developments occurred with respect to Alere, including three new, separate investigations by the U.S. Department of Justice (two of which are criminal investigations), delays in the filing of Alere's required annual (Form 10-K) and quarterly (Form 10-Q) SEC reports, management's disclosure of unremediated material weaknesses over financial reporting, the issuance of an opinion by Alere's auditors that Alere did not maintain effective internal control because of material weaknesses over financial reporting related to revenue recognition, a product recall following notice from the U.S. Food and Drug Administration, and the revocation of the Medicare billing privileges of an Alere business unit by the Centers for Medicare & Medicaid Services. These developments led Abbott to file a complaint against Alere in the Delaware Court of Chancery, seeking to terminate the merger agreement on the grounds that Alere has experienced a "material adverse effect" under the merger agreement and has materially breached certain of its covenants. The outcome of the lawsuit, however, is not certain, and Abbott cannot predict at this time whether or when it will consummate the acquisition of Alere.

**Abbott holds a significant investment in Mylan N.V. and is subject to market risk.**

In February 2015, Abbott completed the disposition of its developed markets branded generics pharmaceuticals business to Mylan N.V. in exchange for 110,000,000 Mylan N.V. ordinary shares. In April 2015, Abbott sold 40,250,000 of these Mylan N.V. ordinary shares. Abbott currently owns 69,750,000 ordinary shares. As long as Abbott holds the shares, Abbott will have a substantial undiversified equity investment in Mylan N.V. and, therefore, will be subject to the risk of changes in the market value of those shares.

**Fluctuation in foreign currency exchange rates may adversely affect our financial statements and Abbott's ability to realize projected sales and earnings.**

Although Abbott's financial statements are denominated in U.S. dollars, a significant portion of Abbott's revenues and costs are realized in other currencies. Sales outside of the United States in 2016 made up approximately 70 percent of Abbott's net sales. Abbott's profitability is affected by movement of the U.S. dollar against other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may also affect the reported value of Abbott's assets and liabilities, as well as its cash flows. Some foreign currencies are subject to government exchange controls. While Abbott enters into hedging arrangements to mitigate some of its foreign currency exposure, Abbott cannot predict with any certainty changes in foreign currency exchange rates or its ability to mitigate these risks.

Information on the impact of foreign exchange rates on Abbott's financial results is contained in the "Financial Review Results of Operations" section in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. A discussion of the steps taken to mitigate the impact of foreign exchange is contained in Item 7A, Quantitative and Qualitative Disclosures about Market Risk in Abbott's 2016 Form 10-K. Information on Abbott's hedging arrangements is contained in Note 11 to the consolidated financial statements in this report.

**Deterioration in the economic condition and credit quality of certain countries may negatively affect Abbott's results of operations.**

Unfavorable economic conditions in certain countries may increase the time it takes to collect outstanding trade receivables. Financial instability and fiscal deficits in these countries may result in additional austerity measures to reduce costs, including health care. Deterioration in the quality of sovereign debt, including credit downgrades, could increase Abbott's collection risk where a significant amount of Abbott's receivables in these countries are with governmental health care systems or where Abbott's customers depend on payment by government health care systems.

**The international nature of Abbott's business subjects it to additional business risks that may cause its revenue and profitability to decline.**

Abbott's business is subject to risks associated with managing a global supply chain and doing business internationally. Sales outside of the United States in 2016 made up approximately 70 percent of Abbott's net sales. Additional risks associated with Abbott's international operations include:

differing local product preferences and product requirements;

trade protection measures and import or export licensing requirements;

difficulty in establishing, staffing, and managing operations;

differing labor regulations;

potentially negative consequences from changes in or interpretations of tax laws;

political and economic instability, including sovereign debt issues;

restrictions on local currency conversion and/or cash extraction;

price controls, limitations on participation in local enterprises, expropriation, nationalization, and other governmental action;

inflation, recession, and fluctuations in interest rates;

compulsory licensing or diminished protection of intellectual property; and

potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery, and other similar laws and regulations, including the Foreign Corrupt Practices Act and the U.K. Bribery Act.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

Events contemplated by these risks may, individually or in the aggregate, have a material adverse effect on Abbott's revenues and profitability.

### **Other factors can have a material adverse effect on Abbott's future profitability and financial condition.**

Many other factors can affect Abbott's profitability and its financial condition, including:

changes in or interpretations of laws and regulations, including changes in accounting standards, taxation requirements, product marketing application standards, product labeling, source and use laws, and environmental laws;

differences between the fair value measurement of assets and liabilities and their actual value, particularly for pensions, retiree health care, stock compensation, intangibles, goodwill, and contingent consideration; and for contingent liabilities such as litigation, the absence of a recorded amount, or an amount recorded at the minimum, compared to the actual amount;

changes in the rate of inflation (including the cost of raw materials, commodities, and supplies), interest rates, market value of Abbott's equity investments, and the performance of investments held by Abbott or Abbott's employee benefit trusts;

changes in the creditworthiness of counterparties that transact business with or provide services to Abbott or Abbott's employee benefit trusts;

changes in business, economic, and political conditions, including: war, political instability, terrorist attacks, the threat of future terrorist activity and related military action; global climate, extreme weather and natural disasters; widespread outbreaks of infectious diseases, the cost and availability of insurance due to any of the foregoing events; labor disputes, strikes, slow-downs, or other forms of labor or union activity; and pressure from third-party interest groups;

changes in Abbott's business units and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving business strategies, changing product mix, changes in tax laws or tax rates both in the U.S. and abroad and opportunities existing now or in the future;

changes in the buying patterns of a major distributor, retailer, or wholesale customer resulting from buyer purchasing decisions, pricing, seasonality, or other factors, or other problems with licensors, suppliers, distributors, and business partners; and

legal difficulties, any of which could preclude or delay commercialization of products or adversely affect profitability, including claims asserting statutory or regulatory violations, and adverse litigation decisions.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Form 10-K contains forward-looking statements that are based on management's current expectations, estimates, and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "forecasts," variations of these words, and similar expressions are intended to identify these forward-looking statements. Certain factors, including but not limited to those identified under "Item 1A. Risk Factors" of this Form 10-K, may cause actual results to differ materially from current expectations, estimates, projections, forecasts, and from past results. No assurance can be made that any expectation, estimate, or projection contained in a forward-looking statement will be achieved or will not be affected by the factors cited above or other future events. Abbott undertakes no obligation to release publicly any revisions to forward-looking statements as the result of subsequent events or developments, except as required by law.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.



**ITEM 2. PROPERTIES**

Abbott's corporate offices are located at 100 Abbott Park Road, Abbott Park, Illinois 60064. The locations of Abbott's principal plants, as of December 31, 2016, are listed below.

<b>Location</b>	<b>Segments of Products Produced</b>
Abbott Park, Illinois	Diagnostic Products
Alajuela, Costa Rica	Vascular Products
Altavista, Virginia	Nutritional Products
Anasco, Puerto Rico*	Non-Reportable
Baddi, India	Established Pharmaceutical Products
Barceloneta, Puerto Rico*	Vascular Products
Belgorod, Russia	Established Pharmaceutical Products
Bogota, Colombia	Established Pharmaceutical Products
Buenos Aires, Argentina	Established Pharmaceutical Products
Cali, Colombia	Established Pharmaceutical Products
Casa Grande, Arizona	Nutritional Products
Clonmel, Ireland	Vascular Products
Columbus, Ohio	Nutritional Products
Cootehill, Ireland	Nutritional Products
Des Plaines, Illinois	Diagnostic Products
Donegal, Ireland	Non-Reportable
Fairfield, California*	Nutritional Products
Goa, India	Established Pharmaceutical Products
Granada, Spain	Nutritional Products
Groningen, the Netherlands	Non-Reportable
Hangzhou, China	Non-Reportable
Irving, Texas	Diagnostic Products
Jhagadia, India	Nutritional Products
Jiaxing, China	Nutritional Products
Karachi, Pakistan	Established Pharmaceutical Products
Lima, Peru	Established Pharmaceutical Products
Longford, Ireland	Diagnostic Products
Menlo Park, California*	Vascular Products
Milpitas, California*	Non-Reportable
Neustadt, Germany	Established Pharmaceutical Products
Olst, the Netherlands	Established Pharmaceutical Products
Ottawa, Canada*	Diagnostic Products
Pokrov, Russia	Established Pharmaceutical Products
Pompeya, Argentina	Established Pharmaceutical Products
Quilmes, Argentina	Established Pharmaceutical Products
Rio de Janeiro, Brazil	Established Pharmaceutical Products
Santiago, Chile	Established Pharmaceutical Products
Singapore	Nutritional Products
Sligo, Ireland*	Nutritional and Diagnostic Products
Sturgis, Michigan	Nutritional Products
Temecula, California	Vascular Products
Tipp City, Ohio	Nutritional Products
Tlalpan, Mexico	Established Pharmaceutical Products
Uppsala, Sweden	Non-Reportable
Voronezh, Russia	Established Pharmaceutical Products
Weesp, the Netherlands	Established Pharmaceutical Products
Wiesbaden, Germany	Diagnostic Products
Witney, England	Non-Reportable
Zwolle, the Netherlands	Nutritional Products

---

\*

Leased property

Will be transferred in connection with the sale of Abbott's surgical cataract treatment, surgical vision correction and consumer eye health businesses to Johnson & Johnson.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

In addition to the above, as of December 31, 2016, Abbott had manufacturing facilities in three other locations in the United States and in six countries outside the United States. Abbott's facilities are deemed suitable and provide adequate productive capacity.

Abbott's research and development facilities in the United States are primarily located in California, Illinois, New Jersey, and Ohio. Abbott also has research and development facilities in various other countries including China, Colombia, India, Singapore, and Spain.

Except as noted, the corporate offices, and those principal plants in the United States listed above, are owned by Abbott or subsidiaries of Abbott. The remaining manufacturing plants and all other facilities are owned or leased by Abbott or subsidiaries of Abbott. There are no material encumbrances on the properties.

In connection with the St. Jude Medical acquisition, Abbott also acquired St. Jude Medical's principal executive offices, located in Minnesota, and manufacturing facilities in nine states in the United States and in Puerto Rico, and in four countries outside the United States. St. Jude Medical owns the majority of its manufacturing facilities. Abbott believes that St. Jude Medical's facilities are suitable and provide adequate productive capacity.

### ITEM 3. LEGAL PROCEEDINGS

Abbott is involved in various claims, legal proceedings and investigations, including (as of January 31, 2017) 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 May and August 2016, three purported shareholder derivative class action lawsuits were filed against St. Jude Medical, Inc., its board of directors, and Abbott and two of its subsidiaries, in the Minnesota District Court, Second Judicial District (Ramsey County), alleging that the St. Jude Medical board of directors had breached its fiduciary duties by entering into an acquisition agreement with Abbott, and that Abbott had aided and abetted those breaches. All three lawsuits were dismissed in December 2016.

On January 30, 2016, Abbott entered into a definitive merger agreement to acquire Alere Inc., a diagnostic device and service provider. The acquisition is subject to satisfaction of customary closing conditions, including the accuracy of Alere's representations and warranties (subject to certain materiality qualifications), compliance in all material respects with Alere's covenants and receipt of applicable regulatory approvals. On December 7, 2016, Abbott filed a complaint in the Delaware Court of Chancery seeking a declaration that it is entitled to exercise its contractual right to terminate the merger agreement. The lawsuit is styled *In re Alere-Abbott Merger Litigation*, C.A. No. 12963-VCG. Abbott filed an amended complaint on January 13, 2017, seeking to terminate the merger agreement on the basis that Alere has experienced a "material adverse effect" under the merger agreement and has materially breached certain of its covenants. The complaint arises out of a series of adverse developments that have occurred at Alere since the date of the merger agreement. The outcome of the lawsuit, however, is not certain, and Abbott cannot predict at this time whether or when it will consummate the acquisition of Alere. See Item 1A, "Risk Factors."

As previously mentioned, the Texas State Attorney General is investigating the sales and marketing activities of Abbott's biliary stent products and the United States Attorney's Office for the District of Maryland is investigating the sales and marketing activities for Abbott's coronary stents products. The government is seeking to determine whether any of these activities violated civil and/or criminal laws, including the Federal False Claims Act, the Food and Drug Cosmetic Act, and the Anti-Kickback Statute in connection with Medicare and/or Medicaid reimbursement paid to third parties.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.



**EXECUTIVE OFFICERS OF THE REGISTRANT**

Executive officers of Abbott are elected annually by the board of directors. All other officers are elected by the board or appointed by the chairman of the board. All officers are either elected at the first meeting of the board of directors held after the annual shareholder meeting or appointed by the chairman after that board meeting. Each officer holds office until a successor has been duly elected or appointed and qualified or until the officer's death, resignation, or removal. Vacancies may be filled at any time by the board. Any officer may be removed by the board of directors when, in its judgment, removal would serve the best interests of Abbott. Any officer appointed by the chairman of the board may be removed by the chairman whenever, in the chairman's judgment, removal would serve the best interests of Abbott. A vacancy in any office appointed by the chairman of the board may be filled by the chairman.

Abbott's executive officers, their ages as of February 17, 2017, and the dates of their first election as officers of Abbott are listed below. The executive officers' principal occupations and employment for the past five years and the year of appointment to the earliest reported office are also shown. Unless otherwise stated, employment was by Abbott. There are no family relationships between any corporate officers or directors.

**Miles D. White, 61**

1999 to present Chairman of the Board and Chief Executive Officer, and Director.

Elected Corporate Officer 1993.

**Hubert L. Allen, 51**

2013 to present Executive Vice President, General Counsel and Secretary.

2010 to 2012 Divisional Vice President and Associate General Counsel, Established Pharmaceuticals.

Elected Corporate Officer 2012.

**Brian J. Blaser, 52**

2012 to present Executive Vice President, Diagnostics Products.

2010 to 2012 Senior Vice President, Diagnostics.

Elected Corporate Officer 2008.

**John M. Capek, 55**

2015 to present Executive Vice President, Ventures.

2007 to 2015 Executive Vice President, Medical Devices.

Elected Corporate Officer 2006.

**Robert B. Ford, 43**

2015 to present Executive Vice President, Medical Devices.

2014 to 2015 Senior Vice President, Diabetes Care.

2008 to 2014 Vice President, Diabetes Care, Commercial Operations.

Elected Corporate Officer 2008.



## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

### **Stephen R. Fussell, 59**

2013 to present Executive Vice President, Human Resources.

2005 to 2013 Senior Vice President, Human Resources.

Elected Corporate Officer 1999.

### **Heather L. Mason, 56**

2015 to present Executive Vice President, Nutritional Products.

2014 to 2015 Executive Vice President, Nutritional Products, Global Commercial Operations.

2008 to 2014 Senior Vice President, Diabetes Care.

Elected Corporate Officer 2001.

### **Michael T. Rousseau, 61**

2017 to present President, Cardiovascular and Neuromodulation.

2016 to 2017 President and Chief Executive Officer, St. Jude Medical, Inc. (a global medical device manufacturer).

2014 to 2015 Chief Operating Officer, St. Jude Medical, Inc.

2012 to 2014 Group President, Cardiovascular and Ablation Technologies Division, Implantable Electronic Systems Division and U.S. Division, St. Jude Medical, Inc.

2009 to 2012 Group President, Cardiac Rhythm Management Division, Neuromodulation Division, Atrial Fibrillation Division, Cardiovascular Division and U.S. Division, St. Jude Medical, Inc.

Elected Corporate Officer 2017.

### **Michael J. Warmuth, 54**

2012 to present Executive Vice President, Established Pharmaceuticals.

2010 to 2012 Senior Vice President, Established Products, Pharmaceutical Products Group.

Elected Corporate Officer 2007.

### **Roger Bird, 60**

2015 to present Senior Vice President, U.S. Nutrition.

2009 to 2015 Divisional Vice President and General Manager, China and Hong Kong, Nutritional Products.

Elected Corporate Officer 2015.

### **Jaime Contreras, 60**

2013 to present Senior Vice President, Core Laboratory Diagnostics, Commercial Operations.

2008 to 2013 Vice President, Diagnostics, Global Commercial Operations.

Elected Corporate Officer 2003.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

### **Eric S. Fain, 56**

2017 to present Senior Vice President, Group President, Cardiovascular and Neuromodulation.

2014 to 2017 Group President, St. Jude Medical, Inc. (a global medical device manufacturer).

2012 to 2014 President, Implantable Electronic Systems Division, St. Jude Medical, Inc.

2012 to 2014 Group President, Cardiovascular and Ablation Technologies Division, Implantable Electronic Systems Division and U.S. Division, St. Jude Medical, Inc.

2007 to 2012 President, Cardiac Rhythm Management Division, St. Jude Medical, Inc.

Elected Corporate Officer 2017.

### **Thomas G. Frinzi, 61**

2016 to present Senior Vice President, Abbott Medical Optics.

2010 to 2015 President and Chief Executive Officer, WaveTec Vision Systems, Inc. (a leading U.S. developer of guidance technology for cataract surgery).

Elected Corporate Officer 2016.

### **Andrew H. Lane, 46**

2015 to present Senior Vice President, Established Pharmaceuticals, Emerging Markets.

2014 to 2015 Divisional Vice President, Established Pharmaceuticals, Asia Pacific.

2011 to 2014 Vice President, Asia Pacific, Takeda Pharmaceutical Company Limited (a Japanese pharmaceutical company).

Elected Corporate Officer 2015.

### **Joseph Manning, 48**

2017 to present Senior Vice President, Abbott Nutrition International.

2015 to 2017 Vice President, Nutrition, Asia Pacific.

2014 to 2015 General Manager, Indonesia, Nutritional Products.

2009 to 2014 General Manager, Russia, Nutritional Products.

Elected Corporate Officer 2015.

### **Deepak Nath, 44**

2015 to present Senior Vice President, Abbott Vascular.

2015 Vice President, Vascular, Commercial.

2014 to 2015 Vice President, Molecular Diagnostics.

2012 to 2014 Divisional Vice President and General Manager, Ibis.

Edgar Filing: ABBOTT LABORATORIES - Form 10-K

2011 to 2012 Divisional Vice President, CEEMEA, Vascular.

Elected Corporate Officer 2014.

**Daniel Salvadori, 38**

2014 to present Senior Vice President, Established Pharmaceuticals, Latin America.

2013 to 2014 Chief Executive Officer, Latin America, CFR Pharmaceuticals S.A. (a Latin American pharmaceutical company).

2012 to 2013 Executive President, Complex Therapeutics Division, CFR Pharmaceuticals S.A.

2010 to 2012 Head of Sales and Marketing, Latin America, Sandoz Pharmaceuticals, Novartis AG (a Swiss multinational pharmaceutical company).

Elected Corporate Officer 2014.

**Jared L. Watkin, 49**

2015 to present Senior Vice President, Diabetes Care.

2010 to 2015 Divisional Vice President, Technical Operations, Diabetes Care.

Elected Corporate Officer 2015.

**Brian B. Yoor, 47**

2015 to present Senior Vice President, Finance and Chief Financial Officer.

2013 to 2015 Vice President, Investor Relations.

2010 to 2013 Divisional Vice President, Controller, Diagnostics.

Elected Corporate Officer 2013.

**Robert E. Funck, 55**

2013 to present Vice President, Controller.

2009 to 2013 Vice President, Chief Ethics and Compliance Officer.

Elected Corporate Officer 2005.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Principal Market**

The principal market for Abbott's common shares is the New York Stock Exchange. Shares are also listed on the Chicago Stock Exchange and traded on various regional and electronic exchanges. Outside the United States, Abbott's shares are listed on the SIX Swiss Exchange.

	Market Price Per Share			
	2016		2015	
	high	low	high	low
First Quarter	\$ 44.05	\$ 36.00	\$ 47.88	\$ 43.36
Second Quarter	44.58	36.76	50.47	45.55
Third Quarter	45.79	39.16	51.74	39.00
Fourth Quarter	43.78	37.38	46.38	39.28

**Shareholders**

There were 45,545 shareholders of record of Abbott common shares as of December 31, 2016. Following the acquisition of St. Jude Medical, there were 46,449 shareholders of record of Abbott common shares as of January 31, 2017.

**Dividends**

Abbott declared quarterly dividends of \$0.26 per share on common shares in the first, second, and third quarters of 2016. In the fourth quarter of 2016, Abbott declared a quarterly dividend of \$0.265 per share on common shares.

Abbott declared quarterly dividends of \$0.24 per share on common shares in the first, second, and third quarters of 2015. In the fourth quarter of 2015, Abbott declared a quarterly dividend of \$0.26 per share on common shares.

**Tax Information for Shareholders**

In 2001, the Illinois Department of Commerce and Economic Opportunity designated Abbott as an Illinois High Impact Business (HIB) for a period not to exceed twenty years. Dividends paid by a corporation that is designated as a HIB and conducts business in a foreign trade zone may be eligible for a subtraction from base income for Illinois income tax purposes. Abbott certified that the HIB requirements were met for the calendar year ending December 31, 2016.

If you have any questions, please contact your tax advisor.



## 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
October 1, 2016 to October 31, 2016	557	\$ 40.740	0	\$ 925,131,209(2)
November 1, 2016 to November 30, 2016	20,687(1)	\$ 39.791	0	\$ 925,131,209(2)
December 1, 2016 to December 31, 2016	39,380(1)	\$ 38.926	0	\$ 925,131,209(2)
Total	60,624(1)	\$ 39.238	0	\$ 925,131,209(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 557 in October, 2,687 in November, and 8,619 in December; 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 October, 18,000 in November, and 30,761 in December.

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 September 11, 2014, 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. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2016	2015	2014	2013	2012
	<i>(dollars in millions, except per share data)</i>				
Net sales (1)	\$ 20,853	\$ 20,405	\$ 20,247	\$ 19,657	\$ 19,050
Earnings from continuing operations (1)	1,063	2,606	1,721	1,988	237
Net earnings	1,400	4,423	2,284	2,576	5,963
Basic earnings per common share from continuing operations (1)	0.71	1.73	1.13	1.27	0.15
Basic earnings per common share	0.94	2.94	1.50	1.64	3.76
Diluted earnings per common share from continuing operations (1)	0.71	1.72	1.12	1.26	0.15
Diluted earnings per common share	0.94	2.92	1.49	1.62	3.72
Total assets	52,666	41,247	41,207	42,937	67,148
Long-term debt, including current portion	20,684	5,874	3,448	3,381	18,307
Cash dividends declared per common share	1.045	0.98	0.90	0.64	1.67(2)

(1) Amounts reflect Abbott's developed markets branded generics pharmaceuticals, animal health and former research-based pharmaceuticals business as discontinued operations.

(2) The \$1.67 dividend for 2012 reflects a quarterly dividend of \$0.14 per share in the fourth quarter of 2012, which contemplated the impact of the separation of AbbVie. On January 4, 2013, AbbVie reported that its board of directors had declared a quarterly dividend of \$0.40 per share of AbbVie common stock.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Financial Review**

Abbott's revenues are derived primarily from the sale of a broad line of health care products under short-term receivable arrangements. Patent protection and licenses, technological and performance features, and inclusion of Abbott's products under a contract most impact which products are sold; price controls, competition and rebates most impact the net selling prices of products; and foreign currency translation impacts the measurement of net sales and costs. Abbott's primary products are nutritional products, branded generic pharmaceuticals, diagnostic testing products and vascular products. Sales in international markets comprise approximately 70 percent of consolidated net sales.

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc. (St. Jude Medical), a global medical device manufacturer, for approximately \$23.6 billion, including approximately \$13.6 billion in cash and approximately \$10 billion in Abbott common shares, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately \$5.8 billion of St. Jude Medical's debt was assumed or refinanced by Abbott. The transaction provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined company will compete in nearly every area of the \$30 billion cardiovascular market as well as in the neuromodulation market. As the acquisition of St. Jude Medical was completed after December 31, 2016, Abbott's consolidated financial statements do not include the financial condition or the operating results of St. Jude Medical in any of the periods presented herein.

In September 2016, Abbott announced that it had entered into a definitive agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson for \$4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflects Abbott's proactive shaping of its portfolio in line with its strategic priorities. The transaction is expected to close in the first quarter of 2017 and is subject to customary closing conditions, including regulatory approvals. The operating results of AMO have continued to be included in Earnings from Continuing Operations as they do not qualify for reporting as discontinued operations. The assets and liabilities of this business are being reported as held for disposition in Abbott's Consolidated Balance Sheet as of December 31, 2016.

On January 30, 2016, Abbott entered into a definitive agreement to acquire Alere Inc. (Alere), a diagnostic device and service provider, for \$56.00 per common share in cash. The acquisition is subject to satisfaction of customary closing conditions, including the accuracy of Alere's representations and warranties (subject to certain materiality qualifications), compliance in all material respects with Alere's covenants and receipt of applicable regulatory approvals. Due to a number of adverse developments that have occurred with respect to Alere since the date of the agreement, Abbott has filed a complaint in the Delaware Court of Chancery seeking to terminate the acquisition agreement on the basis that Alere has experienced a "material adverse effect" under the acquisition agreement and has materially breached certain of its covenants.

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business, which was previously included in the Established Pharmaceutical Products segment, to Mylan Inc. for 110 million shares of Mylan N.V., a newly formed entity that combined Mylan's existing business with Abbott's developed markets branded generics pharmaceuticals business. Abbott retained the branded generics pharmaceuticals business and products of its Established Pharmaceutical Products segment in emerging markets. In April 2015, Abbott sold 40.25 million of its Mylan N.V. ordinary shares. Abbott currently owns 69.75 million Mylan N.V. ordinary shares.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

Over the last three years, sales growth was driven primarily by the established pharmaceuticals, nutritional and diagnostics businesses. Sales in emerging markets, which represent nearly 50 percent of total company sales, increased 6.3 percent in 2016 and 17.1 percent in 2015, excluding the impact of foreign exchange. (Emerging markets include all countries except the United States, Western Europe, Japan, Canada, Australia and New Zealand.) Over the last three years, margin improvement was driven primarily by the nutritional and diagnostics businesses. Abbott expanded its operating margin by approximately 120 basis points per year in 2016 and 2015. Abbott's sales, costs, and financial position over the same period were impacted by the strengthening of the U.S. dollar relative to international currencies and a challenging economic and fiscal environment in several emerging economies.

In Abbott's worldwide nutritional products business, sales over the last three years were positively impacted by demographics such as an aging population and an increasing rate of chronic disease in developed markets and the rise of a middle class in many emerging markets, as well as by numerous new product introductions that leveraged Abbott's strong brands. In 2016, excluding the impact of foreign exchange, strong performance in several markets across Latin America and Southeast Asia, as well as increased U.S. sales were partially offset by challenging market conditions in the Chinese pediatric nutritional business. With respect to the profitability of the nutritional products business, manufacturing and distribution process changes, lower commodity costs, and other cost reductions drove margin improvements across the business over the last three years although such improvements were offset by the negative impact of foreign exchange in 2016. Operating margins for this business increased from 21.0 percent in 2014 to 24.1 percent in 2016.

In Abbott's worldwide diagnostics business, sales growth over the last three years reflected continued market penetration by the Core Laboratory business in the U.S. and China, and growth in other emerging markets, most notably in Latin America. In addition, the Point of Care diagnostics business continued to expand its geographic presence in targeted developed and emerging markets. Worldwide diagnostic sales increased 5.5 percent in 2016 and 7.3 percent in 2015, excluding the impact of foreign exchange. In 2016, Abbott initiated the launch of Alinity , an integrated family of next-generation diagnostic systems and solutions which are designed to increase efficiency by running more tests in less space, generating test results faster and minimizing human errors while continuing to provide quality results. In the fourth quarter of 2016, Abbott obtained CE Mark for the Alinity point of care, immunoassay, clinical chemistry, and blood screening systems and initiated the launch of these four systems in Europe. Over the next two years, Abbott will work to obtain approval and launch Alinity systems in multiple geographies for every area in which its diagnostics business competes.

Margin improvement continued to be a key focus for the diagnostics business in 2016 although such improvements were offset by the negative impact of foreign exchange. Operating margins increased from 22.9 percent of sales in 2014 to 24.8 percent in 2016 as the business continued to execute on efficiency initiatives in the manufacturing and supply chain functions.

The Established Pharmaceutical Products segment focuses on the sale of its products in emerging markets after the sale of its developed markets business to Mylan on February 27, 2015. The acquisition of CFR Pharmaceuticals S.A. (CFR) in September 2014 more than doubled Abbott's branded generics pharmaceutical presence in Latin America and further expanded its presence in emerging markets. Through the acquisition of Veropharm, a leading Russian pharmaceutical company in December 2014, Abbott established a manufacturing footprint in Russia and obtained a portfolio of medicines that is well aligned with Abbott's current pharmaceutical therapeutic areas of focus. Excluding the impact of foreign exchange, Established Pharmaceutical sales from continuing operations increased 10.5 percent in 2016 and 34.1 percent in 2015. The sales increase in 2016 was driven by double-digit growth in the Brazil, Russia, India and China (BRIC) geographies, which comprise approximately 45 percent of the sales in the Established Pharmaceutical Products segment. Excluding the impact of the 2014 acquisitions as well as the impact of foreign exchange, 2015 Established Pharmaceutical sales from continuing operations increased 13.4 percent.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

In the vascular business, excluding the unfavorable impact of foreign exchange, total sales increased in the low single digits from 2014 to 2016, driven by double-digit growth in Abbott's sales of its *MitraClip* structural heart device for the treatment of mitral regurgitation, as well as endovascular franchise sales growth. These increases were partially offset by pricing pressures primarily related to drug-eluting stents (DES) and lower market share for Abbott's *XIENCE* DES franchise in certain geographies. The *XIENCE* DES franchise includes *XIENCE V*, *Prime*, *nano*, *Pro*, *ProX*, *Xpedition*, and *Alpine*. Abbott has continued to develop its worldwide market-leading *XIENCE* DES franchise over the last three years. Abbott Vascular Products' latest product introduction, *XIENCE Alpine*, was launched in various markets across Europe and Asia in 2015 and 2016 and in the U.S. in late 2014. The *XIENCE* franchise maintained its market-leading global position in 2016. Operating margins declined from 36.5 percent in 2014 to 35.8 percent in 2016 primarily due to the unfavorable effect of foreign exchange and ongoing pricing pressures in the coronary business.

Abbott's short- and long-term debt totaled \$22.0 billion at December 31, 2016, which included the debt issued in anticipation of the St. Jude Medical acquisition. At December 31, 2016, Abbott's long-term debt rating was A+ by Standard and Poor's Corporation and A2 by Moody's Investors Service. In conjunction with the completion of the St. Jude Medical acquisition on January 4, 2017, the ratings were adjusted to BBB by Standard & Poor's Corporation and Baa3 by Moody's Investors Service.

In anticipation of the acquisition of St. Jude Medical, in November 2016, Abbott issued \$15.1 billion of long-term debt consisting of \$2.85 billion at 2.35% maturing in 2019; \$2.85 billion at 2.90% maturing in 2021; \$1.50 billion at 3.40% maturing in 2023; \$3.00 billion at 3.75% maturing in 2026; \$1.65 billion at 4.75% maturing in 2036; and \$3.25 billion at 4.90% maturing in 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling \$3.0 billion related to the new debt, which have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments. In March 2015, Abbott issued \$2.5 billion of long-term debt consisting of \$750 million at 2.00% maturing in 2020; \$750 million at 2.55% maturing in 2022; and \$1.0 billion at 2.95% maturing in 2025. In March 2015, Abbott also entered into interest rate swap contracts totaling \$2.5 billion related to the debt issuance. These contracts have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation. In the fourth quarter of 2014, Abbott extinguished approximately \$500 million of long-term debt that was assumed as part of the acquisition of CFR and incurred a charge of \$18.3 million related to the early repayment of this debt.

Abbott declared dividends of \$1.045 per share in 2016 compared to \$0.98 per share in 2015, an increase of approximately 7%. Dividends paid were \$1.539 billion in 2016 compared to \$1.443 billion in 2015. The year-over-year change in dividends reflects the impact of the increase in the dividend rate. In December 2016, Abbott increased the company's quarterly dividend to \$0.265 per share from \$0.26 per share, effective with the dividend paid in February 2017.

In 2017, Abbott will focus on integrating St. Jude Medical, as well as several other key initiatives. The focus of the integration will be to combine the St. Jude Medical business with Abbott's existing vascular business to create a best-in-class organization and to successfully deliver on new product launches that contribute to a broader, more comprehensive cardiovascular and neuromodulation portfolio. In the nutritional business, Abbott will continue to build its product portfolio with the introduction of new science-based products, expand in high-growth emerging markets and implement additional margin improvement initiatives.

In the established pharmaceuticals business, Abbott will continue to focus on obtaining additional product approvals across numerous countries and increasing its penetration of emerging markets. In the diagnostics business, Abbott will work to launch the full Alinity suite across Europe and into additional geographies, including the U.S., over the next two years. The diagnostics business will also focus on expansion in emerging markets and further improvements in the segment's operating margin. In Abbott's other segments, Abbott will focus on developing differentiated technologies in higher growth markets.

**Critical Accounting Policies**

*Sales Rebates* In 2016, approximately 43 percent of Abbott's consolidated gross revenues were subject to various forms of rebates and allowances that Abbott recorded as reductions of revenues at the time of sale. Most of these rebates and allowances in 2016 are in the Nutritional Products and Diabetes Care segments. Abbott provides rebates to state agencies that administer the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), wholesalers, group purchasing organizations, and other government agencies and private entities. Rebate amounts are usually based upon the volume of purchases using contractual or statutory prices for a product. Factors used in the rebate calculations include the identification of which products have been sold subject to a rebate, which customer or government agency price terms apply, and the estimated lag time between sale and payment of a rebate. Using historical trends, adjusted for current changes, Abbott estimates the amount of the rebate that will be paid, and records the liability as a reduction of gross sales when Abbott records its sale of the product. Settlement of the rebate generally occurs from one to six months after sale. Abbott regularly analyzes the historical rebate trends and makes adjustments to reserves for changes in trends and terms of rebate programs. Rebates and chargebacks charged against gross sales in 2016, 2015 and 2014 amounted to approximately \$2.5 billion, \$2.2 billion and \$2.1 billion, respectively, or 22.9 percent, 21.6 percent and 20.1 percent, respectively, based on gross sales of approximately \$10.7 billion, \$10.3 billion and \$10.3 billion, respectively, subject to rebate. A one-percentage point increase in the percentage of rebates to related gross sales would decrease net sales by approximately \$107 million in 2016. Abbott considers a one-percentage point increase to be a reasonably likely increase in the percentage of rebates to related gross sales. Other allowances charged against gross sales were approximately \$160 million, \$124 million and \$138 million for cash discounts in 2016, 2015 and 2014, respectively, and \$242 million, \$238 million and \$210 million for returns in 2016, 2015 and 2014, respectively. Cash discounts are known within 15 to 30 days of sale, and therefore can be reliably estimated. Returns can be reliably estimated because Abbott's historical returns are low, and because sales returns terms and other sales terms have remained relatively unchanged for several periods.

Management analyzes the adequacy of ending rebate accrual balances each quarter. In the domestic nutritional business, management uses both internal and external data available to estimate the level of inventory in the distribution channel. Management has access to several large customers' inventory management data, and for other customers, utilizes data from a third party that measures time on the retail shelf. These sources allow management to make reliable estimates of inventory in the distribution channel. Except for a transition period before or after a change in the supplier for the WIC business in a state, inventory in the distribution channel does not vary substantially. Management also estimates the states' processing lag time based on claims data. In the WIC business, the state where the sale is made, which is the determining factor for the applicable price, is reliably determinable. Estimates are required for the amount of WIC sales within each state where Abbott has the WIC business. External data sources utilized for that estimate are participant data from the U.S. Department of Agriculture (USDA), which administers the WIC program, participant data from some of the states, and internally administered market research. The USDA has been making its data available for many years. Internal data includes historical redemption rates and pricing data. At December 31, 2016, Abbott had WIC business in 31 states.

Historically, adjustments to prior years' rebate accruals have not been material to net income. Abbott employs various techniques to verify the accuracy of claims submitted to it, and where possible, works with the organizations submitting claims to gain insight into changes that might affect the rebate amounts. For government agency programs, the calculation of a rebate involves interpretations of relevant regulations, which are subject to challenge or change in interpretation.

*Income Taxes* Abbott operates in numerous countries where its income tax returns are subject to audits and adjustments. Because Abbott operates globally, the nature of the audit items is often very complex, and the objectives of the government auditors can result in a tax on the same income in more than one country. Abbott employs internal and external tax professionals to minimize audit adjustment

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

amounts where possible. In accordance with the accounting rules relating to the measurement of tax contingencies, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Application of these rules requires a significant amount of judgment. In the U.S., Abbott's federal income tax returns through 2013 are settled. Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries.

*Pension and Post-Employment Benefits* Abbott offers pension benefits and post-employment health care to many of its employees. Abbott engages outside actuaries to assist in the determination of the obligations and costs under these programs. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are a forward projection of health care costs as of the measurement date. A difference between the assumed rates and the actual rates, which will not be known for years, can be significant in relation to the obligations and the annual cost recorded for these programs. Low interest rates have significantly increased actuarial losses for these plans. At December 31, 2016, pretax net actuarial losses and prior service costs and (credits) recognized in Accumulated other comprehensive income (loss) for Abbott's defined benefit plans and medical and dental plans were losses of \$3.3 billion and \$119 million, respectively. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits. Differences between the expected long-term return on plan assets and the actual annual return are amortized over a five-year period. Note 13 to the consolidated financial statements describes the impact of a one-percentage point change in the health care cost trend rate; however, there can be no certainty that a change would be limited to only one percentage point.

*Valuation of Intangible Assets* Abbott has acquired and continues to acquire significant intangible assets that Abbott records at fair value at the acquisition date. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the health care field and valuations are usually based on a discounted cash flow analysis. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Abbott engages independent valuation experts who review Abbott's critical assumptions and calculations for acquisitions of significant intangibles. Abbott reviews definite-lived intangible assets for impairment each quarter using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, are reviewed for impairment annually or when an event that could result in impairment occurs. At December 31, 2016, goodwill amounted to \$7.7 billion and intangibles amounted to \$4.5 billion, excluding approximately \$2.0 billion of goodwill and \$529 million of intangibles in Non-current assets held for disposition due to the pending sale of AMO. Amortization expense in continuing operations for intangible assets amounted to \$550 million in 2016, \$601 million in 2015 and \$555 million in 2014. There were no impairments of goodwill in 2016, 2015 or 2014.

*Litigation* Abbott accounts for litigation losses in accordance with FASB Accounting Standards Codification No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. These estimates are often initially developed substantially earlier than the ultimate loss is known, and the estimates are refined each accounting period as additional

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

information becomes known. Accordingly, Abbott is often initially unable to develop a best estimate of loss, and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected. Abbott estimates the range of possible loss to be from approximately \$35 million to \$45 million for its legal proceedings and environmental exposures. Accruals of approximately \$40 million have been recorded at December 31, 2016 for these proceedings and exposures. These accruals represent management's best estimate of probable loss, as defined by FASB ASC No. 450, "Contingencies."

### Results of Operations

#### Sales

The following table details the components of sales growth by reportable segment for the last two years:

	Total % Change	Components of % Change		
		Price	Volume	Exchange
<b>Total Net Sales</b>				
2016 vs. 2015	2.2	(1.1)	5.9	(2.6)
2015 vs. 2014	0.8	(1.1)	10.2	(8.3)
<b>Total U.S.</b>				
2016 vs. 2015	3.4	(2.9)	6.3	
2015 vs. 2014	2.2	(1.5)	3.7	
<b>Total International</b>				
2016 vs. 2015	1.6	(0.3)	5.7	(3.8)
2015 vs. 2014	0.2	(1.0)	13.1	(11.9)
<b>Established Pharmaceutical Products Segment</b>				
2016 vs. 2015	3.7	3.0	7.5	(6.8)
2015 vs. 2014	19.3	0.3	33.8	(14.8)
<b>Nutritional Products Segment</b>				
2016 vs. 2015	(1.1)	(0.4)	1.6	(2.3)
2015 vs. 2014	0.3		5.5	(5.2)
<b>Diagnostic Products Segment</b>				
2016 vs. 2015	3.6	(1.2)	6.7	(1.9)
2015 vs. 2014	(1.6)	(1.0)	8.3	(8.9)
<b>Vascular Products Segment</b>				
2016 vs. 2015	3.7	(5.3)	9.8	(0.8)
2015 vs. 2014	(6.5)	(4.0)	5.3	(7.8)

The increases in Total Net Sales in 2016 and 2015 reflect unit growth, partially offset by the impact of unfavorable foreign exchange. The price declines related to Vascular Products sales in 2016 and 2015 primarily reflect pricing pressure on drug eluting stents as a result of market competition in the U.S. and other major markets. Competitive pressures in the Managed Medicaid and Medicare segments of Abbott's Diabetes Care business also contributed to the overall 2.9% price decline in the U.S. in 2016.



Edgar Filing: ABBOTT LABORATORIES - Form 10-K

A comparison of significant product and product group sales is as follows. Percent changes are versus the prior year and are based on unrounded numbers.

(dollars in millions)	2016	Total Change	Impact of Exchange	Total Change Excl. Exchange
<b>Total Established Pharmaceuticals</b>				
Key Emerging Markets	\$ 2,912	5%	(8)%	13%
Other	947	1	(1)	2
<b>Nutritionals</b>				
International Pediatric Nutritionals	2,206	(7)	(4)	(3)
U.S. Pediatric Nutritionals	1,677	5		5
International Adult Nutritionals	1,724		(4)	4
U.S. Adult Nutritionals	1,292	1		1
<b>Diagnostics</b>				
Immunochemistry	3,681	4	(2)	6
<b>Vascular Products (1)</b>				
Coronary Devices	2,186		(1)	1
Endovascular	562	8	(1)	9

(1) Coronary Devices include DES / BVS product portfolio, structural heart, guidewires, balloon catheters, and other coronary products. Endovascular includes vessel closure, carotid stents and other peripheral products.

(dollars in millions)	2015	Total Change	Impact of Exchange	Total Change Excl. Exchange
<b>Total Established Pharmaceuticals</b>				
Key Emerging Markets	\$ 2,781	17%	(15)%	32%
Other	939	28	(12)	40
<b>Nutritionals</b>				
International Pediatric Nutritionals	2,378	1	(7)	8
U.S. Pediatric Nutritionals	1,592	4		4
International Adult Nutritionals	1,729	(2)	(11)	9
U.S. Adult Nutritionals	1,276	(2)		(2)
<b>Diagnostics</b>				
Immunochemistry	3,529	(2)	(10)	8
<b>Vascular Products (2)</b>				
Coronary Devices	2,176	(7)	(8)	1
Endovascular	520	(1)	(7)	6

(2)

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

Coronary Devices include DES / BVS product portfolio, structural heart, guidewires, balloon catheters, and other coronary products. Endovascular includes vessel closure, carotid stents and other peripheral products.

Excluding the unfavorable impact of foreign exchange, total Established Pharmaceutical Products sales increased 10.5 percent in 2016 and 34.1 percent in 2015. The Established Pharmaceutical Products

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

segment is focused on several key emerging markets including India, Russia, China and Brazil. Excluding the impact of foreign exchange, sales in these key emerging markets increased 13.3 percent in 2016 and 32.4 percent in 2015. Excluding the impact of foreign exchange, sales in Established Pharmaceuticals' other emerging markets increased 2.0 percent in 2016 and increased 39.6 percent in 2015. The increase in 2015 includes the impact of the acquisitions of CFR Pharmaceuticals in September 2014 and Veropharm in December 2014. Excluding sales from the acquisitions and the impact of foreign exchange, revenues increased 13.4 percent in 2015.

Excluding the unfavorable impact of foreign exchange, total Nutritional Products sales increased 1.2 percent in 2016 and 5.5 percent in 2015. In Abbott's International Pediatric Nutritional business, the 2016 decrease in sales was driven by challenging market conditions in China, including the impact of new food safety regulations which will require the re-registration by 2018 of all infant and toddler formulas, contributing to an oversupply of product in the market. The sales decrease in China was partially offset by continued strong performance in several markets across Latin America and Southeast Asia. The increase in 2016 U.S. Pediatric Nutritional sales primarily reflects above-market performance in Abbott's PediaSure® toddler brand as well as recent infant product launches including Similac® Advance® Non-GMO and Similac Sensitive® Non-GMO.

Excluding the unfavorable impact of foreign exchange, the 2016 and 2015 increases in International Adult Nutritional sales are due primarily to volume growth in emerging markets and continued expansion of the adult nutrition category internationally. The increase in 2016 U.S. Adult Nutritional revenues was driven by the growth of Ensure® sales and the decrease in 2015 reflected the effects of increased competition and market dynamics in retail and institutional categories.

Excluding the unfavorable impact of foreign exchange, total Diagnostic Products sales increased 5.5 percent in 2016 and 7.3 percent in 2015. The sales increases were primarily driven by share gains in the Core Laboratory and Point of Care markets in the U.S. and internationally. 2016 and 2015 sales of immunochemistry products, the largest category in this segment, reflect continued execution of Abbott's strategy to deliver integrated solutions to large healthcare customers.

Excluding the unfavorable impact of foreign exchange, total Vascular Products sales grew 4.5 percent in 2016 and 1.3 percent in 2015. In 2016, double-digit growth in sales of Abbott's *MitraClip* structural heart device for the treatment of mitral regurgitation was partially offset by lower sales of DES products. The increase in the Endovascular business was driven by higher *Supera* and vessel closure sales. Vascular Products sales in 2016 were also favorably impacted by the resolution of previously disputed third party royalty revenue related to the prior year. Excluding this royalty impact, worldwide sales of Vascular Products would have increased 3.4 percent in 2016. In 2015, growth of Abbott's *MitraClip* structural heart product, its Endovascular business, including the *Supera* peripheral stent, and the *Absorb* bioresorbable vascular scaffold in various international markets was almost entirely offset by pricing pressures in DES products.

Abbott has periodically sold product rights to non-strategic products and has recorded the related gains in net sales in accordance with Abbott's revenue recognition policies as discussed in Note 1 to the consolidated financial statements. Related net sales were not significant in 2016, 2015 and 2014.

The expiration of licenses and patent protection can affect the future revenues and operating income of Abbott. There are no significant patent or license expirations in the next three years that are expected to affect Abbott.

### Operating Earnings

Gross profit margins were 54.1 percent of net sales in 2016, 54.2 percent in 2015 and 51.7 percent in 2014. In 2016, the unfavorable effect of foreign exchange offset continued underlying margin expansion,

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

primarily in the Diagnostics and Nutritional segments. The improvement in 2015 reflects higher margins in the Nutritional, Diagnostics, and Vascular Products segments.

In the U.S., states receive price rebates from manufacturers of infant formula under the federally subsidized Special Supplemental Nutrition Program for Women, Infants, and Children. There are also rebate programs for pharmaceutical products in numerous countries. These rebate programs continue to have a negative effect on the gross profit margins of the Nutritional and Established Pharmaceutical Products segments.

Research and development expense was \$1.422 billion in 2016, \$1.405 billion in 2015, and \$1.345 billion in 2014 and represented a 1.2 percent increase in 2016, and a 4.5 percent increase in 2015. The 2016 increase in research and development expenses was primarily due to higher spending on various projects and the impairment of an in-process research and development asset related to a non-reportable segment, partially offset by lower restructuring costs in 2016. In 2016, research and development expenditures totaled \$513 million for the Diagnostics Products segment, \$259 million for the Vascular Products segment, \$205 million for the Nutritional Products segment, and \$137 million for the Established Pharmaceutical Products segment.

Selling, general and administrative expenses decreased 1.7 percent in 2016 and increased 3.9 percent in 2015 versus the respective prior year. The 2016 decrease reflects the favorable impact of foreign exchange, continued efforts to reduce back office costs, and lower restructuring charges compared to the prior year. The 2015 increase reflects the impact of the CFR and Veropharm acquisitions, partially offset by the impact of cost improvement initiatives and the favorable impact of foreign exchange.

### **Business Acquisitions**

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, a global medical device manufacturer, for approximately \$23.6 billion, including approximately \$13.6 billion in cash and approximately \$10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately \$5.8 billion of St. Jude Medical's debt was assumed or refinanced by Abbott. The transaction provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined company will compete in nearly every area of the \$30 billion cardiovascular market, as well as in the neuromodulation market. As the acquisition of St. Jude Medical was completed after December 31, 2016, Abbott's consolidated financial statements do not include the financial condition or the operating results of St. Jude Medical in any of the periods presented herein.

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received \$46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of \$39.36, which reflects the closing price on January 4, 2017, this represented a value of approximately \$81 per St. Jude Medical common share and total purchase consideration of \$23.6 billion. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November of 2016 and a \$2.0 billion 120-day senior unsecured bridge term loan facility. See Note 10 Debt and Lines of Credit for further details regarding these financing arrangements.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

The preliminary allocation of the fair value of the St. Jude Medical acquisition is shown in the table below. The allocation of the fair value of the acquisition will be finalized when the valuation is completed and differences between the preliminary and final allocation could be material.

(in billions)

Acquired intangible assets, non-deductible	\$ 16.0
Goodwill, non-deductible	14.8
Acquired net tangible assets	3.0
Deferred income taxes recorded at acquisition	(5.0)
Net debt	(5.2)
Total preliminary allocation of fair value	\$ 23.6

If the acquisition of St. Jude Medical had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately \$26.8 billion and unaudited pro forma consolidated net earnings would have been \$157 million, which includes the amortization of approximately \$700 million of inventory step-up. The unaudited pro forma information is not necessarily indicative of the consolidated results of operations that would have been realized had the St. Jude Medical acquisition been completed as of the beginning of 2016, nor is it meant to be indicative of future results of operations that the combined entity will experience.

In 2016, Abbott and St. Jude Medical agreed to sell certain products to Terumo Corporation for approximately \$1.12 billion. The sale includes the St. Jude Medical *Angio-Seal* and *Femoseal* vascular closure products and Abbott's *Vado® Steerable Sheath*. The sale closed on January 20, 2017.

On January 30, 2016, Abbott entered into a definitive agreement to acquire Alere Inc., a diagnostic device and service provider, for \$56.00 per common share in cash. The acquisition is subject to satisfaction of customary closing conditions, including the accuracy of Alere's representations and warranties (subject to certain materiality qualifications), compliance in all material respects with Alere's covenants and receipt of applicable regulatory approvals. Due to a number of adverse developments that have occurred with respect to Alere since the date of the agreement, Abbott has filed a complaint in the Delaware Court of Chancery seeking to terminate the acquisition agreement on the basis that Alere has experienced a "material adverse effect" under the acquisition agreement and has materially breached certain of its covenants.

In August 2015, Abbott completed the acquisition of the equity of Tendyne Holdings, Inc. (Tendyne) that Abbott did not already own for approximately \$225 million in cash plus additional payments up to \$150 million to be made upon completion of certain regulatory milestones. The acquisition of Tendyne, which is focused on developing minimally invasive mitral valve replacement therapies, allows Abbott to broaden its foundation in the treatment of mitral valve disease. The final allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately \$220 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible goodwill of approximately \$142 million, deferred tax assets and other net assets of approximately \$18 million, deferred tax liabilities of approximately \$85 million, and contingent consideration of approximately \$70 million. The goodwill is identifiable to the Vascular Products segment.

In September 2014, Abbott completed the acquisition of the controlling interest in CFR Pharmaceuticals S.A. (CFR) for approximately \$2.9 billion in cash (\$2.8 billion net of CFR cash on hand at closing). Including the assumption of approximately \$570 million of debt, the total cost of the acquisition was \$3.4 billion. The acquisition of CFR more than doubles Abbott's branded generics pharmaceutical presence in Latin America and further expands its presence in emerging markets. CFR's financial results are included in Abbott's financial statements beginning on September 26, 2014, the date that Abbott acquired control of this business. Abbott currently owns 100% of CFR. The fair value of the non-controlling interest at the acquisition date was approximately \$3 million. The acquisition was funded

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

with cash and cash equivalents and short-term investments. The final allocation of the fair value of the acquisition is shown in the table below.

(in billions)

Acquired intangible assets, non-deductible	\$ 1.87
Goodwill, non-deductible	1.42
Acquired net tangible assets	0.03
Deferred income taxes recorded at acquisition	(0.40)
<b>Total final allocation of fair value</b>	<b>\$ 2.92</b>

Acquired intangible assets consist primarily of product rights for currently marketed products and are amortized over 12 to 16 years (weighted average of 15 years). The goodwill is primarily attributable to intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Established Pharmaceutical Products segment. The acquired tangible assets consist primarily of cash and cash equivalents of approximately \$94 million, trade accounts receivable of approximately \$180 million, inventory of approximately \$169 million, other current assets of approximately \$51 million, property and equipment of approximately \$210 million, and other long-term assets of approximately \$145 million. Assumed liabilities consist of borrowings of approximately \$570 million, trade accounts payable and other current liabilities of approximately \$240 million and other non-current liabilities of approximately \$14 million. Net sales for CFR Pharmaceuticals totaled approximately \$750 million in 2015.

In December 2014, Abbott acquired control of Veropharm, a leading Russian pharmaceutical company for approximately \$315 million excluding assumed debt, plus a subsequent \$5 million payment related to a working capital adjustment. Through this acquisition, Abbott establishes a manufacturing footprint in Russia and obtains a portfolio of medicines that is well aligned with Abbott's current pharmaceutical therapeutic areas of focus. Abbott acquired control of Veropharm through its purchase of Limited Liability Company Garden Hills, the holding company that owns approximately 98 percent of Veropharm. Including the assumption of approximately \$90 million of debt and a non-controlling interest with a fair value of \$5 million, the total value of the acquired business was approximately \$415 million. The final allocation of the fair value of the acquisition resulted in definite-lived non-deductible intangible assets of approximately \$100 million, non-deductible goodwill of approximately \$140 million, and net deferred tax liabilities of approximately \$25 million. Non-deductible goodwill is identifiable with the Established Pharmaceutical Products segment. Additionally, Abbott acquired property, plant, and equipment of approximately \$150 million, accounts receivable of approximately \$45 million, inventory of approximately \$25 million, and net liabilities of approximately \$20 million. Acquired intangible assets consist of developed technology and are being amortized over 16 years. In 2015, Abbott acquired the remaining shares of Veropharm, increasing its ownership to 100 percent.

In December 2014, Abbott completed the acquisition of Topera, Inc. for approximately \$250 million in cash, plus additional payments up to \$300 million to be made upon completion of certain regulatory and sales milestones. The acquisition of Topera provides Abbott a foundational entry in the electrophysiology market. The final allocation of the fair value of the acquisition resulted in 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 definite-lived intangible assets of approximately \$215 million, non-deductible goodwill of approximately \$145 million, net deferred tax liabilities of approximately \$80 million, and contingent consideration of approximately \$90 million. The fair value of the contingent consideration was determined based on an independent appraisal. Acquired intangible assets consist of developed technology and trademarks, and are being amortized over 17 years.

Except for the St. Jude Medical acquisition, had the aggregate in each year of the above acquisitions taken place as of the beginning of the comparable prior annual reporting period, consolidated net sales and earnings would not have been significantly different from reported amounts.

## Restructurings

In 2016, 2015 and 2014, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee-related severance and other charges of approximately \$33 million in 2016, \$95 million in 2015 and \$164 million in 2014. Approximately \$9 million in 2016, \$18 million in 2015 and \$20 million in 2014 are recorded in Cost of products sold, approximately \$5 million in 2016, \$34 million in 2015 and \$53 million in 2014 are recorded in Research and development and approximately \$19 million in 2016, \$43 million in 2015 and \$91 million in 2014 are recorded in Selling, general and administrative expense. Additional charges of approximately \$2 million in 2016, \$45 million in 2015 and \$39 million in 2014 were recorded primarily for accelerated depreciation.

From 2013 to 2015, Abbott management approved various 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 nutritional businesses. Abbott recorded employee-related severance charges of approximately \$18 million in 2016, \$66 million in 2015 and \$125 million in 2014. Approximately \$4 million in 2016, \$9 million in 2015 and \$7 million in 2014 are recorded in Cost of products sold, approximately \$2 million in 2015 and \$6 million in 2014 are recorded in Research and development, and approximately \$14 million in 2016, \$55 million in 2015 and \$112 million in 2014 are recorded in Selling, general and administrative expense.

## Interest Expense and Interest (Income)

In 2016, interest expense increased primarily due to the amortization of bridge financing fees related to the financing of the St. Jude Medical acquisition, which closed on January 4, 2017, and the pending Alere acquisition. Interest expense in 2016 also increased due to the \$15.1 billion of debt issued in November 2016. In 2015, interest expense increased due to the issuance of \$2.5 billion of long-term debt during the year. In 2014, interest expense increased due to a higher level of short-term borrowings during the year. Interest income increased in 2015 due to a higher return earned on short-term investments during the year.

## Other (Income) Expense, net

Other (income) expense, net, for 2016 includes an expense to adjust Abbott's holding of Mylan N.V. ordinary shares due to a decline in the fair value of the securities which is considered by Abbott to be other than temporary. 2015 includes a pretax gain on the sale of a portion of the Mylan N.V. shares received through the sale of the developed markets branded generics pharmaceuticals business and income resulting from a decrease in the fair value of contingent consideration related to a business acquisition. 2014 includes charges associated with the impairment of certain equity investments partially offset by gains on sales of investments.

## Net Loss on Extinguishment of Debt

In 2014, Abbott extinguished approximately \$500 million of long-term debt assumed as part of the CFR Pharmaceuticals acquisition and incurred a cost of \$18.3 million to extinguish this debt.

## Taxes on Earnings

The income tax rates on earnings from continuing operations were 24.8 percent in 2016, 18.1 percent in 2015 and 31.6 percent in 2014. In 2016, taxes on earnings from continuing operations include the impact of a net tax benefit of approximately \$225 million, primarily as a result of the resolution of various tax

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

positions from prior years, partially offset by the unfavorable impact of non-deductible foreign exchange losses related to Venezuela and the adjustment of the Mylan N.V. equity investment as well as the recognition of deferred taxes associated with the pending sale of AMO. In 2015, taxes on earnings from continuing operations include \$71 million of tax expense related to gain on the disposal of shares of Mylan N.V. stock. The 2015 effective tax rate includes the impact of the R&D tax credit that was made permanent in the U.S. by the Protecting Americans from Tax Hikes Act of 2015. In 2014, taxes on earnings from continuing operations include \$440 million of tax expense associated with a one-time repatriation of 2014 non-U.S. earnings partially offset by \$125 million of tax benefits related to the resolution of various tax positions and the adjustment of tax uncertainties from prior years.

Exclusive of these discrete items, tax expense was favorably impacted by lower tax rates and tax exemptions on foreign income primarily derived from operations in Puerto Rico, Switzerland, Ireland, the Netherlands, and Singapore. Abbott benefits from a combination of favorable statutory tax rules, tax rulings, grants, and exemptions in these tax jurisdictions. See Note 14 to the consolidated financial statements for a full reconciliation of the effective tax rate to the U.S. federal statutory rate.

Earnings from discontinued operations, net of tax, in 2016 reflects the recognition of \$325 million of net tax benefits primarily as a result of the resolution of various tax positions related to prior years. 2015 tax expense related to discontinued operations includes \$667 million of tax expense on certain current-year funds earned outside of the U.S. that were not designated as permanently reinvested overseas. Abbott accrued U.S. taxes on approximately \$2.2 billion of 2014 earnings generated outside the U.S. in connection with a repatriation of these earnings. In addition to the \$440 million of tax expense discussed above, the repatriation resulted in \$82 million of additional tax expense in Abbott's 2014 income from discontinued operations. Abbott accelerated the utilization of deferred tax assets and therefore cash taxes due in the U.S. on this repatriation were not material.

### **Discontinued Operations**

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for equity ownership of a newly formed entity (Mylan N.V.) that combined Mylan's existing business and Abbott's developed markets pharmaceuticals business. Mylan N.V. is publicly traded. Historically, this business was included in Abbott's Established Pharmaceutical Products segment. At the date of the closing, the 110 million Mylan N.V. shares that Abbott received were valued at \$5.77 billion and Abbott recorded an after-tax gain on the sale of the business of approximately \$1.6 billion. Abbott retained its branded generics pharmaceuticals business in emerging markets. At the close of this transaction, Abbott and Mylan entered into a transition services agreement pursuant to which Abbott and Mylan are providing various back office support services to each other on an interim transitional basis. Transition services may be provided for up to 2 years with certain services having been extended for an additional five to ten months. Charges by Abbott under this transition services agreement are recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transitional support does not constitute significant continuing involvement in Mylan's operations. Abbott also entered into manufacturing supply agreements with Mylan related to certain products, with the supply term ranging from 3 to 10 years and requiring a 2 year notice prior to termination. The cash flows associated with these transition services and manufacturing supply agreements are not expected to be significant, and therefore, these cash flows are not direct cash flows of the disposed component under Accounting Standards Codification 205.

On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. In the first quarter of 2016, Abbott received an additional \$25 million of proceeds due to the expiration of a holdback agreement associated with the sale of this business and reported an after-tax gain of \$16 million.



## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

As a result of the disposition of the above businesses, the prior years' operating results of these businesses up to the date of sale are reported as part of discontinued operations on the Earnings from Discontinued Operations, net of taxes line in the Consolidated Statement of Earnings. Discontinued operations include an allocation of interest expense assuming a uniform ratio of consolidated debt to equity for all of Abbott's historical operations.

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 has received a ruling from the Internal Revenue Service that the separation qualifies as a tax-free distribution to Abbott and its U.S. shareholders for U.S. federal income tax purposes.

For a small portion of AbbVie's operations, the legal transfer of AbbVie's assets (net of liabilities) did not occur with the separation of AbbVie on January 1, 2013 due to the time required to transfer marketing authorizations and other regulatory requirements in each of these countries. Under the terms of the separation agreement with Abbott, AbbVie is subject to the risks and entitled to the benefits generated by these operations and assets. The majority of these operations were transferred to AbbVie in 2013 and 2014. These assets and liabilities were presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2015.

Abbott has retained all liabilities for all U.S. federal and foreign income taxes on income prior to the separation, as well as certain non-income taxes attributable to AbbVie's business. AbbVie generally will be liable for all other taxes attributable to its business. In 2016, 2015 and 2014, discontinued operations include a favorable adjustment to tax expense of \$318 million, \$3 million and \$166 million, respectively, as a result of the resolution of various tax positions pertaining to AbbVie's operations.

The operating results of Abbott's developed markets branded generics pharmaceuticals and animal health businesses as well as the income tax benefit related to the businesses transferred to AbbVie, which are being reported as discontinued operations are as follows:

(in millions)	Year Ended December 31		
	2016	2015	2014
<b>Net Sales</b>			
Developed markets generics pharmaceuticals and animal health businesses	\$	\$ 256	\$ 2,076
AbbVie			
Total	\$	\$ 256	\$ 2,076
<b>Earnings (Loss) Before Tax</b>			
Developed markets generics pharmaceuticals and animal health businesses	\$ (4)	\$ 13	\$ 505
AbbVie			
Total	\$ (4)	\$ 13	\$ 505
<b>Net Earnings</b>			
Developed markets generics pharmaceuticals and animal health businesses	\$ 3	\$ 62	\$ 397
AbbVie	318	3	166
Total	\$ 321	\$ 65	\$ 563

**Assets and Liabilities Held for Disposition**

In September 2016, Abbott announced that it entered into a definitive agreement to sell AMO, its vision care business, to Johnson & Johnson for \$4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflects Abbott's proactive shaping of its portfolio in line with its strategic priorities. The transaction is expected to close in the first quarter of 2017 and is subject to customary closing conditions, including regulatory approvals. The operating results of AMO are included in continuing operations as they do not qualify for reporting as discontinued operations. For the year ended December 31, 2016 and 2015, AMO's earnings before taxes were \$30 million and \$64 million, respectively. As a result of the pending sale of AMO, the assets and liabilities of this business meet the criteria to qualify as being held for disposition at December 31, 2016.

The assets and liabilities held for disposition as of December 31, 2016 relate to AMO and the assets and liabilities held for disposition as of December 31, 2015 relate to the AbbVie business. The following is a summary of the assets and liabilities held for disposition:

(in millions)	December 31, 2016	December 31, 2015
Trade receivables, net	\$ 222	\$ 17
Total inventories	240	43
Prepaid expenses and other current assets	51	45
Current assets held for disposition	513	105
Net property and equipment	247	1
Intangible assets, net of amortization	529	
Goodwill	1,966	
Deferred income taxes and other assets	11	1
Non-current assets held for disposition	2,753	2
Total assets held for disposition	\$ 3,266	\$ 107
Trade accounts payable	\$ 71	\$ 359
Salaries, wages, commissions and other accrued liabilities	174	14
Current liabilities held for disposition	245	373
Post-employment obligations, deferred income taxes and other long-term liabilities	59	
Total liabilities held for disposition	\$ 304	\$ 373

**Research and Development Programs**

Abbott currently has numerous pharmaceutical, medical devices, diagnostic and nutritional products in development.

**Research and Development Process**

In the Established Pharmaceuticals segment, the development process focuses on the geographic expansion and continuous improvement of the segment's existing products to provide benefits to patients and customers. As Established Pharmaceuticals does not actively pursue primary research, development usually begins with work on existing products or after the acquisition of an advanced stage licensing opportunity.

Depending upon the product, the phases of development may include:

Drug product development.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

Phase I bioequivalence studies to compare a future Established Pharmaceutical's brand with an already marketed compound with the same active pharmaceutical ingredient (API).

Phase II studies to test the efficacy of benefits in a small group of patients.

Phase III studies to broaden the testing to a wider population that reflects the actual medical use.

Phase IV and other post-marketing studies to obtain new clinical use data on existing products within approved indications.

The specific requirements (e.g., scope of clinical trials) for obtaining regulatory approval vary across different countries and geographic regions. The process may range from one year for a bioequivalence study project to 6 or more years for complex formulations, new indications, or geographic expansion in specific countries, such as China.

In the Diagnostics segment, the phases of the research and development process include:

Discovery which focuses on identification of a product that will address a specific therapeutic area, platform, or unmet clinical need.

Concept/Feasibility during which the materials and manufacturing processes are evaluated, testing may include product characterization and analysis is performed to confirm clinical utility.

Development during which extensive testing is performed to demonstrate that the product meets specified design requirements and that the design specifications conform to user needs and intended uses.

The regulatory requirements for diagnostic products vary across different countries and geographic regions. In the U.S., the FDA classifies diagnostic products into classes (I, II, or III) and the classification determines the regulatory process for approval. While the Diagnostics segment has products in all three classes, the vast majority of its products are categorized as Class I or Class II. Submission of a separate regulatory filing is not required for Class I products. Class II devices typically require pre-market notification to the FDA through a regulatory filing known as a 510(k) submission. Most Class III products are subject to the FDA's Pre-Marketing Approval (PMA) requirements. Other Class III products, such as those used to screen blood, require the submission and approval of a Biological License Application (BLA).

In the EU, diagnostic products are also categorized into different categories and the regulatory process, which is governed by the European InVitro Diagnostic Medical Device Directive, depends upon the category. Certain product categories require review and approval by an independent company, known as a Notified Body, before the manufacturer can affix a CE mark to the product to show compliance with the Directive. Other products only require a self-certification process.

In the Vascular segment, the research and development process begins with research on a specific technology that is evaluated for feasibility and commercial viability. If the research program passes that hurdle, it moves forward into development. The development process includes evaluation and selection of a product design, completion of clinical trials to test the product's safety and efficacy, and validation of the manufacturing process to demonstrate its repeatability and ability to consistently meet pre-determined specifications.

Similar to the diagnostic products discussed above, in the U.S., vascular products are classified as Class I, II, or III. Most of Abbott's vascular products are classified as Class II devices that follow the 510(k) regulatory process or Class III devices that are subject to the PMA process.

In the EU, vascular products are also categorized into different classes and the regulatory process, which is governed by the European Medical Device Directive, varies by class. Each product must bear a CE mark to show compliance with the Directive. Some products require submission of a design dossier to

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

the appropriate regulatory authority for review and approval prior to CE marking of the device. For other products, the company is required to prepare a technical file which includes testing results and clinical evaluations but can self-certify its ability to apply the CE mark to the product. Outside the U.S. and the EU, the regulatory requirements vary across different countries and regions.

After approval and commercial launch of some vascular products, post-market trials may be conducted either due to a conditional requirement of the regulatory market approval or with the objective of proving product superiority.

In the Nutritional segment, the research and development process generally focuses on identifying and developing ingredients and products that address the nutritional needs of particular populations (e.g., infants and adults) or patients (e.g., people with diabetes). Depending upon the country and/or region, if claims regarding a product's efficacy will be made, clinical studies typically must be conducted.

In the U.S., the FDA requires that it be notified of proposed new formulations and formulation or packaging changes related to infant formula products. Prior to the launch of an infant formula or product packaging change, the company is required to obtain the FDA's confirmation that it has no objections to the proposed product or packaging. For other nutritional products, notification or pre-approval from the FDA is not required unless the product includes a new food additive. In some countries, regulatory approval may be required for certain nutritional products, including infant formula and medical nutritional products.

### ***Areas of Focus***

In 2017 and beyond, Abbott's significant areas of therapeutic focus will include the following:

**Established Pharmaceuticals** Abbott focuses on building country specific portfolios made up of global and local pharmaceutical brands that best meet the needs of patients in emerging markets. More than 400 development projects are active for one or several emerging markets. Over the next several years, Established Pharmaceuticals plans to expand its product portfolio in key therapeutic areas with the aim of being among the first to launch new branded generic medicines for particular pharmaceutical products. In addition, Established Pharmaceuticals continues to expand existing brands into new markets, implement product enhancements that provide value to patients and acquire strategic products and technology through licensing activities. Abbott is also actively working on the further development of several key brands such as Creon, Duphaston and Influxac. Depending on the product, the activities focus on development of new data, markets, formulations, delivery systems, or indications.

**Vascular** Ongoing projects in the pipeline include:

*MitraClip* device for the treatment of mitral regurgitation. Consistent with Abbott's near-term vision to grow its mitral and tricuspid valve programs, Abbott continues to work on expanding the use of its *MitraClip* device. Clinical trials for *MitraClip* are underway with the objective of broadening *MitraClip*'s footprint into new key markets, and enrollment of the COAPT Trial (a study of safety and effectiveness of the *MitraClip* device in heart failure patients with functional mitral regurgitation) is projected to be completed in 2017. Leveraging expertise in percutaneous leaflet coaptation, Abbott is working to expand its clip-based technology to address unmet needs in tricuspid regurgitation.

*Portico Re-sheathable Transcatheter Aortic Valve System U.S. Clinical Trial.* The objective of this clinical trial is to evaluate the safety and effectiveness of the Portico transcatheter heart valve and delivery systems via transfemoral and alternative delivery methods.

*Thoratec MOMENTUM 3, Multi-center Study of MagLev Technology with HeartMate 3 (HM3) Clinical Study Protocol.* The objective of this clinical study is to evaluate the safety and effectiveness of the HM3 Left Ventricular Assist System (LVAS) when used for the treatment of advanced,

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

refractory, left ventricular heart failure. The short term arm of the study is complete and results were presented at the American Heart Association in November 2016. The long term arm requires two-year patient follow-up. The HM3 is intended for use inside or outside the hospital.

*AMPLATZER Amulet LAA Occluder Trial.* The objective of this clinical trial is to evaluate the safety and efficacy of this device in patients with non-valvular atrial fibrillation. Patients who are eligible for the trial will be randomized to receive either the Amulet device or the commercially available WATCHMAN device and will be followed for 5 years after device implant.

Tendyne transcatheter mitral valve replacement device. This device is a self-expanding, fully retrievable and repositionable bioprosthesis with a simple and controlled deployment procedure. The trial to support CE Mark began in 2016 and is projected to be completed in 2017.

*Supera* self-expanding nitinol stent system which was acquired as part of the acquisition of IDEV Technologies in August 2013. With its proprietary interwoven wire technology, *Supera* is designed based on biomimetic principles to mimic the body's natural movement. *Supera* is available in the U.S., Europe, and various countries in Asia, the Middle East and Latin America for the treatment of blockages in blood vessels due to peripheral artery disease, with expanded size matrix approved in the U.S. Abbott is developing *Supera's* next generation delivery system.

Abbott is also developing future versions of metallic DES, guide wires and balloon delivery catheters.

**Molecular Diagnostics** Various new molecular in vitro diagnostic (IVD) products and next generation instrument systems are in various stages of development and commercialization.

**Core Laboratory Diagnostics** Abbott continues to commercialize its next-generation blood screening, immunoassay, clinical chemistry and hematology systems, along with assays in various areas including infectious disease, cardiac care, metabolics, oncology, as well as informatics and automation solutions to increase efficiency in laboratories.

**Diabetes Care** In 2016 Abbott expanded on the results of its REPLACE outcome trial (which covered Type 2 diabetes patients) with the publication of the results of its IMPACT study, which showed improved glycemic outcomes in people with Type 1 diabetes using the FreeStyle Libre system. The FreeStyle Libre system eliminates the need for routine finger sticks by reading glucose levels through a sensor that can be worn on the back of the upper arm for up to 14 days. It also requires no finger sticks for calibration. In 2014, Abbott attained the CE Mark in Europe for the FreeStyle Libre system. In 2016, Abbott launched two apps in Europe for FreeStyle Libre: LibreLink, which enables people with diabetes to access glucose data directly from their FreeStyle Libre sensor on their Android smartphones and LibreLinkUp, a caregiver app for remotely monitoring glucose values. In the U.S., in the third quarter of 2016 Abbott received FDA approval for FreeStyle Libre Pro, which is designed to be used by healthcare professionals in a clinic setting, and submitted the PMA for a consumer version of FreeStyle Libre.

**Nutritionals** Abbott is focusing its research and development spend on platforms that span the pediatric, adult and performance nutrition areas: gastro intestinal/immunity health, brain health, mobility and metabolism, and user experience platforms. Numerous new products that build on advances in these platforms are currently under development, including clinical outcome testing, and are expected to be launched over the coming years.

Given the diversity of Abbott's business, its intention to remain a broad-based healthcare company and the numerous sources for potential future growth, no individual project is expected to be material to cash flows or results of operations over the next five years. Factors considered included research and development expenses projected to be incurred for the project over the next year relative to Abbott's total research and development expenses as well as qualitative factors, such as marketplace perceptions and

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

impact of a new product on Abbott's overall market position. There were no delays in Abbott's 2016 research and development activities that are expected to have a material impact on operations.

While the aggregate cost to complete the numerous projects currently in development is expected to be material, the total cost to complete will depend upon Abbott's ability to successfully complete each project, the rate at which each project advances, and the ultimate timing for completion. Given the potential for significant delays and the high rate of failure inherent in the development of pharmaceutical, medical device and diagnostic products and technologies, it is not possible to accurately estimate the total cost to complete all projects currently in development. Abbott plans to manage its portfolio of projects to achieve research and development spending that will be competitive in each of the businesses in which it participates, and such spending is expected to approximate 7.5 percent of total Abbott sales in 2017. Abbott does not regularly accumulate or make management decisions based on the total expenses incurred for a particular development phase in a given period.

### **Goodwill**

At December 31, 2016, goodwill recorded as a result of business combinations totaled \$7.7 billion. Goodwill is reviewed for impairment annually in the third quarter or when an event that could result in an impairment occurs, using a quantitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The income and market approaches are used to calculate the fair value of each reporting unit. The results of the last impairment test indicated that the fair value of each reporting unit was substantially in excess of its carrying value.

### **Financial Condition**

#### **Cash Flow**

Net cash from operating activities amounted to \$3.2 billion, \$3.0 billion and \$3.7 billion in 2016, 2015 and 2014, respectively. The increase in Net cash from operating activities in 2016 reflects additional focus on the management of working capital. The decrease in Net cash from operating activities in 2015 was due in large part to the divestiture of the developed market established pharmaceuticals business in February 2015, as well as an increase in contributions to defined benefit plans in 2015. The income tax component of operating cash flow in 2016, 2015 and 2014 includes \$550 million, \$70 million and \$268 million, respectively, of non-cash tax benefits primarily related to the favorable resolution of various tax positions pertaining to prior years; 2015 reflects the non-cash impact of approximately \$1.1 billion of tax expense associated with the gain on sale of businesses.

The foreign currency loss related to Venezuela reduced Abbott's cash by approximately \$410 million in 2016 and is included in the Effect of exchange rate changes on cash and cash equivalents line within the Consolidated Statement of Cash Flows. Future fluctuations in the strength of the U.S. dollar against foreign currencies are not expected to materially impact Abbott's liquidity.

Excluding the proceeds from the November 2016 long-term debt issuance, over 85% of the cash and cash equivalents at December 31, 2016 is considered reinvested indefinitely in foreign subsidiaries. Abbott does not expect such reinvestment to affect its liquidity and capital resources. If these funds were needed for operations in the U.S., Abbott may be required to accrue and pay U.S. income taxes to repatriate these funds. Abbott believes that it has sufficient sources of liquidity to support its assumption that the disclosed amount of undistributed earnings at December 31, 2016 can be considered to be reinvested indefinitely.

Abbott funded \$582 million in 2016, \$579 million in 2015 and \$393 million in 2014 to defined benefit pension plans. Abbott expects pension funding of approximately \$364 million in 2017 for its pension plans, of which approximately \$270 million relates to its main domestic pension plan. Abbott expects annual cash flow from operating activities to continue to exceed Abbott's capital expenditures and cash dividends.

## Debt and Capital

At December 31, 2016, Abbott's long-term debt rating was A+ by Standard & Poor's Corporation and A2 by Moody's Investors Service. In conjunction with the completion of the St. Jude Medical acquisition on January 4, 2017, the ratings were adjusted to BBB by Standard & Poor's Corporation and Baa3 by Moody's Investors Service. Abbott expects to maintain an investment grade rating. Abbott has readily available financial resources, including unused lines of credit of \$5.0 billion which expire in 2019 and that support commercial paper borrowing arrangements.

In November 2016, Abbott issued \$15.1 billion of medium and long-term debt to primarily fund the cash portion of the acquisition of St. Jude Medical. Abbott issued \$2.85 billion of 2.35% Senior Notes due November 22, 2019; \$2.85 billion of 2.90% Senior Notes due November 30, 2021; \$1.50 billion of 3.40% Senior Notes due November 30, 2023; \$3.00 billion of 3.75% Senior Notes due November 30, 2026; \$1.65 billion of 4.75% Senior Notes due November 30, 2036; and \$3.25 billion of 4.90% Senior Notes due November 30, 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling \$3.0 billion related to the new debt; the swaps have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

In April 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed \$17.2 billion, comprised of \$15.2 billion for a 364-day bridge loan and \$2.0 billion for a 120-day bridge loan to provide financing for the acquisition of St. Jude Medical. The \$15.2 billion component of the commitment terminated in November 2016 when Abbott issued the \$15.1 billion of long-term debt. In December 2016, Abbott formalized the \$2.0 billion component and entered into a 120-day bridge term loan facility that provided Abbott the ability to borrow up to \$2.0 billion on an unsecured basis to partially fund the St. Jude Medical acquisition. On January 4, 2017, Abbott borrowed \$2.0 billion under this facility, of which \$1.2 billion had been repaid as of January 31, 2017.

In February 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed \$9 billion in conjunction with its pending acquisition of Alere. This commitment was automatically extended for up to 90 days on January 29, 2017.

In March 2015, Abbott issued \$2.5 billion of long-term debt consisting of \$750 million of 2.00% Senior Notes due March 15, 2020; \$750 million of 2.55% Senior Notes due March 15, 2022; and \$1.0 billion of 2.95% Senior Notes due March 15, 2025. Proceeds from this debt were used to pay down short-term borrowings. In March 2015, Abbott also entered into interest rate swap contracts totaling \$2.5 billion. These contracts have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation.

In 2014, Abbott redeemed approximately \$500 million of long-term notes that were assumed as part of the acquisition of CFR Pharmaceuticals.

In September 2014, the board of directors authorized the repurchase of up to \$3.0 billion of Abbott's common shares from time to time. The 2014 authorization was in addition to the \$512 million unused portion of a previous program announced in June 2013. In 2016, Abbott repurchased 10.4 million shares at a cost of \$408 million under the program authorized in 2014. In 2015, Abbott repurchased 11.3 million shares at a cost of \$512 million under the unused portion of the 2013 authorization and 36.2 million shares at a cost of \$1.7 billion under the program authorized in 2014 for a total of 47.5 million shares at a cost of \$2.2 billion. In 2014, Abbott repurchased 54.6 million shares at a cost of \$2.1 billion under the program announced in June 2013.

On April 27, 2016, the board of directors authorized the issuance and sale for general corporate purposes of up to 75 million common shares that would result in proceeds of up to \$3 billion. No shares have been issued under this authorization.



Abbott declared dividends of \$1.045 per share in 2016 compared to \$0.98 per share in 2015, an increase of approximately 7%. Dividends paid were \$1.539 billion in 2016 compared to \$1.443 billion in 2015. The year-over-year change in dividends reflects the impact of the increase in the dividend rate.

### **Working Capital**

Working capital was \$20.1 billion at December 31, 2016 and \$5.0 billion at December 31, 2015. The increase in working capital in 2016 was due to a \$13.6 billion increase in cash and cash equivalents and a \$1.8 billion reduction in short-term borrowings, resulting from the proceeds from the long-term debt issued in November 2016 as well as cash generated from operating activities. On January 4, 2017, approximately \$13.6 billion of the \$18.6 billion in cash and cash equivalents at December 31, 2016 was used to fund the cash portion of the acquisition of St. Jude Medical.

Substantially all of Abbott's trade receivables in Italy, Spain, Portugal, and Greece are with governmental health systems. The collection of outstanding receivables in these countries was stable in 2015 and 2016. Governmental receivables in these four countries accounted for less than 1 percent of Abbott's total assets in both years and 6 percent of total net trade receivables as of December 31, 2016, down from 7 percent as of December 31, 2015.

With the exception of Greece, Abbott historically has collected almost all of the outstanding receivables in these countries. Abbott continues to monitor the credit worthiness of customers located in these and other geographic areas and establishes an allowance against a trade receivable when it is probable that the balance will not be collected. In addition to closely monitoring 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 credit risk although the receivables included in such arrangements have historically not been a material amount of total outstanding receivables. If government funding were to become unavailable in these countries or if significant adverse changes in their reimbursement practices were to occur, Abbott may not be able to collect the entire balance.

### **Venezuela Operations**

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. In 2014 and 2015, the government of Venezuela operated multiple mechanisms to exchange bolivars into U.S. dollars. These mechanisms included the CENCOEX, SICAD, and SIMADI rates, which stood at 6.3, 13.5, and approximately 200, respectively, at December 31, 2015. In 2015, Abbott continued to use the CENCOEX rate of 6.3 Venezuelan bolivars to the U.S. dollar to report the results, financial position, and cash flows related to its operations in Venezuela since Abbott continued to qualify for this exchange rate to pay for the import of various products into Venezuela.

On February 17, 2016, the Venezuelan government announced that the three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO rate is the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate is a floating market rate published daily by the Venezuelan central bank, which at the end of the first quarter of 2016 was approximately 263 bolivars per U.S. dollar. As a result of decreasing government approvals to convert bolivars to U.S. dollars to pay for intercompany accounts, as well as the accelerating deterioration of economic conditions in the country, Abbott concluded that it was appropriate to move to the DICOM rate at the end of the first quarter of 2016. As a result, Abbott recorded a foreign currency exchange loss of \$480 million in 2016 to revalue its net monetary assets in Venezuela. Abbott is continuing to use the DICOM rate to report the results of operations and to remeasure net monetary assets for Venezuela at the end of each quarter. As of December 31, 2016, Abbott's Venezuelan operations represented approximately 0.1% of Abbott's consolidated assets and any additional foreign currency losses related to Venezuela are not expected to be material.

## Capital Expenditures

Capital expenditures of \$1.1 billion in 2016, 2015 and 2014 were principally for upgrading and expanding manufacturing and research and development facilities and equipment in various segments, investments in information technology, and laboratory instruments placed with customers.

## Contractual Obligations

The table below summarizes Abbott's estimated contractual obligations as of December 31, 2016.

	Payments Due By Period				
	Total	2017	2018-2019	2020-2021	2022 and Thereafter
	<i>(in millions)</i>				
Long-term debt, including current maturities	\$ 20,914	\$ 3	\$ 3,801	\$ 4,198	\$ 12,912
Interest on debt obligations	11,234	789	1,536	1,275	7,634
Operating lease obligations	778	145	234	141	258
Capitalized auto lease obligations	40	13	27		
Purchase commitments (a)	1,353	1,294	46	12	1
Other long-term liabilities	1,431		784	449	198
<b>Total (b)</b>	<b>\$ 35,750</b>	<b>\$ 2,244</b>	<b>\$ 6,428</b>	<b>\$ 6,075</b>	<b>\$ 21,003</b>

(a) Purchase commitments are for purchases made in the normal course of business to meet operational and capital expenditure requirements.

(b) Net unrecognized tax benefits totaling approximately \$560 million are excluded from the table above as Abbott is unable to reasonably estimate the period of cash settlement with the respective taxing authorities on such items. See Note 14 Taxes on Earnings from Continuing Operations for further details. The company has employee benefit obligations consisting of pensions and other post-employment benefits, including medical and life, which have been excluded from the table. A discussion of the company's pension and post-retirement plans, including funding matters is included in Note 13 Post-employment Benefits.

## Contingent Obligations

Abbott has periodically entered into agreements with other companies in the ordinary course of business, such as assignment of product rights, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. In addition, Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

## 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.

## Recently Issued Accounting Standards

In October 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. The standard becomes effective for Abbott beginning in the first quarter of 2018 and early adoption is permitted. Abbott is currently evaluating the impact ASU 2016-16 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 modifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes and classification on the statement of cash flows. The standard becomes effective for Abbott beginning in the first quarter of 2017. Abbott does not anticipate that the new guidance will have a material impact on its consolidated financial statements. Abbott cannot predict the impact on its consolidated financial statements in future reporting periods following adoption as this will be dependent upon various factors including the number of shares issued and changes in the price of its shares.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize assets and liabilities for most leases on the balance sheet. The standard becomes effective for Abbott beginning in the first quarter of 2019 and early adoption is permitted. Adoption requires application of the new guidance for all periods presented. Abbott is currently evaluating the impact the new guidance will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. The standard becomes effective for Abbott beginning in the first quarter of 2018 and early adoption is permitted. Abbott is currently evaluating the effect, if any, that the standard will have on its consolidated financial statements and related disclosures.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, which removes the requirement to categorize in the fair value hierarchy all investments measured at net asset value per share using the practical expedient. This guidance is effective for public business entities for years beginning after December 15, 2015. Abbott has adopted this guidance as of December 31, 2016, and has applied it on a retrospective basis. The adoption of ASU 2015-07 only impacted the form and content of the basis of fair value measurement disclosures related to the assets associated with the defined benefit and medical and dental plans and did not have an impact on Abbott's consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU 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. The standard becomes effective for Abbott in the first quarter of 2018. Abbott is continuing to evaluate the effect that the standard will have on its consolidated financial statements and related disclosures including the areas of variable consideration and new disclosure requirements. Abbott will continue to monitor additional modifications, clarifications or interpretations undertaken by the FASB that may impact Abbott's current conclusions. Abbott is currently expecting to use the modified retrospective method to adopt this standard.

## 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.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**Financial Instruments and Risk Management**

**Market Price Sensitive Investments**

The fair value of the available-for-sale equity securities held by Abbott was approximately \$2.7 billion and \$3.8 billion as of December 31, 2016 and 2015, respectively. The year-over-year decrease is primarily due to a decline in the share price of the ordinary shares of Mylan N.V. that Abbott received in the sale of its developed markets branded generics pharmaceuticals business and that it continued to hold at December 31, 2016. All available-for-sale equity securities are subject to potential changes in fair value. A hypothetical 20 percent decrease in the share prices of these investments would decrease their fair value at December 31, 2016 by approximately \$540 million. Abbott monitors these investments for other than temporary declines in fair value, and charges impairment losses to income when an other than temporary decline in fair value occurs.

**Non-Publicly Traded Equity Securities**

Abbott holds equity securities from strategic technology acquisitions that are not traded on public stock exchanges. The carrying value of these investments was approximately \$151 million and \$120 million as of December 31, 2016 and 2015, respectively. No individual investment is recorded at a value in excess of \$35 million. Abbott monitors these investments for other than temporary declines in market value, and charges impairment losses to income when an other than temporary decline in estimated fair value occurs.

**Interest Rate Sensitive Financial Instruments**

At December 31, 2016 and 2015, Abbott had interest rate hedge contracts totaling \$5.5 billion and \$4.0 billion, respectively, to manage its exposure to changes in the fair value of debt. The effect of these hedges is to change the fixed interest rate to a variable rate for the portion of the debt that is hedged. Abbott does not use derivative financial instruments, such as interest rate swaps, to manage its exposure to changes in interest rates for its investment securities. At December 31, 2016, Abbott had \$0.9 billion of domestic commercial paper outstanding with an average annual interest rate of 0.91% with an average remaining life of 17 days. The fair value of long-term debt at December 31, 2016 and 2015 amounted to \$21.1 billion and \$6.3 billion, respectively (average interest rates of 3.8% and 4.1% as of December 31, 2016 and 2015, respectively) with maturities through 2046. At December 31, 2016 and 2015, the fair value of current and long-term investment securities amounted to approximately \$3.1 billion and \$5.2 billion, respectively. A hypothetical 100-basis point change in the interest rates would not have a material effect on cash flows, income or fair values. (A 100-basis point change is believed to be a reasonably possible near-term change in rates.)

**Foreign Currency Sensitive Financial Instruments**

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 are designated as cash flow hedges of the variability of the cash flows due to changes in foreign currency exchange rates and are marked-to-market with the resulting gains or losses reflected in Accumulated other comprehensive income (loss). Gains or losses will be included in Cost of products sold at the time the products are sold, generally within the next twelve to eighteen months. At December 31, 2016 and 2015, Abbott held \$2.6 billion and \$2.4 billion, respectively, of such contracts. Contracts held at December 31, 2016 will mature in 2017 or 2018 depending upon the contract. Contracts held at December 31, 2015 matured in 2016 or will mature in 2017 depending upon the contract. At December 31, 2016, \$107 million of the notional amount relates to AMO, a business that is expected to be divested in the first quarter of 2017.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

Abbott enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated intercompany loans and trade payables and third-party trade payables and receivables. The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed. At December 31, 2016 and 2015, Abbott held \$14.9 billion and \$14.0 billion, respectively, of such contracts, which generally mature in the next twelve months. At December 31, 2016, \$1.2 billion of the contracts relate to AMO, a business that is expected to be divested in the first quarter of 2017.

Abbott has designated foreign denominated short-term debt of approximately \$454 million and approximately \$439 million as of December 31, 2016 and 2015, respectively, as a hedge of the net investment in a foreign subsidiary. Accordingly, changes in the fair value of this debt due to changes in exchange rates are recorded in Accumulated other comprehensive income (loss), net of tax.

The following table reflects the total foreign currency forward contracts outstanding at December 31, 2016 and 2015:

	2016			2015		
	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)	Contract Amount	Weighted Average Exchange Rate	Fair and Carrying Value Receivable/ (Payable)
<i>(dollars in millions)</i>						
<b>Primarily U.S. Dollars to be exchanged for the following currencies:</b>						
Euro	\$ 11,110	1.0570	\$ 28	\$ 8,999	1.0943	\$ 67
British Pound	514	1.2817	15	1,531	1.5098	6
Japanese Yen	1,024	110.6955	44	711	121.8078	(1)
Canadian Dollar	639	1.3378	3	312	1.2917	18
All other currencies	4,166	N/A	104	4,880	N/A	(13)
<b>Total</b>	<b>\$ 17,453</b>		<b>\$ 194</b>	<b>\$ 16,433</b>		<b>\$ 77</b>

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

	<b>Page</b>
<u>Consolidated Statement of Earnings</u>	<u>51</u>
<u>Consolidated Statement of Comprehensive Income</u>	<u>52</u>
<u>Consolidated Statement of Cash Flows</u>	<u>53</u>
<u>Consolidated Balance Sheet</u>	<u>54</u>
<u>Consolidated Statement of Shareholders' Investment</u>	<u>56</u>
<u>Notes to Consolidated Financial Statements</u>	<u>57</u>
<u>Management Report on Internal Control Over Financial Reporting</u>	<u>91</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>92</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>93</u>

## Abbott Laboratories and Subsidiaries

Consolidated Statement of Earnings  
(in millions except per share data)

	Year Ended December 31		
	2016	2015	2014
Net Sales	\$ 20,853	\$ 20,405	\$ 20,247
Cost of products sold, excluding amortization of intangible assets	9,024	8,747	9,218
Amortization of intangible assets	550	601	555
Research and development	1,422	1,405	1,345
Selling, general and administrative	6,672	6,785	6,530
Total Operating Cost and Expenses	17,668	17,538	17,648
Operating Earnings	3,185	2,867	2,599
Interest expense	431	163	150
Interest income	(99)	(105)	(77)
Net loss on extinguishment of debt			18
Net foreign exchange (gain) loss	495	(93)	(24)
Other (income) expense, net	945	(281)	14
Earnings from Continuing Operations Before Taxes	1,413	3,183	2,518
Taxes on Earnings from Continuing Operations	350	577	797
Earnings from Continuing Operations	1,063	2,606	1,721
Earnings from Discontinued Operations, net of taxes	321	65	563
Gain on sale of Discontinued Operations, net of taxes	16	1,752	
Net Earnings from Discontinued Operations, net of taxes	337	1,817	563
Net Earnings	\$ 1,400	\$ 4,423	\$ 2,284
Basic Earnings Per Common Share			
Continuing Operations	\$ 0.71	\$ 1.73	\$ 1.13
Discontinued Operations	0.23	1.21	0.37
Net Earnings	\$ 0.94	\$ 2.94	\$ 1.50
Diluted Earnings Per Common Share			
Continuing Operations	\$ 0.71	\$ 1.72	\$ 1.12
Discontinued Operations	0.23	1.20	0.37
Net Earnings	\$ 0.94	\$ 2.92	\$ 1.49
Average Number of Common Shares Outstanding Used for Basic Earnings Per Common Share	1,477	1,496	1,516
Dilutive Common Stock Options	6	10	11
Average Number of Common Shares Outstanding Plus Dilutive Common Stock Options	1,483	1,506	1,527

Edgar Filing: ABBOTT LABORATORIES - Form 10-K

Outstanding Common Stock Options Having No Dilutive Effect	5	1	1
--	---	---	---

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



## Abbott Laboratories and Subsidiaries

Consolidated Statement of Comprehensive Income  
(in millions)

	Year Ended December 31		
	2016	2015	2014
Net Earnings	\$ 1,400	\$ 4,423	\$ 2,284
Foreign currency translation (loss) adjustments	(130)	(2,013)	(2,206)
Net actuarial gains (losses) and prior service cost and credits and amortization of net actuarial losses and prior service cost and credits, net of taxes of \$(125) in 2016, \$101 in 2015 and \$(459) in 2014	(326)	252	(917)
Unrealized gains (losses) on marketable equity securities, net of taxes of \$(28) in 2016, \$104 in 2015 and \$(7) in 2014	(134)	64	(12)
Net (losses) gains on derivative instruments designated as cash flow hedges, net of taxes of \$(4) in 2016, \$(9) in 2015 and \$24 in 2014	(15)	(35)	94
Other Comprehensive (Loss) Income	(605)	(1,732)	(3,041)
Comprehensive Income (Loss)	\$ 795	\$ 2,691	\$ (757)

## Supplemental Accumulated Other Comprehensive Income Information, net of tax as of December 31:

Cumulative foreign currency translation (loss) adjustments	\$ (4,959)	\$ (4,829)	\$ (2,924)
Net actuarial (losses) and prior service (cost) and credits	(2,284)	(1,958)	(2,229)
Cumulative unrealized (losses) gains on marketable equity securities	(69)	65	1
Cumulative gains on derivative instruments designated as cash flow hedges	49	64	99

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

## Abbott Laboratories and Subsidiaries

Consolidated Statement of Cash Flows  
(in millions)

	Year Ended December 31		
	2016	2015	2014
<b>Cash Flow From (Used in) Operating Activities:</b>			
Net earnings	\$ 1,400	\$ 4,423	\$ 2,284
Adjustments to reconcile earnings to net cash from operating activities			
Depreciation	803	871	918
Amortization of intangible assets	550	601	630
Share-based compensation	310	292	246
Impact of currency devaluation	480		
Investing and financing (gains) losses, net	86	(18)	69
Amortization of bridge financing fees	165		
Net loss on extinguishment of debt			18
Gain on sale of discontinued operations	(25)	(2,840)	
Mylan N.V. equity investment adjustment	947		
Gain on sale of Mylan N.V. shares		(207)	
Trade receivables	(177)	(171)	(195)
Inventories	(98)	(257)	(297)
Prepaid expenses and other assets	113	57	30
Trade accounts payable and other liabilities	(652)	(742)	(225)
Income taxes	(699)	957	197
<b>Net Cash From Operating Activities</b>	<b>3,203</b>	<b>2,966</b>	<b>3,675</b>
<b>Cash Flow From (Used in) Investing Activities:</b>			
Acquisitions of property and equipment	(1,121)	(1,110)	(1,077)
Acquisitions of businesses and technologies, net of cash acquired	(80)	(235)	(3,317)
Proceeds from business dispositions	25	230	5
Proceeds from the sale of Mylan N.V. shares		2,290	
Purchases of investment securities	(2,823)	(4,933)	(1,507)
Proceeds from sales of investment securities	3,709	4,112	5,624
Other	42	52	70
<b>Net Cash From (Used in) Investing Activities</b>	<b>(248)</b>	<b>406</b>	<b>(202)</b>
<b>Cash Flow From (Used in) Financing Activities:</b>			
Proceeds from issuance of (repayments of) short-term debt and other	(1,767)	(1,281)	1,343
Proceeds from issuance of long-term debt and debt with maturities over 3 months	14,934	2,485	
Repayments of long-term debt and debt with maturities over 3 months	(12)	(57)	(577)
Payment of bridge financing fees	(170)		
Acquisition and contingent consideration payments related to business acquisitions	(25)	(17)	(400)
Purchases of common shares	(522)	(2,237)	(2,195)
Proceeds from stock options exercised, including income tax benefit	248	314	429
Dividends paid	(1,539)	(1,443)	(1,342)
<b>Net Cash From (Used in) Financing Activities</b>	<b>11,147</b>	<b>(2,236)</b>	<b>(2,742)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(483)</b>	<b>(198)</b>	<b>(143)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>13,619</b>	<b>938</b>	<b>588</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>5,001</b>	<b>4,063</b>	<b>3,475</b>

Edgar Filing: ABBOTT LABORATORIES - Form 10-K

Cash and Cash Equivalents, End of Year \$ 18,620 \$ 5,001 \$ 4,063

Supplemental Cash Flow Information:

Income taxes paid	\$ 620	\$ 631	\$ 448
Interest paid	181	166	146

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

## Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet  
(dollars in millions)

	December 31	
	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 18,620	\$ 5,001
Investments, primarily bank time deposits and U.S. treasury bills	155	1,124
Trade receivables, less allowances of 2016: \$250; 2015: \$337	3,248	3,418
Inventories:		
Finished products	1,624	1,744
Work in process	294	316
Materials	516	539
Total inventories	2,434	2,599
Other prepaid expenses and receivables	1,806	1,908
Current assets held for disposition	513	105
Total Current Assets	26,776	14,155
Investments	2,947	4,041
Property and Equipment, at Cost:		
Land	408	432
Buildings	2,602	2,769
Equipment	8,394	8,254
Construction in progress	962	928
	12,366	12,383
Less: accumulated depreciation and amortization	6,661	6,653
Net Property and Equipment	5,705	5,730
Intangible Assets, net of amortization	4,539	5,562
Goodwill	7,683	9,638
Deferred Income Taxes and Other Assets	2,263	2,119
Non-current Assets Held for Disposition	2,753	2
	\$ 52,666	\$ 41,247

## Abbott Laboratories and Subsidiaries

Consolidated Balance Sheet  
(dollars in millions)

	December 31	
	2016	2015
Liabilities and Shareholders' Investment		
Current Liabilities:		
Short-term borrowings	\$ 1,322	\$ 3,127
Trade accounts payable	1,178	1,081
Salaries, wages and commissions	752	746
Other accrued liabilities	2,581	3,043
Dividends payable	391	383
Income taxes payable	188	430
Current portion of long-term debt	3	3
Current liabilities held for disposition	245	373
<b>Total Current Liabilities</b>	<b>6,660</b>	<b>9,186</b>
Long-term Debt	20,681	5,871
Post-employment Obligations and other long-term liabilities	4,549	4,864
Non-current liabilities held for disposition	59	
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: 2016: 1,707,475,455; 2015: 1,702,017,390	13,027	12,734
Common shares held in treasury, at cost Shares: 2016: 234,606,250; 2015: 229,352,338	(10,791)	(10,622)
Earnings employed in the business	25,565	25,757
Accumulated other comprehensive income (loss)	(7,263)	(6,658)
<b>Total Abbott Shareholders' Investment</b>	<b>20,538</b>	<b>21,211</b>
Noncontrolling Interests in Subsidiaries	179	115
<b>Total Shareholders' Investment</b>	<b>20,717</b>	<b>21,326</b>
	<b>\$ 52,666</b>	<b>\$ 41,247</b>

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

## Abbott Laboratories and Subsidiaries

Consolidated Statement of Shareholders' Investment  
(in millions except shares and per share data)

	Year Ended December 31		
	2016	2015	2014
<b>Common Shares:</b>			
Beginning of Year			
Shares: 2016: 1,702,017,390; 2015: 1,694,929,949; 2014: 1,685,827,096	\$ 12,734	\$ 12,383	\$ 12,048
Issued under incentive stock programs			
Shares: 2016: 5,458,065; 2015: 7,087,441; 2014: 9,102,853	222	289	404
Share-based compensation	311	292	245
Issuance of restricted stock awards	(240)	(230)	(314)
End of Year			
Shares: 2016: 1,707,475,455; 2015: 1,702,017,390; 2014: 1,694,929,949	\$ 13,027	\$ 12,734	\$ 12,383
<b>Common Shares Held in Treasury:</b>			
Beginning of Year			
Shares: 2016: 229,352,338; 2015: 186,894,515; 2014: 137,728,810	\$ (10,622)	\$ (8,678)	\$ (6,844)
Issued under incentive stock programs			
Shares: 2016: 5,398,469; 2015: 5,381,586; 2014: 5,818,599	250	250	283
Purchased			
Shares: 2016: 10,652,381; 2015: 47,839,409; 2014: 54,984,304	(419)	(2,194)	(2,117)
End of Year			
Shares: 2016: 234,606,250; 2015: 229,352,338; 2014: 186,894,515	\$ (10,791)	\$ (10,622)	\$ (8,678)
<b>Earnings Employed in the Business:</b>			
Beginning of Year	\$ 25,757	\$ 22,874	\$ 21,979
Net earnings	1,400	4,423	2,284
Cash dividends declared on common shares (per share 2016: \$1.045; 2015: \$0.98; 2014: \$0.90)	(1,547)	(1,464)	(1,363)
Effect of common and treasury share transactions	(45)	(76)	(26)
End of Year	\$ 25,565	\$ 25,757	\$ 22,874
<b>Accumulated Other Comprehensive Income (Loss):</b>			
Beginning of Year	\$ (6,658)	\$ (5,053)	\$ (2,012)
Business dispositions / separation		127	
Other comprehensive income (loss)	(605)	(1,732)	(3,041)
End of Year	\$ (7,263)	\$ (6,658)	\$ (5,053)
<b>Noncontrolling Interests in Subsidiaries:</b>			
Beginning of Year	\$ 115	\$ 113	\$ 96

Edgar Filing: ABBOTT LABORATORIES - Form 10-K

Noncontrolling Interests' share of income, business combinations, net of distributions and share repurchases	64	2	17
End of Year	\$ 179	\$ 115	\$ 113

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

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 1 Summary of Significant Accounting Policies**

**NATURE OF BUSINESS** Abbott's principal business is the discovery, development, manufacture and sale of a broad line of health care products.

**CHANGES IN PRESENTATION** In September 2016, Abbott announced that it had entered into an agreement to sell Abbott Medical Optics (AMO), its vision care business, to Johnson & Johnson. The transaction is expected to close in the first quarter of 2017 and is subject to customary closing conditions, including regulatory approvals. The operating results of AMO are reported as part of continuing operations as AMO does not qualify for reporting as a discontinued operation. The assets and liabilities of AMO are reported as held for disposition in Abbott's Consolidated Balance Sheet at December 31, 2016.

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for equity ownership of a newly formed entity that combined Mylan's existing business and Abbott's developed markets pharmaceuticals business. On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. The historical operating results of these two businesses up to the date of sale are excluded from Earnings from Continuing Operations and are presented on the Earnings from Discontinued Operations line in Abbott's Consolidated Statement of Earnings. The cash flows of these businesses are included in Abbott's Consolidated Statement of Cash Flows up to the date of disposition. See Note 2 Discontinued Operations for additional information.

**BASIS OF CONSOLIDATION** The consolidated financial statements include the accounts of the parent company and subsidiaries, after elimination of intercompany transactions.

**USE OF ESTIMATES** The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for sales rebates; income taxes; pension and other post-employment benefits, including certain asset values that are based on significant unobservable inputs; valuation of intangible assets; litigation; derivative financial instruments; and inventory and accounts receivable exposures.

**FOREIGN CURRENCY TRANSLATION** The statements of earnings of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The net assets of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the balance sheet date. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded in the foreign currency translation adjustment account, which is included in equity as a component of Accumulated other comprehensive income (loss). Transaction gains and losses are recorded on the Net foreign exchange (gain) loss line of the Consolidated Statement of Earnings.

**REVENUE RECOGNITION** Revenue from product sales is recognized upon passage of title and risk of loss to customers. Provisions for discounts, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Sales incentives to customers are not material. Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales. Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met. In those situations, management records a returns reserve for such revenue, if necessary. In certain of Abbott's businesses, primarily within diagnostics and medical optics, Abbott participates in selling arrangements that include multiple deliverables



**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 1 Summary of Significant Accounting Policies (Continued)**

(e.g., instruments, reagents, procedures, and service agreements). Under these arrangements, Abbott recognizes revenue upon delivery of the product or performance of the service and allocates the revenue based on the relative selling price of each deliverable, which is based primarily on vendor specific objective evidence. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights. Revenue from license of product rights, or for performance of research or selling activities, is recorded over the periods earned.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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. The standard becomes effective for Abbott in the first quarter of 2018. Abbott is continuing to evaluate the effect that the standard will have on its consolidated financial statements and related disclosures including the areas of variable consideration and new disclosure requirements. Abbott will continue to monitor additional modifications, clarifications or interpretations undertaken by the FASB that may impact Abbott's current conclusions. Abbott is currently expecting to use the modified retrospective method to adopt this standard.

**INCOME TAXES** Deferred income taxes are provided for the tax effect of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. U.S. income taxes are provided on those earnings of foreign subsidiaries which are intended to be remitted to the parent company. Deferred income taxes are not provided on undistributed earnings reinvested indefinitely in foreign subsidiaries. Interest and penalties on income tax obligations are included in taxes on income.

**EARNINGS PER SHARE** Unvested restricted stock units and awards 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 in 2016, 2015 and 2014 were \$1.057 billion, \$2.595 billion and \$1.713 billion, respectively. Net earnings allocated to common shares in 2016, 2015 and 2014 were \$1.393 billion, \$4.403 billion and \$2.273 billion, respectively.

**PENSION AND POST-EMPLOYMENT BENEFITS** Abbott accrues for the actuarially determined cost of pension and post-employment benefits over the service attribution periods of the employees. Abbott must develop long-term assumptions, the most significant of which are the health care cost trend rates, discount rates and the expected return on plan assets. Differences between the expected long-term return on plan assets and the actual return are amortized over a five-year period. Actuarial losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method.

**FAIR VALUE MEASUREMENTS** For assets and liabilities that are measured using quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are valued by reference to similar assets or liabilities, adjusted for contract restrictions and other terms specific to that asset or liability. For these items, a significant portion of fair value is derived by reference to quoted prices of similar assets or liabilities in active markets. For all remaining assets and liabilities, fair value is derived using a fair value model, such as a discounted cash flow model or Black-Scholes model. Purchased intangible assets are recorded at fair value. The fair value of

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

**Note 1 Summary of Significant Accounting Policies (Continued)**

significant purchased intangible assets is based on independent appraisals. Abbott uses a discounted cash flow model to value intangible assets. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital, terminal values and market participants. Intangible assets are reviewed for impairment on a quarterly basis. Goodwill and indefinite-lived intangible assets are tested for impairment at least annually.

**SHARE-BASED COMPENSATION** The fair value of stock options and restricted stock awards and units are amortized over their requisite service period, which could be shorter than the vesting period if an employee is retirement eligible, with a charge to compensation expense.

**LITIGATION** Abbott accounts for litigation losses in accordance with FASB ASC No. 450, "Contingencies." Under ASC No. 450, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. Legal fees are recorded as incurred.

**CASH, CASH EQUIVALENTS AND INVESTMENTS** Cash equivalents consist of bank time deposits, U.S. government securities money market funds and U.S. treasury bills with original maturities of three months or less. An investment in a publicly traded company, with a carrying value of approximately \$58 million, is accounted for under the equity method of accounting. All other investments in marketable equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in Accumulated other comprehensive income (loss). Investments in equity securities that are not traded on public stock exchanges are recorded at cost. Investments in debt securities are classified as held-to-maturity, as management has both the intent and ability to hold these securities to maturity, and are reported at cost, net of any unamortized premium or discount. Income relating to these securities is reported as interest income.

Abbott reviews the carrying value of investments each quarter to determine whether an other than temporary decline in fair value exists. Abbott considers factors affecting the investee, factors affecting the industry the investee operates in and general equity market trends. Abbott considers the length of time an investment's fair value has been below carrying value and the near-term prospects for recovery to carrying value. When Abbott determines that an other than temporary decline has occurred, the investment is written down with a charge to Other (income) expense, net.

**TRADE RECEIVABLE VALUATIONS** Accounts receivable are stated at their net realizable value. The allowance against gross trade receivables reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information. Accounts receivable are charged off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted.

**INVENTORIES** Inventories are stated at the lower of cost (first-in, first-out basis) or market. Cost includes material and conversion costs.

**PROPERTY AND EQUIPMENT** Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The following table shows estimated useful lives of property and equipment:

Classification	Estimated Useful Lives
Buildings	10 to 50 years (average 27 years)
Equipment	3 to 20 years (average 11 years)

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 1 Summary of Significant Accounting Policies (Continued)**

**PRODUCT LIABILITY** Abbott accrues for product liability claims when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The liabilities are adjusted quarterly as additional information becomes available. Receivables for insurance recoveries for product liability claims are recorded as assets, on an undiscounted basis, when it is probable that a recovery will be realized. Product liability losses are self-insured.

**RESEARCH AND DEVELOPMENT COSTS** Internal research and development costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where contingent milestone payments are due to third parties under research and development arrangements, the milestone payment obligations are expensed when the milestone results are achieved.

**ACQUIRED IN-PROCESS AND COLLABORATIONS RESEARCH AND DEVELOPMENT (IPR&D)** The initial costs of rights to IPR&D projects obtained in an asset acquisition are expensed as IPR&D unless the project has an alternative future use. These costs include initial payments incurred prior to regulatory approval in connection with research and development collaboration agreements that provide rights to develop, manufacture, market and/or sell pharmaceutical products. The fair value of IPR&D projects acquired in a business combination are capitalized and accounted for as indefinite-lived intangible assets until completed and are then amortized over the remaining useful life. Collaborations are not significant.

**CONCENTRATION OF RISK AND GUARANTEES** Due to the nature of its operations, Abbott is not subject to significant concentration risks relating to customers, products or geographic locations. Governmental accounts in Italy, Spain, Greece and Portugal accounted for 6 percent and 7 percent of total net trade receivables as of December 31, 2016 and 2015, respectively. Product warranties are not significant.

Abbott has no material exposures to off-balance sheet arrangements; no special purpose entities; nor activities that include non-exchange-traded contracts accounted for at fair value. Abbott has periodically entered into agreements in the ordinary course of business, such as assignment of product rights, with other companies, which has resulted in Abbott becoming secondarily liable for obligations that Abbott was previously primarily liable. Since Abbott no longer maintains a business relationship with the other parties, Abbott is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations. Based upon past experience, the likelihood of payments under these agreements is remote. Abbott periodically acquires a business or product rights in which Abbott agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain events.

**Note 2 Discontinued Operations**

On February 27, 2015, Abbott completed the sale of its developed markets branded generics pharmaceuticals business to Mylan Inc. (Mylan) for 110 million shares (or approximately 22%) of a newly formed entity (Mylan N.V.) that combined Mylan's existing business and Abbott's developed markets branded generics pharmaceuticals business. Mylan N.V. is publicly traded. Historically, this business was included in Abbott's Established Pharmaceutical Products segment. Abbott retained its branded generics pharmaceuticals business in emerging markets. At the date of closing, the 110 million Mylan N.V. shares that Abbott received were valued at \$5.77 billion and Abbott recorded an after-tax gain on the sale of the business of approximately \$1.6 billion. The shareholder agreement with Mylan N.V. includes voting and

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 2 Discontinued Operations (Continued)**

other restrictions that prevent Abbott from exercising significant influence over the operating and financial policies of Mylan N.V.

At the close of this transaction Abbott and Mylan entered into a transition services agreement pursuant to which Abbott and Mylan are providing various back office support services to each other on an interim transitional basis. Transition services may be provided for up to 2 years with certain services having been extended for an additional five to ten months. Charges by Abbott under this transition services agreement are recorded as a reduction of the costs to provide the respective service in the applicable expense category in the Consolidated Statement of Earnings. This transition support does not constitute significant continuing involvement in Mylan's operations. Abbott also entered into manufacturing supply agreements with Mylan related to certain products, with the supply term ranging from 3 to 10 years and requiring a 2 year notice prior to termination. The cash flows associated with these transition services and manufacturing supply agreements are not expected to be significant, and therefore, these cash flows are not direct cash flows of the disposed component under Accounting Standards Codification 205.

In April 2015, Abbott sold 40.25 million of the 110 million ordinary shares of Mylan N.V. received in the sale of the developed markets branded generics pharmaceuticals business to Mylan. Abbott recorded a pretax gain of \$207 million on \$2.29 billion in net proceeds from the sale of these shares. The gain is recognized in the Other (income) expense line of the 2015 Consolidated Statement of Earnings. As a result of this sale, Abbott's ownership interest in Mylan N.V. decreased to approximately 14%.

On February 10, 2015, Abbott completed the sale of its animal health business to Zoetis Inc. Abbott received cash proceeds of \$230 million and reported an after tax gain on the sale of approximately \$130 million. In the first quarter of 2016, Abbott received an additional \$25 million of proceeds due to the expiration of a holdback agreement associated with the sale of this business and reported an after-tax gain of \$16 million.

As a result of the disposition of the above businesses, the operating results of these businesses up to the date of sale are reported as part of discontinued operations on the Earnings from Discontinued Operations, net of taxes line in the Consolidated Statement of Earnings. Discontinued operations include an allocation of interest expense assuming a uniform ratio of consolidated debt to equity for all of Abbott's historical operations.

On January 1, 2013, Abbott completed the separation of AbbVie Inc. (AbbVie), which was formed to hold Abbott's research-based proprietary pharmaceuticals business. For a small portion of AbbVie's operations, the legal transfer of AbbVie's assets (net of liabilities) did not occur with the separation of AbbVie on January 1, 2013 due to the time required to transfer marketing authorizations and other regulatory requirements in each of these countries. Under the terms of the separation agreement with Abbott, AbbVie is subject to the risks and entitled to the benefits generated by these operations and assets. The majority of these operations were transferred to AbbVie in 2013 and 2014. These assets and liabilities were presented as held for disposition in the Consolidated Balance Sheet as of December 31, 2015.

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.

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 2 Discontinued Operations (Continued)

The operating results of Abbott's developed markets branded generics pharmaceuticals and animal health businesses as well as the income tax benefit related to the businesses transferred to AbbVie, which are being reported as discontinued operations are as follows:

(in millions)	Year Ended December 31		
	2016	2015	2014
<b>Net Sales</b>			
Developed markets generics pharmaceuticals and animal health businesses	\$	\$ 256	\$ 2,076
AbbVie			
Total	\$	\$ 256	\$ 2,076
<b>Earnings (Loss) Before Tax</b>			
Developed markets generics pharmaceuticals and animal health businesses	\$ (4)	\$ 13	\$ 505
AbbVie			
Total	\$ (4)	\$ 13	\$ 505
<b>Net Earnings</b>			
Developed markets generics pharmaceuticals and animal health businesses	\$ 3	\$ 62	\$ 397
AbbVie	318	3	166
Total	\$ 321	\$ 65	\$ 563

The net earnings of discontinued operations include income tax benefits of \$325 million in 2016, \$52 million in 2015 and \$58 million in 2014. 2016 includes \$318 million of tax benefits as a result of the resolution of various tax positions related to AbbVie's operations for years prior to the separation. 2015 includes \$48 million of tax benefits related to the resolution of various tax positions related to prior years. 2014 includes \$166 million of tax benefits as a result of the resolution of various tax positions related to AbbVie's operations for years prior to the separation.

The sale of the developed markets branded generics pharmaceuticals and animal health business in 2015 resulted in the recognition of a pretax gain of \$2.840 billion, tax expense of \$1.088 billion and an after tax gain of \$1.752 billion. The 2015 tax provision included \$667 million of tax expense on certain prior year funds earned outside the U.S. related to the developed markets branded generics pharmaceuticals businesses that were not designated as permanently reinvested overseas.

## Note 3 Assets and Liabilities Held for Disposition

In September 2016, Abbott announced that it entered into a definitive agreement to sell AMO, its vision care business, to Johnson & Johnson for \$4.325 billion in cash, subject to customary purchase price adjustments for cash, debt and working capital. The decision to sell AMO reflects Abbott's proactive shaping of its portfolio in line with its strategic priorities. The transaction is expected to close in the first quarter of 2017 and is subject to customary closing conditions, including regulatory approvals. The operating results of AMO are included in continuing operations as they do not qualify for reporting as discontinued operations. For the year ended December 31, 2016 and 2015, AMO's earnings before taxes were \$30 million and \$64 million, respectively. As a result of the pending sale of AMO, the assets and liabilities of this business meet the criteria to qualify as being held for disposition at December 31, 2016.



## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 3 Assets and Liabilities Held for Disposition (Continued)

The assets and liabilities held for disposition as of December 31, 2016 relate to AMO and the assets and liabilities held for disposition as of December 31, 2015 relate to the AbbVie business. The following is a summary of the assets and liabilities held for disposition:

(in millions)	December 31, 2016	December 31, 2015
Trade receivables, net	\$ 222	\$ 17
Total inventories	240	43
Prepaid expenses and other current assets	51	45
Current assets held for disposition	513	105
Net property and equipment	247	1
Intangible assets, net of amortization	529	
Goodwill	1,966	
Deferred income taxes and other assets	11	1
Non-current assets held for disposition	2,753	2
Total assets held for disposition	\$ 3,266	\$ 107
Trade accounts payable	\$ 71	\$ 359
Salaries, wages, commissions and other accrued liabilities	174	14
Current liabilities held for disposition	245	373
Post-employment obligations, deferred income taxes and other long-term liabilities	59	
Total liabilities held for disposition	\$ 304	\$ 373

## Note 4 Supplemental Financial Information

Other (income) expense, net, for 2016 includes expense of \$947 million to adjust Abbott's holding of Mylan N.V. ordinary shares due to a decline in the fair value of the securities which is considered by Abbott to be other than temporary. Other (income) expense, net, for 2015 primarily relates to a \$207 million gain on the sale of a portion of Abbott's position in Mylan N.V. stock and \$79 million of income resulting from a decrease in the fair value of contingent consideration related to a business acquisition. In April 2015, Abbott sold 40.25 million of the 110 million ordinary shares of Mylan N.V. received in the sale of the developed markets branded generics pharmaceuticals business to Mylan. Abbott received \$2.29 billion in net proceeds from the sale of these shares. As a result of this sale, Abbott's ownership interest in Mylan N.V. decreased from approximately 22% to approximately 14%. Other (income) expense, net, for 2014 primarily relates to impairment charges related to non-publicly traded equity securities partially offset by gains from the sales of equity securities. The loss on the extinguishment of debt of \$18 million in 2014 relates to the early redemption of approximately \$500 million of long-term notes.

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 4 Supplemental Financial Information (Continued)

The detail of various balance sheet components is as follows:

	2016		2015
	<i>(in millions)</i>		
<b>Long-term Investments:</b>			
Equity securities	\$ 2,906	\$	4,014
Other	41		27
<b>Total</b>	<b>\$ 2,947</b>	<b>\$</b>	<b>4,041</b>

The long-term investments in equity securities as of December 31, 2016 and 2015 include 69.7 million of ordinary shares of Mylan N.V. with a carrying value of \$2.661 billion and \$3.771 billion, respectively.

	2016		2015
	<i>(in millions)</i>		
<b>Other Accrued Liabilities:</b>			
Accrued rebates payable to government agencies	\$ 110	\$	140
Accrued other rebates (a)	296		301
All other	2,175		2,602
<b>Total</b>	<b>\$ 2,581</b>	<b>\$</b>	<b>3,043</b>

(a)

Accrued wholesaler chargeback rebates of \$214 million and \$170 million at December 31, 2016 and 2015, respectively, are netted in trade receivables because Abbott's customers are invoiced at a higher catalog price but only remit to Abbott their contract price for the products.

	2016		2015
	<i>(in millions)</i>		
<b>Post-employment Obligations and Other Long-term Liabilities:</b>			
Defined benefit pension plans and post-employment medical and dental plans for significant plans	\$ 2,154	\$	2,241
Deferred income taxes	356		808
All other (b)	2,039		1,815
<b>Total</b>	<b>\$ 4,549</b>	<b>\$</b>	<b>4,864</b>

(b)



## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

2016 includes approximately \$560 million of net unrecognized tax benefits, as well as approximately \$130 million of acquisition consideration payable. 2015 includes approximately \$600 million of net unrecognized tax benefits as well as approximately \$148 million of acquisition consideration payable.

Since January 2010, Venezuela has been designated as a highly inflationary economy under U.S. GAAP. In 2014 and 2015, the government of Venezuela operated multiple mechanisms to exchange bolivars into U.S. dollars. These mechanisms included the CENCOEX, SICAD, and SIMADI rates, which stood at 6.3, 13.5, and approximately 200, respectively, at December 31, 2015. In 2015, Abbott continued to use the CENCOEX rate of 6.3 Venezuelan bolivars to the U.S. dollar to report the results, financial position, and cash flows related to its operations in Venezuela since Abbott continued to qualify for this exchange rate to pay for the import of various products into Venezuela.

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 4 Supplemental Financial Information (Continued)

On February 17, 2016, the Venezuelan government announced that the three-tier exchange rate system would be reduced to two rates renamed the DIPRO and DICOM rates. The DIPRO rate is the official rate for food and medicine imports and was adjusted from 6.3 to 10 bolivars per U.S. dollar. The DICOM rate is a floating market rate published daily by the Venezuelan central bank, which at the end of the first quarter of 2016 was approximately 263 bolivars per U.S. dollar. As a result of decreasing government approvals to convert bolivars to U.S. dollars to pay for intercompany accounts, as well as the accelerating deterioration of economic conditions in the country, Abbott concluded that it was appropriate to move to the DICOM rate at the end of the first quarter of 2016. As a result, Abbott recorded a foreign currency exchange loss of \$480 million in 2016 to revalue its net monetary assets in Venezuela. Abbott is continuing to use the DICOM rate to report the results of operations and to remeasure net monetary assets for Venezuela at the end of each quarter. As of December 31, 2016, Abbott's Venezuelan operations represented approximately 0.1% of Abbott's consolidated assets and any additional foreign currency losses related to Venezuela are not expected to be material.

## Note 5 Accumulated Other Comprehensive Income

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

	Cumulative Foreign Currency Translation Adjustments	Net Actuarial Losses and Prior Service Costs and Credits	Cumulative Unrealized Gains (Losses) on Marketable Equity Securities	Cumulative Gains on Derivative Instruments Designated as Cash Flow Hedges	Total
Balance at December 31, 2014	\$ (2,924)	\$ (2,229)	\$ 1	\$ 99	\$ (5,053)
Impact of business dispositions	108	19			127
Other comprehensive income (loss) before reclassifications	(2,013)	145	202	89	(1,577)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)		107	(138)	(124)	(155)
Net current period other comprehensive income (loss)	(2,013)	252	64	(35)	(1,732)
Balance at December 31, 2015	(4,829)	(1,958)	65	64	(6,658)
Other comprehensive income (loss) before reclassifications	(130)	(393)	(1,109)	41	(1,591)
(Income) loss amounts reclassified from accumulated other comprehensive income (a)		67	975	(56)	986
Net current period other comprehensive income (loss)	(130)	(326)	(134)	(15)	(605)
Balance at December 31, 2016	\$ (4,959)	\$ (2,284)	\$ (69)	\$ 49	\$ (7,263)

(a)

Reclassified amounts for foreign currency translation adjustments are recorded in the Consolidated Statement of Earnings as Net Foreign exchange loss (gain); gains (losses) on marketable equity securities are recorded as Other (income) expense and gains/losses related to cash flow hedges are recorded as Cost of product sold. Net actuarial losses and prior service cost is included as a component of net periodic benefit plan cost see Note 13 for additional information.



## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

**Note 6 Business Acquisitions**

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc. (St. Jude Medical), a global medical device manufacturer, for approximately \$23.6 billion, including approximately \$13.6 billion in cash and approximately \$10 billion in Abbott common shares, which represented approximately 254 million shares of Abbott common stock, based on Abbott's closing stock price on the acquisition date. As part of the acquisition, approximately \$5.8 billion of St. Jude Medical's debt was assumed or refinanced by Abbott. The transaction provides expanded opportunities for future growth and is an important part of the company's ongoing effort to develop a strong, diverse portfolio of devices, diagnostics, nutritionals and branded generic pharmaceuticals. The combined company will compete in nearly every area of the cardiovascular market, as well as in the neuromodulation market. As the acquisition of St. Jude Medical was completed after December 31, 2016, Abbott's consolidated financial statements do not include the financial condition or the operating results of St. Jude Medical in any of the periods presented herein.

Under the terms of the agreement, for each St. Jude Medical common share, St. Jude Medical shareholders received \$46.75 in cash and 0.8708 of an Abbott common share. At an Abbott stock price of \$39.36, which reflects the closing price on January 4, 2017, this represented a value of approximately \$81 per St. Jude Medical common share and total purchase consideration of \$23.6 billion. The cash portion of the acquisition was funded through a combination of medium and long-term debt issued in November of 2016 and a \$2.0 billion 120-day senior unsecured bridge term loan facility. See Note 10 Debt and Lines of Credit for further details regarding these financing arrangements.

The preliminary allocation of the fair value of the St. Jude Medical acquisition is shown in the table below. The allocation of the fair value of the acquisition will be finalized when the valuation is completed and differences between the preliminary and final allocation could be material.

(in billions)	
Acquired intangible assets, non-deductible	\$ 16.0
Goodwill, non-deductible	14.8
Acquired net tangible assets	3.0
Deferred income taxes recorded at acquisition	(5.0)
Net debt	(5.2)
Total preliminary allocation of fair value	\$ 23.6

If the acquisition of St. Jude Medical had occurred at the beginning of 2016, unaudited pro forma consolidated net sales would have been approximately \$26.8 billion and unaudited pro forma consolidated net earnings would have been \$157 million, which includes the amortization of approximately \$700 million of inventory step-up. The unaudited pro forma information is not necessarily indicative of the consolidated results of operations that would have been realized had the St. Jude Medical acquisition been completed as of the beginning of 2016, nor is it meant to be indicative of future results of operations that the combined entity will experience.

In 2016, Abbott and St. Jude Medical agreed to sell certain products to Terumo Corporation for approximately \$1.12 billion. The sale includes the St. Jude Medical Angio-Seal and Femoseal vascular closure products and Abbott's Vado® Steerable Sheath. The sale closed on January 20, 2017.

On January 30, 2016, Abbott entered into a definitive agreement to acquire Alere Inc., a diagnostic device and service provider, for \$56.00 per common share in cash. The acquisition is subject to satisfaction of customary closing conditions, including the accuracy of Alere's representations and warranties (subject

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 6 Business Acquisitions (Continued)

to certain materiality qualifications), compliance in all material respects with Alere's covenants and receipt of applicable regulatory approvals. Due to a number of adverse developments that have occurred with respect to Alere since the date of the agreement, Abbott has filed a complaint in the Delaware Court of Chancery seeking to terminate the acquisition agreement on the basis that Alere has experienced a "material adverse effect" under the acquisition agreement and has materially breached certain of its covenants.

In August 2015, Abbott completed the acquisition of the equity of Tendyne Holdings, Inc. (Tendyne) that Abbott did not already own for approximately \$225 million in cash plus additional payments up to \$150 million to be made upon completion of certain regulatory milestones. The acquisition of Tendyne, which is focused on developing minimally invasive mitral valve replacement therapies, allows Abbott to broaden its foundation in the treatment of mitral valve disease. The final allocation of the fair value of the acquisition resulted in non-deductible acquired in-process research and development of approximately \$220 million, which is accounted for as an indefinite-lived intangible asset until regulatory approval or discontinuation, non-deductible goodwill of approximately \$142 million, deferred tax assets and other net assets of approximately \$18 million, deferred tax liabilities of approximately \$85 million, and contingent consideration of approximately \$70 million. The goodwill is identifiable to the Vascular Products segment.

In September 2014, Abbott completed the acquisition of the controlling interest in CFR Pharmaceuticals S.A. (CFR) for approximately \$2.9 billion in cash (\$2.8 billion net of CFR cash on hand at closing). Including the assumption of approximately \$570 million of debt, the total cost of the acquisition was \$3.4 billion. The acquisition of CFR more than doubles Abbott's branded generics pharmaceutical presence in Latin America and further expands its presence in emerging markets. CFR's financial results are included in Abbott's financial statements beginning on September 26, 2014, the date that Abbott acquired control of this business. Abbott currently owns 100% of CFR. The fair value of the non-controlling interest at the acquisition date was approximately \$3 million. The acquisition was funded with cash and cash equivalents and short-term investments. The final allocation of the fair value of the acquisition is shown in the table below.

(in billions)

Acquired intangible assets, non-deductible	\$	1.87
Goodwill, non-deductible		1.42
Acquired net tangible assets		0.03
Deferred income taxes recorded at acquisition		(0.40)
<b>Total final allocation of fair value</b>	<b>\$</b>	<b>2.92</b>

Acquired intangible assets consist primarily of product rights for currently marketed products and are amortized over 12 to 16 years (weighted average of 15 years). The goodwill is primarily attributable to intangible assets that do not qualify for separate recognition. The goodwill is identifiable to the Established Pharmaceutical Products segment. The acquired tangible assets consist primarily of cash and cash equivalents of approximately \$94 million, trade accounts receivable of approximately \$180 million, inventory of approximately \$169 million, other current assets of approximately \$51 million, property and equipment of approximately \$210 million, and other long-term assets of approximately \$145 million. Assumed liabilities consist of borrowings of approximately \$570 million, trade accounts payable and other current liabilities of approximately \$240 million and other non-current liabilities of approximately \$14 million. Net sales for CFR Pharmaceuticals totaled approximately \$750 million in 2015.

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 6 Business Acquisitions (Continued)**

In December 2014, Abbott acquired control of Veropharm, a leading Russian pharmaceutical company for approximately \$315 million excluding assumed debt, plus a subsequent \$5 million payment related to a working capital adjustment. Through this acquisition, Abbott establishes a manufacturing footprint in Russia and obtains a portfolio of medicines that is well aligned with Abbott's current pharmaceutical therapeutic areas of focus. Abbott acquired control of Veropharm through its purchase of Limited Liability Company Garden Hills, the holding company that owns approximately 98 percent of Veropharm. Including the assumption of approximately \$90 million of debt and a non-controlling interest with a fair value of \$5 million, the total value of the acquired business was approximately \$415 million. The final allocation of the fair value of the acquisition resulted in definite-lived non-deductible intangible assets of approximately \$100 million, non-deductible goodwill of approximately \$140 million, and net deferred tax liabilities of approximately \$25 million. Non-deductible goodwill is identifiable with the Established Pharmaceutical Products segment. Additionally, Abbott acquired property, plant, and equipment of approximately \$150 million, accounts receivable of approximately \$45 million, inventory of approximately \$25 million, and net other liabilities of approximately \$20 million. Acquired intangible assets consist of developed technology and are being amortized over 16 years. In 2015, Abbott acquired the remaining shares of Veropharm, increasing its ownership to 100 percent.

In December 2014, Abbott completed the acquisition of Topera, Inc. for approximately \$250 million in cash, plus additional payments up to \$300 million to be made upon completion of certain regulatory and sales milestones. The acquisition of Topera provides Abbott a foundational entry in the electrophysiology market. The final allocation of the fair value of the acquisition resulted in 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 definite-lived intangible assets of approximately \$215 million, non-deductible goodwill of approximately \$145 million, net deferred tax liabilities of approximately \$80 million, and contingent consideration of approximately \$90 million. The fair value of the contingent consideration was determined based on an independent appraisal. Acquired intangible assets consist of developed technology and trademarks, and are being amortized over 17 years.

Except for the St. Jude Medical acquisition, had the aggregate in each year of the above acquisitions taken place as of the beginning of the comparable prior annual reporting period, consolidated net sales and earnings would not have been significantly different from reported amounts.

**Note 7 Goodwill and Intangible Assets**

The total amount of goodwill reported was \$7.683 billion at December 31, 2016 and \$9.638 billion at December 31, 2015. The amount reported at December 31, 2016 excludes goodwill reported in non-current assets held for disposition. In 2016, approximately \$2.0 billion of goodwill was reclassified to Non-current assets held for disposition due to the pending sale of AMO. Recent business acquisitions increased goodwill by approximately \$79 million during 2016. Foreign currency translation decreased goodwill by \$66 million in 2016 and decreased goodwill by \$454 million in 2015. In 2015, Abbott recorded goodwill of approximately \$142 million related to the Tendyne acquisition, and purchase price allocation adjustments associated with recent acquisitions decreased goodwill by approximately \$117 million. The amount of goodwill related to reportable segments at December 31, 2016 was \$3.0 billion for the Established Pharmaceutical Products segment, \$286 million for the Nutritional Products segment, \$452 million for the Diagnostic Products segment, and \$3.0 billion for the Vascular Products segment. In 2016, there was no reduction of goodwill relating to impairments.

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

**Note 7 Goodwill and Intangible Assets (Continued)**

The gross amount of amortizable intangible assets, primarily product rights and technology was \$10.4 billion and \$10.8 billion as of December 31, 2016 and 2015, respectively, and accumulated amortization was \$6.2 billion and \$5.7 billion as of December 31, 2016 and 2015, respectively. The December 31, 2016 amounts exclude approximately \$529 million of net intangible assets related to AMO which are included in Non-current assets held for disposition due to the pending sale of AMO. In 2016, intangible assets increased by approximately \$104 million related to recent business acquisitions. In 2015, the acquisition of Tendyne increased intangible assets by approximately \$220 million. Indefinite-lived intangible assets, which relate to in-process research and development acquired in a business combination, were approximately \$349 million and \$419 million at December 31, 2016 and 2015, respectively. In 2016, Abbott recorded an impairment of a \$59 million in-process research and development project related to a non-reportable segment. Foreign currency translation increased intangible assets by \$6 million in 2016 and decreased intangible assets by \$251 million in 2015.

The estimated annual amortization expense for intangible assets recorded at December 31, 2016 is approximately \$490 million in 2017, \$440 million in 2018, \$410 million in 2019, \$410 million in 2020 and \$360 million in 2021. Amortizable intangible assets are amortized over 2 to 20 years (average 10 years). These amounts do not include amortization expense associated with the intangible assets acquired as part of the St. Jude Medical acquisition which closed on January 4, 2017.

**Note 8 Restructuring Plans**

In 2016, 2015 and 2014, Abbott management approved plans to streamline operations in order to reduce costs and improve efficiencies in various Abbott businesses including the nutritional, established pharmaceuticals and vascular businesses. Abbott recorded employee related severance and other charges of approximately \$33 million in 2016, \$95 million in 2015 and \$164 million in 2014. Approximately \$9 million in 2016, \$18 million in 2015 and \$20 million in 2014 are recorded in Cost of products sold, approximately \$5 million in 2016, \$34 million in 2015 and \$53 million in 2014 are recorded in Research and development and approximately \$19 million in 2016, \$43 million in 2015 and \$91 million in 2014 are recorded in Selling, general and administrative expense. Additional charges of approximately \$2 million in 2016, \$45 million in 2015 and \$39 million in 2014 were recorded primarily for accelerated depreciation. The following summarizes the activity for these restructurings:

(in millions)

Restructuring charges recorded in 2014	\$	164
Payments and other adjustments		(46)
Accrued balance at December 31, 2014		118
Restructuring charges		95
Payments and other adjustments		(113)
Accrued balance at December 31, 2015	\$	100
Restructuring charges		33
Payments and other adjustments		(67)
Accrued balance at December 31, 2016	\$	66

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 8 Restructuring Plans (Continued)

From 2013 to 2015, Abbott management approved various 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 nutritional businesses. Abbott recorded employee related severance charges of approximately \$18 million in 2016, \$66 million in 2015 and \$125 million in 2014. Approximately \$4 million in 2016, \$9 million in 2015 and \$7 million in 2014 are recorded in Cost of products sold, approximately \$2 million in 2015 and \$6 million in 2014 are recorded in Research and development, and approximately \$14 million in 2016, \$55 million in 2015 and \$112 million in 2014 are recorded in Selling, general and administrative expense. The following summarizes the activity related to these restructurings:

(in millions)

Restructuring charges recorded in 2012	\$	167
Restructuring charges recorded in 2013		78
Payments and other adjustments		(97)
Accrued balance at December 31, 2013		148
Restructuring charges		125
Payments and other adjustments		(138)
Accrued balance at December 31, 2014		135
Restructuring charges		66
Payments and other adjustments		(113)
Accrued balance at December 31, 2015	\$	88
Restructuring charges		18
Payments and other adjustments		(90)
Accrued balance at December 31, 2016	\$	16

## Note 9 Incentive Stock Program

The 2009 Incentive Stock Program authorizes the granting of nonqualified stock options, restricted stock awards, restricted stock units, performance awards, foreign benefits and other share-based awards. Stock options and restricted stock awards and units comprise the majority of benefits that have been granted and are currently outstanding under this program and a prior program. In 2016, Abbott granted 7,782,634 stock options, 776,510 restricted stock awards and 7,593,701 restricted stock units under this program.

The purchase price of shares under option must be at least equal to the fair market value of the common stock on the date of grant, and the maximum term of an option is 10 years. Options generally vest equally over three years. Restricted stock awards generally vest between 3 and 5 years and for restricted stock awards that vest over 5 years, no more than one-third of the award vests in any one year upon Abbott reaching a minimum return on equity target. Restricted stock units vest over three years and upon vesting, the recipient receives one share of Abbott stock for each vested restricted stock unit. The aggregate fair market value of restricted stock awards and units is recognized as expense over the requisite service period, which may be shorter than the vesting period if an employee is retirement eligible. Restricted stock awards



## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 9 Incentive Stock Program (Continued)

and settlement of vested restricted stock units are issued out of treasury shares. Abbott generally issues new shares for exercises of stock options. As a policy, Abbott does not purchase its shares relating to its share-based programs.

At December 31, 2016, approximately 57 million shares were reserved for future grants.

The number of restricted stock awards and units outstanding and the weighted-average grant-date fair value at December 31, 2016 and December 31, 2015 was 13,705,511 and \$41.03 and 11,855,327 and \$42.54, respectively. The number of restricted stock awards and units, and the weighted-average grant-date fair value, that were granted, vested and lapsed during 2016 were 8,370,211 and \$38.57, 5,842,478 and \$40.50 and 677,549 and \$41.63, respectively. The fair market value of restricted stock awards and units vested in 2016, 2015 and 2014 was \$225 million, \$312 million and \$281 million, respectively.

	Options Outstanding			Exercisable Options		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
December 31, 2015	34,562,557	\$ 31.57	4.5	25,119,505	\$ 27.18	3.0
Granted	7,782,634	38.44				
Exercised	(5,964,433)	23.96				
Lapsed	(492,425)	43.03				
December 31, 2016	35,888,333	\$ 34.17	5.3	23,290,260	\$ 30.48	3.5

The aggregate intrinsic value of options outstanding and exercisable at December 31, 2016 were each \$203 million. The total intrinsic value of options exercised in 2016, 2015 and 2014 was \$98 million, \$167 million and \$152 million, respectively. The total unrecognized compensation cost related to all share-based compensation plans at December 31, 2016 amounted to approximately \$197 million, which is expected to be recognized over the next three years.

Total non-cash stock compensation expense charged against income from continuing operations in 2016, 2015 and 2014 for share-based plans totaled approximately \$310 million, \$291 million and \$239 million, respectively, and the tax benefit recognized was approximately \$100 million, \$98 million and \$79 million, respectively. Stock compensation cost capitalized as part of inventory is not significant.

The fair value of an option granted in 2016, 2015 and 2014 was \$4.38, \$6.67, and \$6.39, respectively. The fair value of an option grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	2016	2015	2014
Risk-free interest rate	1.4%	1.8%	1.9%
Average life of options (years)	6.0	6.0	6.0
Volatility	17.0%	17.0%	20.0%
Dividend yield	2.7%	2.0%	2.2%

The risk-free interest rate is based on the rates available at the time of the grant for zero-coupon U.S. government issues with a remaining term equal to the option's expected life. The average life of an option is based on both historical and projected exercise and lapsing data. Expected volatility is based on implied



## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 9 Incentive Stock Program (Continued)

volatilities from traded options on Abbott's stock and historical volatility of Abbott's stock over the expected life of the option. Dividend yield is based on the option's exercise price and annual dividend rate at the time of grant.

## Note 10 Debt and Lines of Credit

The following is a summary of long-term debt at December 31: (*in millions*)

	2016	2015
5.125% Notes, due 2019	\$ 947	\$ 947
2.35% Notes, due 2019	2,850	
4.125% Notes, due 2020	597	597
2.00% Notes, due 2020	750	750
2.90% Notes, due 2021	2,850	
2.55% Notes, due 2022	750	750
3.40% Notes, due 2023	1,500	
2.95% Notes, due 2025	1,000	1,000
3.75% Notes, due 2026	3,000	
4.75% Notes, due 2036	1,650	
6.15% Notes, due 2037	547	547
6.0% Notes, due 2039	515	515
5.3% Notes, due 2040	694	694
4.90% Notes, due 2046	3,250	
Unamortized debt issuance costs	(117)	(21)
Other, including fair value adjustments relating to interest rate hedge contracts designated as fair value hedges	(102)	92
<b>Total, net of current maturities</b>	<b>20,681</b>	<b>5,871</b>
Current maturities of long-term debt	3	3
<b>Total carrying amount</b>	<b>\$ 20,684</b>	<b>\$ 5,874</b>

In November 2016, Abbott issued \$15.1 billion of medium and long-term debt to primarily fund the cash portion of the acquisition of St. Jude Medical. Abbott issued \$2.85 billion of 2.35% Senior Notes due November 22, 2019; \$2.85 billion of 2.90% Senior Notes due November 30, 2021; \$1.50 billion of 3.40% Senior Notes due November 30, 2023; \$3.00 billion of 3.75% Senior Notes due November 30, 2026; \$1.65 billion of 4.75% Senior Notes due November 30, 2036; and \$3.25 billion of 4.90% Senior Notes due November 30, 2046. In November 2016, Abbott also entered into interest rate swap contracts totaling \$3.0 billion related to the new debt, which have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation on the related debt instruments.

In March 2015, Abbott issued \$2.5 billion of long-term debt consisting of \$750 million of 2.00% Senior Notes due March 15, 2020; \$750 million of 2.55% Senior Notes due March 15, 2022; and \$1.0 billion of 2.95% Senior Notes due March 15, 2025. Proceeds from this debt were used to pay down short-term borrowings. Abbott also entered into interest rate swap contracts totaling \$2.5 billion. These contracts have the effect of changing Abbott's obligation from a fixed interest rate to a variable interest rate obligation.

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 10 Debt and Lines of Credit (Continued)**

In 2014, Abbott extinguished approximately \$500 million of long-term debt assumed as part of the CFR Pharmaceuticals acquisition and incurred a cost of \$18.3 million to extinguish this debt.

Principal payments required on long-term debt outstanding at December 31, 2016 are \$3 million in 2017, \$2 million in 2018, \$3.8 billion in 2019, \$1.3 billion in 2020, \$2.9 billion in 2021 and \$12.9 billion in 2022 and thereafter.

At December 31, 2016, Abbott's long-term debt rating was A+ by Standard & Poor's Corporation and A2 by Moody's Investors Service. In conjunction with the completion of the St. Jude Medical acquisition on January 4, 2017, the ratings were adjusted to BBB by Standard & Poor's Corporation and Baa3 by Moody's Investors Service. Abbott has readily available financial resources, including unused lines of credit of \$5.0 billion which expire in 2019 and that support commercial paper borrowing arrangements. Abbott's weighted-average interest rate on short-term borrowings was 0.6% at December 31, 2016 and 0.2% at December 31, 2015 and 2014.

In April 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed \$17.2 billion, comprised of \$15.2 billion for a 364-day bridge loan and \$2.0 billion for a 120-day bridge loan to provide financing for the acquisition of St. Jude Medical. The \$15.2 billion component of the commitment terminated in November 2016 when Abbott issued the \$15.1 billion of long-term debt. In December 2016, Abbott formalized the \$2.0 billion component and entered into a 120-day bridge term loan facility that provided Abbott the ability to borrow up to \$2.0 billion on an unsecured basis to partially fund the St. Jude Medical acquisition. On January 4, 2017, Abbott borrowed \$2.0 billion under this facility, of which \$1.2 billion had been repaid as of January 31, 2017.

In February 2016, Abbott obtained a commitment for a 364-day senior unsecured bridge term loan facility for an amount not to exceed \$9 billion in conjunction with its pending acquisition of Alere. This commitment was automatically extended for up to 90 days on January 29, 2017. The fees associated with the bridge facilities were recognized in interest expense.

**Note 11 Financial Instruments, Derivatives and Fair Value Measures**

Certain Abbott foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany purchases by those subsidiaries whose functional currencies are not the U.S. dollar. These contracts, with notional amounts totaling \$2.6 billion at December 31, 2016, and \$2.4 billion at December 31, 2015, 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. At December 31, 2016, \$107 million of the notional amount relates to AMO, a business that is expected to be divested in the first quarter of 2017. Accumulated gains and losses as of December 31, 2016 will be included in Cost of products sold at the time the products are sold, generally through the next twelve to eighteen months. The amount of hedge ineffectiveness was not significant in 2016, 2015 and 2014.

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

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 11 Financial Instruments, Derivatives and Fair Value Measures (Continued)

exposures are primarily the U.S. dollar, European currencies and Japanese yen. At December 31, 2016, 2015 and 2014, Abbott held notional amounts of \$14.9 billion, \$14.0 billion and \$14.1 billion, respectively, of such foreign currency forward exchange contracts. At December 31, 2016, \$1.2 billion of the contracts relate to AMO, a business that is expected to be divested in the first quarter of 2017.

Abbott has designated foreign denominated short-term debt as a hedge of the net investment in a foreign subsidiary of approximately \$454 million, \$439 million and \$445 million as of December 31, 2016, 2015 and 2014, respectively. Accordingly, changes in the fair value of this debt due to changes in exchange rates are recorded in Accumulated other comprehensive income (loss), net of tax.

Abbott is a party to interest rate hedge contracts totaling notional amounts of \$5.5 billion at December 31, 2016, \$4.0 billion at December 31, 2015 and \$1.5 billion at December 31, 2014, 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 2016, 2015 and 2014 for these hedges.

In December 2016, Abbott unwound approximately \$1.5 billion in interest rate swaps relating to the 4.125% Note due in 2020 and the 5.125% Note due in 2019. As part of the unwinding, Abbott received approximately \$55 million in cash, which is included in the Cash Flow From Financing Activities section of the Consolidated Statement of Cash Flows.

Gross unrealized holding gains (losses) on available-for-sale equity securities totaled \$10 million, \$171 million and \$3 million at December 31, 2016, 2015 and 2014, respectively.

The following table summarizes the amounts and location of certain derivative financial instruments as of December 31:

	Fair Value		Assets	Fair Value		Liabilities
	2016	2015	Balance Sheet	2016	2015	Balance Sheet
			Caption			Caption
	<i>(in millions)</i>					
Interest rate swaps designated as fair value hedges	\$ 8	\$ 116	Deferred income taxes and other assets	\$ 74	\$	Post-employment obligations and other long-term liabilities
Foreign currency forward exchange contracts						
Hedging instruments	99	64	Other prepaid expenses and receivables	15	18	Other accrued liabilities
Others not designated as hedges	177	115	Other prepaid expenses and receivables	67	84	Other accrued liabilities
Debt designated as a hedge of net investment in a foreign subsidiary			n/a	454	439	Short-term borrowings
	\$ 284	\$ 295		\$ 610	\$ 541	

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 certain other derivative financial instruments, as well as the amounts and location of income (expense) and

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 11 Financial Instruments, Derivatives and Fair Value Measures (Continued)

gain (loss) reclassified into income. The amount of hedge ineffectiveness was not significant in 2016, 2015 and 2014 for these hedges.

	Gain (loss) Recognized in Other Comprehensive Income (loss)			Income (expense) and Gain (loss) Reclassified into Income			Income Statement Caption
	2016	2015	2014	2016	2015	2014	
	<i>(in millions)</i>						
Foreign currency forward exchange contracts designated as cash flow hedges	\$ 49	\$ 91	\$ 105	\$ 48	\$ 124	\$ 11	Cost of products sold
Debt designated as a hedge of net investment in a foreign subsidiary	(15)	6	60				n/a
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	(127)	15	14	Interest expense

Gains of \$8 million and losses of \$77 million and \$122 million were recognized in 2016, 2015 and 2014, respectively, related to foreign currency forward exchange contracts not designated as hedges. These amounts are reported in the Consolidated Statement of Earnings on the Net foreign exchange (gain) loss line.

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

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(in millions)</i>			
Long-term Investment Securities:				
Equity securities	\$ 2,906	\$ 2,906	\$ 4,014	\$ 4,014
Other	41	42	27	30
Total Long-term Debt	(20,684)	(21,147)	(5,874)	(6,337)
Foreign Currency Forward Exchange Contracts:				
Receivable position	276	276	179	179
(Payable) position	(82)	(82)	(102)	(102)
Interest Rate Hedge Contracts:				
Receivable position	8	8	116	116
(Payable) position	(74)	(74)		

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 11 Financial Instruments, Derivatives and Fair Value Measures (Continued)

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

	Outstanding Balances	Basis of Fair Value Measurement		
		Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
<i>(in millions)</i>				
<b>December 31, 2016:</b>				
Equity securities	\$ 2,676	\$ 2,676	\$	\$
Interest rate swap financial instruments	8			8
Foreign currency forward exchange contracts	276			276
<b>Total Assets</b>	<b>\$ 2,960</b>	<b>\$ 2,676</b>	<b>\$ 284</b>	<b>\$</b>
Fair value of hedged long-term debt	\$ 5,413	\$	\$ 5,413	\$
Interest rate swap financial instruments	74			74
Foreign currency forward exchange contracts	82			82
Contingent consideration related to business combinations	136			136
<b>Total Liabilities</b>	<b>\$ 5,705</b>	<b>\$</b>	<b>\$ 5,569</b>	<b>\$ 136</b>
<b>December 31, 2015:</b>				
Equity securities	\$ 3,780	\$ 3,780	\$	\$
Interest rate swap financial instruments	116			116
Foreign currency forward exchange contracts	179			179
<b>Total Assets</b>	<b>\$ 4,075</b>	<b>\$ 3,780</b>	<b>\$ 295</b>	<b>\$</b>
Fair value of hedged long-term debt	\$ 4,135	\$	\$ 4,135	\$
Foreign currency forward exchange contracts	102			102
Contingent consideration related to business combinations	173			173
<b>Total Liabilities</b>	<b>\$ 4,410</b>	<b>\$</b>	<b>\$ 4,237</b>	<b>\$ 173</b>

Equity securities are principally comprised of Mylan N.V. ordinary shares. The fair value of the Mylan N.V. equity securities was determined based on the value of the publicly-traded ordinary shares. 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 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 using significant other observable inputs.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

The fair value of the contingent consideration was determined based on independent appraisals adjusted for the time value of money and other changes in fair value primarily resulting from changes in regulatory timelines. Contingent consideration results from three acquisitions and the maximum amount estimated to be due is approximately \$450 million, which is dependent upon attaining certain sales thresholds or based on the occurrence of certain events, such as regulatory approvals.



**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 12 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 \$10 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 \$35 million to \$45 million. The recorded accrual balance at December 31, 2016 for these proceedings and exposures was approximately \$40 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.

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 13 Post-Employment Benefits

Retirement plans consist of defined benefit, defined contribution and medical and dental plans. Information for Abbott's major defined benefit plans and post-employment medical and dental benefit plans is as follows:

(in millions)	Defined Benefit Plans		Medical and Dental Plans	
	2016	2015	2016	2015
Projected benefit obligations, January 1	\$ 7,820	\$ 8,345	\$ 1,262	\$ 1,411
Service cost – benefits earned during the year	263	307	26	33
Interest cost on projected benefit obligations	288	314	43	52
(Gains) losses, primarily changes in discount rates, plan design changes, law changes and differences between actual and estimated health care costs	645	(574)	13	(166)
Benefits paid	(242)	(230)	(71)	(61)
Business dispositions		(117)		
Other, including foreign currency translation	(257)	(225)	1	(7)
Projected benefit obligations, December 31	\$ 8,517	\$ 7,820	\$ 1,274	\$ 1,262
Plan assets at fair value, January 1	\$ 6,772	\$ 6,754	\$ 441	\$ 485
Actual return (loss) on plans' assets	631	(56)	28	(14)
Company contributions	582	579	10	25
Benefits paid	(242)	(230)	(63)	(55)
Business dispositions		(113)		
Other, including foreign currency translation	(201)	(162)		
Plan assets at fair value, December 31	\$ 7,542	\$ 6,772	\$ 416	\$ 441
Projected benefit obligations greater than plan assets, December 31	\$ (975)	\$ (1,048)	\$ (858)	\$ (821)
Long-term assets	\$ 340	\$ 390	\$	\$
Short-term liabilities	(18)	(17)	(1)	(1)
Long-term liabilities	(1,297)	(1,421)	(857)	(820)
Net liability	\$ (975)	\$ (1,048)	\$ (858)	\$ (821)
Amounts Recognized in Accumulated Other Comprehensive Income (loss):				
Actuarial losses, net	\$ 3,301	\$ 2,903	\$ 373	\$ 369
Prior service cost (credits)			(254)	(299)
Total	\$ 3,301	\$ 2,903	\$ 119	\$ 70

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

The projected benefit obligations for non-U.S. defined benefit plans was \$2.5 billion and \$2.1 billion at December 31, 2016 and 2015, respectively. The accumulated benefit obligations for all defined benefit plans were \$7.4 billion and \$6.9 billion at December 31, 2016 and 2015, respectively.

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 13 Post-Employment Benefits (Continued)

For plans where the accumulated benefit obligations exceeded plan assets at December 31, 2016 and 2015, the aggregate accumulated benefit obligations, the projected benefit obligations and the aggregate plan assets were as follows:

(in millions)	2016	2015
Accumulated benefit obligation	\$ 1,485	\$ 3,651
Projected benefit obligation	1,697	4,226
Fair value of plan assets	653	2,862

The components of the net periodic benefit cost were as follows:

	Defined Benefit Plans			Medical and Dental Plans		
	2016	2015	2014	2016	2015	2014
	<i>(in millions)</i>					
Service cost benefits earned during the year	\$ 263	\$ 307	\$ 269	\$ 26	\$ 33	\$ 33
Interest cost on projected benefit obligations	288	314	317	43	52	63
Expected return on plans' assets	(565)	(511)	(458)	(35)	(39)	(40)
Amortization of actuarial losses	129	184	103	16	23	16
Amortization of prior service cost (credits)		1	2	(45)	(48)	(39)
Total cost	115	295	233	5	21	33
Less: Discontinued operations		(3)	(1)			
Net cost continuing operations	\$ 115	\$ 292	\$ 232	\$ 5	\$ 21	\$ 33

Other comprehensive income (loss) for each respective year includes the amortization of actuarial losses and prior service costs (credits) as noted in the previous table. Other comprehensive income (loss) for each respective year also includes: net actuarial losses of \$571 million for defined benefit plans and \$20 million for medical and dental plans in 2016; net actuarial gains of \$37 million for defined benefit plans and \$116 million for medical and dental plans in 2015; and net actuarial losses net of prior service credits of \$1.6 billion for defined benefit plans and \$57 million for medical and dental plans in 2014.

The pretax amount of actuarial losses and prior service cost (credits) included in Accumulated other comprehensive income (loss) at December 31, 2016 that is expected to be recognized in the net periodic benefit cost in 2017 is \$167 million and \$1 million of expense, respectively, for defined benefit pension plans and \$24 million of expense and \$45 million of income, respectively, for medical and dental plans.

The weighted average assumptions used to determine benefit obligations for defined benefit plans and medical and dental plans are as follows:

	2016	2015	2014
Discount rate	3.8%	4.3%	3.9%
Expected aggregate average long-term change in compensation	4.3%	4.4%	4.3%

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 13 Post-Employment Benefits (Continued)

The weighted average assumptions used to determine the net cost for defined benefit plans and medical and dental plans are as follows:

	2016	2015	2014
Discount rate	4.3%	3.9%	4.9%
Expected return on plan assets	7.6%	7.4%	7.5%
Expected aggregate average long-term change in compensation	4.3%	4.3%	4.9%

The assumed health care cost trend rates for medical and dental plans at December 31 were as follows:

	2016	2015	2014
Health care cost trend rate assumed for the next year	8%	8%	8%
Rate that the cost trend rate gradually declines to	5%	5%	5%
Year that rate reaches the assumed ultimate rate	2027	2028	2025

The discount rates used to measure liabilities were determined based on high-quality fixed income securities that match the duration of the expected retiree benefits. The health care cost trend rates represent Abbott's expected annual rates of change in the cost of health care benefits and are forward projections of health care costs as of the measurement date. A one-percentage point increase/(decrease) in the assumed health care cost trend rate would increase/(decrease) the accumulated post-employment benefit obligations as of December 31, 2016, by \$156 million /\$(137) million, and the total of the service and interest cost components of net post-employment health care cost for the year then ended by approximately \$12 million/\$(10) million.

In 2016, Abbott adopted ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. The new standard removes the requirement to categorize all investments measured at net asset value (NAV) per share using the practical expedient allowed under ASC 820 in the fair value hierarchy. Abbott applied the standard on a retrospective basis and revised the form and content of the fair value measurement disclosures related to the assets associated with the defined benefit and medical and dental plans.

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 13 Post-Employment Benefits (Continued)

The following table summarizes the basis used to measure the defined benefit and medical and dental plan assets at fair value:

	Outstanding Balances	Basis of Fair Value Measurement			Measured at NAV (k)
		Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs	
<i>(in millions)</i>					
December 31, 2016:					
Equities:					
U.S. large cap (a)	\$ 1,889	\$ 1,284	\$	\$	\$ 605
U.S. mid cap (b)	549	183			366
International (c)	1,345	356			989
Fixed income securities:					
U.S. government securities (d)	437	5	258		174
Corporate debt instruments (e)	813	100	348		365
Non-U.S. government securities (f)					
Other (g)	514	175			339
Absolute return funds (h)	183	80	20		83
Commodities (i)	1,891	106		12	1,785
Cash and Cash Equivalents	84				72
Other (j)	100	8			92
	153				153
	\$ 7,958	\$ 2,297	\$ 626	\$ 12	\$ 5,023
December 31, 2015:					
Equities:					
U.S. large cap (a)	\$ 1,770	\$ 1,078	\$	\$	\$ 692
U.S. mid cap (b)	434	84			350
International (c)	1,193	245			948
Fixed income securities:					
U.S. government securities (d)	401	5	203		193
Corporate debt instruments (e)	731	109	299		323
Non-U.S. government securities (f)					
Other (g)	497	111		2	384
Absolute return funds (h)	136	28	14		94
Commodities (i)	1,777	101			1,676
Cash and Cash Equivalents	107	7		13	87
Other (j)	85	21			64
	82		1		81
	\$ 7,213	\$ 1,789	\$ 517	\$ 15	\$ 4,892

(a) A mix of index funds and actively managed equity accounts that are benchmarked to various large cap indices.

Edgar Filing: ABBOTT LABORATORIES - Form 10-K

- (b) A mix of index funds and actively managed equity accounts that are benchmarked to various mid cap indices.
- (c) A mix of index funds and actively managed pooled investment funds that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.

**Abbott Laboratories and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**Note 13 Post-Employment Benefits (Continued)**

- (d) A mix of index funds and actively managed accounts that are benchmarked to various U.S. government bond indices.
- (e) A mix of index funds and actively managed accounts that are benchmarked to various corporate bond indices.
- (f) Primarily United Kingdom, Japan, the Netherlands and Irish government-issued bonds.
- (g) Primarily mortgage backed securities and an actively managed, diversified fixed income vehicle benchmarked to the one-month Libor / Euribor.
- (h) Primarily funds invested by managers that have a global mandate with the flexibility to allocate capital broadly across a wide range of asset classes and strategies including, but not limited to equities, fixed income, commodities, interest rate futures, currencies and other securities to outperform an agreed upon benchmark with specific return and volatility targets.
- (i) Primarily investments in liquid commodity future contracts and private energy funds.
- (j) Primarily investments in private funds, such as private equity, private credit and private real estate.
- (k) In accordance with ASU 2015-07, investments measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Equities that are valued using quoted prices are valued at the published market prices. Equities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the NAV provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities. For the majority of these funds, investments may be redeemed once per month, with a required 2 to 30 day notice period. For the remaining funds, daily redemption of an investment is allowed. Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry-recognized vendors. Abbott did not have any unfunded commitments related to fixed income funds at December 31, 2016 and 2015. For the majority of these funds, investments may be redeemed monthly, with a required 2 to 14 day notice period. For the remaining funds, investments may be generally redeemed daily.

Absolute return funds and commodities are valued at the NAV provided by the fund administrator. All private funds are valued at the NAV provided by the fund on a one-quarter lag adjusted for known cash flows and significant events through the reporting date. Abbott did not have any unfunded commitments related to absolute return funds at December 31, 2016 and 2015. Investments in these funds may be generally redeemed monthly or quarterly with required notice periods ranging from 5 to 45 days. For approximately \$100 million of the absolute return funds, redemptions are subject to a 25% gate. For commodities, investments in the private energy funds cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2017 to 2022. Abbott's unfunded commitments in these funds as of December 31, 2016 and 2015 were not significant. Investments in the private funds (excluding private energy funds) cannot be redeemed but the funds will make distributions through liquidation. The estimate of the liquidation period for each fund ranges from 2017 to 2026. Abbott's unfunded commitment in these funds was \$337 million and \$198 million as of December 31, 2016 and 2015, respectively.



## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

**Note 13 Post-Employment Benefits (Continued)**

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return as well as balancing higher return, more volatile equity securities with lower return, less volatile fixed income securities. Investment allocations are made across a range of markets, industry sectors, capitalization sizes, and in the case of fixed income securities, maturities and credit quality. The plans do not directly hold any securities of Abbott. There are no known significant concentrations of risk in the plans' assets. Abbott's medical and dental plans' assets are invested in a similar mix as the pension plan assets. The actual asset allocation percentages at year end are consistent with the company's targeted asset allocation percentages.

The plans' expected return on assets, as shown above is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, as well as current economic and capital market conditions.

Abbott funds its domestic pension plans according to IRS funding limitations. International pension plans are funded according to similar regulations. Abbott funded \$582 million in 2016 and \$579 million in 2015 to defined pension plans. Abbott expects to contribute approximately \$364 million to its pension plans in 2017, of which approximately \$270 million relates to its main domestic pension plan.

Total benefit payments expected to be paid to participants, which includes payments funded from company assets, as well as paid from the plans, are as follows:

(in millions)	Defined Benefit Plans	Medical and Dental Plans
2017	\$ 247	\$ 67
2018	258	68
2019	275	70
2020	293	72
2021	312	75
2022 to 2026	1,857	409

The Abbott Stock Retirement Plan is the principal defined contribution plan. Abbott's contributions to this plan were \$83 million in 2016, \$81 million in 2015 and \$85 million in 2014.

**Note 14 Taxes on Earnings from Continuing Operations**

Taxes on earnings from continuing operations reflect the annual effective rates, including charges for interest and penalties. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

In 2016, taxes on earnings from continuing operations include the impact of a net tax benefit of approximately \$225 million, primarily as a result of the resolution of various tax positions from prior years, partially offset by the unfavorable impact of non-deductible foreign exchange losses related to Venezuela and the adjustment of the Mylan N.V. equity investment as well as the recognition of deferred taxes associated with the pending sale of AMO. In 2015, taxes on earnings from continuing operations include a tax cost of \$71 million related to the disposal of shares of Mylan N.V. stock. In 2014, taxes on earnings from continuing operations reflect the recognition of \$440 million of tax expense associated with a one-time

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 14 Taxes on Earnings from Continuing Operations (Continued)

repatriation of 2014 non-U.S. earnings, partially offset by the favorable resolution of various tax positions and adjustments of tax uncertainties pertaining to prior years.

U.S. income taxes are provided on those earnings of foreign subsidiaries which are intended to be remitted to the parent company. Abbott does not record deferred income taxes on earnings reinvested indefinitely in foreign subsidiaries. Undistributed earnings reinvested indefinitely in foreign subsidiaries aggregated \$24 billion at December 31, 2016. It is not practicable to determine the amount of deferred income taxes not provided on these earnings. In the U.S., Abbott's federal income tax returns through 2013 are settled. There are numerous other income tax jurisdictions for which tax returns are not yet settled, none of which are individually significant. Reserves for interest and penalties are not significant.

Earnings from continuing operations before taxes, and the related provisions for taxes on earnings from continuing operations, were as follows:

(in millions)	2016	2015	2014
Earnings From Continuing Operations Before Taxes:			
Domestic	\$ 306	\$ 789	\$ 392
Foreign	1,107	2,394	2,126
Total	\$ 1,413	\$ 3,183	\$ 2,518

(in millions)	2016	2015	2014
Taxes on Earnings From Continuing Operations:			
Current:			
Domestic	\$ 71	\$ 64	\$ 27
Foreign	406	220	468
Total current	477	284	495
Deferred:			
Domestic	(147)	313	298
Foreign	20	(20)	4
Total deferred	(127)	293	302
Total	\$ 350	\$ 577	\$ 797

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 14 Taxes on Earnings from Continuing Operations (Continued)

Differences between the effective income tax rate and the U.S. statutory tax rate were as follows:

	2016	2015	2014
Statutory tax rate on earnings from continuing operations	35.0%	35.0%	35.0%
Impact of foreign operations	(17.8)	(18.2)	0.7
Resolution of certain tax positions pertaining to prior years	(16.1)		(4.2)
Mylan share adjustment	25.5		
State taxes, net of federal benefit	(1.3)	0.3	(0.5)
Federal tax cost on sale of Mylan N.V. shares		2.2	
All other, net	(0.5)	(1.2)	0.6
Effective tax rate on earnings from continuing operations	24.8%	18.1%	31.6%

Impact of foreign operations is primarily derived from operations in Puerto Rico, Switzerland, Ireland, Singapore, and the Netherlands. In 2014, this benefit was more than offset by the tax expense accrued as a result of Abbott's one-time repatriation of its current year foreign earnings. The 2015 effective tax rate includes the impact of the R&D tax credit that was made permanent in the U.S. by the Protecting Americans from Tax Hikes Act of 2015.

The tax effect of the differences that give rise to deferred tax assets and liabilities were as follows:

(in millions)	2016	2015
<b>Deferred tax assets:</b>		
Compensation and employee benefits	\$ 1,061	\$ 992
Other, primarily reserves not currently deductible, and NOL's and credit carryforwards	2,384	2,657
Trade receivable reserves	207	197
Inventory reserves	157	141
Deferred intercompany profit	231	276
State income taxes	164	206
Total deferred tax assets before valuation allowance	4,204	4,469
Valuation allowance	(189)	(86)
Total deferred tax assets	\$ 4,015	\$ 4,383
<b>Deferred tax liabilities:</b>		
Depreciation	(152)	(118)
Unremitted earnings of foreign subsidiaries	(175)	(694)
Other, primarily the excess of book basis over tax basis of intangible assets	(2,018)	(1,942)
Total deferred tax liabilities	(2,345)	(2,754)
Total net deferred tax assets	\$ 1,670	\$ 1,629



## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

**Note 14 Taxes on Earnings from Continuing Operations (Continued)**

Abbott has incurred losses in a foreign jurisdiction where realization of the future economic benefit is so remote that the benefit is not reflected as a deferred tax asset.

The following table summarizes the gross amounts of unrecognized tax benefits without regard to reduction in tax liabilities or additions to deferred tax assets and liabilities if such unrecognized tax benefits were settled:

(in millions)	2016	2015
January 1	\$ 1,438	\$ 1,403
Increase due to current year tax positions	145	234
Increase due to prior year tax positions	101	95
Decrease due to prior year tax positions	(703)	(169)
Settlements	(9)	(125)
December 31	\$ 972	\$ 1,438

The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately \$925 million. Abbott believes that it is reasonably possible that the recorded amount of gross unrecognized tax benefits may decrease within a range of \$100 million to \$250 million, including cash adjustments, within the next twelve months as a result of concluding various domestic and international tax matters.

**Note 15 Segment and Geographic Area 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. For segment reporting purposes, the Vascular and Electrophysiology Products divisions are aggregated and reported as the Vascular Products segment.

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

Abbott's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Segment disclosures are on a performance basis consistent with internal management reporting. The cost of some corporate functions and the cost of certain employee benefits are charged to segments at predetermined rates that approximate cost. Remaining costs, if any, are not

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 15 Segment and Geographic Area Information (Continued)

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.

(in millions)	Net Sales to External Customers (a)			Operating Earnings (a)		
	2016	2015	2014	2016	2015	2014
Established						
Pharmaceuticals	\$ 3,859	\$ 3,720	\$ 3,118	\$ 723	\$ 658	\$ 624
Nutritionals	6,899	6,975	6,953	1,660	1,741	1,459
Diagnostics	4,813	4,646	4,721	1,194	1,171	1,079
Vascular	2,896	2,792	2,986	1,037	1,061	1,091
<b>Total Reportable Segments</b>	<b>18,467</b>	<b>18,133</b>	<b>17,778</b>	<b>\$ 4,614</b>	<b>\$ 4,631</b>	<b>\$ 4,253</b>
Other	2,386	2,272	2,469			
<b>Total</b>	<b>\$ 20,853</b>	<b>\$ 20,405</b>	<b>\$ 20,247</b>			

(a) Net sales and operating earnings were unfavorably affected by the relatively stronger U.S. dollar in 2016, 2015 and 2014.

	2016	2015	2014
	(in millions)		
Total Reportable Segment Operating Earnings	\$ 4,614	\$ 4,631	\$ 4,253
Corporate functions and benefit plans costs	(411)	(416)	(342)
Non-reportable segments	304	268	439
Net interest expense	(332)	(58)	(73)
Net loss on extinguishment of debt			(18)
Share-based compensation	(310)	(291)	(239)
Amortization of intangible assets	(550)	(601)	(555)
Other, net (b)	(1,902)	(350)	(947)
<b>Earnings from Continuing Operations before Taxes</b>	<b>\$ 1,413</b>	<b>\$ 3,183</b>	<b>\$ 2,518</b>

(b) Other, net includes: the \$947 million adjustment of the Mylan equity investment and \$480 million of foreign currency exchange loss related to operations in Venezuela in 2016 and charges for restructuring actions and other cost reduction initiatives of approximately \$155 million in 2016, \$310 million in 2015 and \$435 million in 2014. 2015 includes a \$207 million pre-tax gain on the sale of a portion of the Mylan N.V. shares.



## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 15 Segment and Geographic Area Information (Continued)

(in millions)	Depreciation (c)			Additions to Long-term Assets			Total Assets		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Established									
Pharmaceuticals	\$ 71	\$ 83	\$ 72	\$ 161	\$ 112	\$ 136	\$ 2,486	\$ 2,210	\$ 2,244
Nutritionals	160	157	173	207	142	174	3,189	3,187	3,435
Diagnostics	267	310	314	392	321	349	2,945	2,844	2,964
Vascular	69	74	84	24	32	28	1,425	1,536	1,529
Total Reportable Segments	567	624	643	784	607	687	\$ 10,045	\$ 9,777	\$ 10,172
Other	236	247	275	582	747	4,603			
Total	\$ 803	\$ 871	\$ 918	\$ 1,366	\$ 1,354	\$ 5,290			

(c)

Other in 2014 includes depreciation related to discontinued operations.

	2016	2015	2014
	<i>(in millions)</i>		
Total Reportable Segment Assets	\$ 10,045	\$ 9,777	\$ 10,172
Cash and investments	21,722	10,166	4,689
Non-reportable segments	1,280	1,267	1,211
Goodwill and intangible assets (d)	12,222	15,200	16,265
All other (d)	7,397	4,837	8,870
Total Assets	\$ 52,666	\$ 41,247	\$ 41,207

(d)

Goodwill and intangible assets related to AMO are included in the All other line in 2016. Goodwill and intangible assets related to developed markets established pharmaceuticals and animal health are included in the All other line in 2014.



## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 15 Segment and Geographic Area Information (Continued)

	Net Sales to External Customers (e)		
	2016	2015	2014
	<i>(in millions)</i>		
United States	\$ 6,486	\$ 6,270	\$ 6,123
China	1,728	1,796	1,321
India	1,114	1,053	1,009
Germany	1,044	1,004	978
Japan	924	895	968
The Netherlands	830	855	788
Switzerland	766	784	707
Russia	554	483	536
Vietnam	434	331	357
Colombia	424	388	283
Brazil	410	381	508
Canada	408	428	462
United Kingdom	377	430	447
Italy	365	383	436
All Other Countries	4,989	4,924	5,324
Consolidated	\$ 20,853	\$ 20,405	\$ 20,247

(e)

Sales by country are based on the country that sold the product.

Long-lived assets on a geographic basis primarily include property, plant and equipment. It excludes goodwill, intangible assets, deferred tax assets, and financial instruments.

At December 31, 2016 and 2015, Long-lived assets totaled \$6.6 billion and \$6.4 billion, respectively, and in the United States such assets totaled \$3.1 billion in both years. Long-lived asset balances associated with other countries were not material on an individual country basis in either of the two years.

## Note 16 Subsequent Event

On January 4, 2017, Abbott completed the acquisition of St. Jude Medical, Inc. The transaction establishes Abbott as a leader in the medical device market and provides expanded opportunities for future growth. See Note 6 to the consolidated financial statements for additional information regarding this acquisition.

## Abbott Laboratories and Subsidiaries

## Notes to Consolidated Financial Statements (Continued)

## Note 17 Quarterly Results (Unaudited)

(in millions except per share data)	2016	2015
<b>First Quarter</b>		
Continuing Operations:		
Net Sales	\$ 4,885	\$ 4,897
Gross Profit	2,601	2,660
Earnings from Continuing Operations	56	529
Basic Earnings per Common Share	0.04	0.35
Diluted Earnings per Common Share	0.04	0.35
Net Earnings	316	2,292
Basic Earnings Per Common Share (a)	0.21	1.52
Diluted Earnings Per Common Share (a)	0.21	1.51
Market Price Per Share-High	44.05	47.88
Market Price Per Share-Low	36.00	43.36
<b>Second Quarter</b>		
Continuing Operations:		
Net Sales	\$ 5,333	\$ 5,170
Gross Profit	2,901	2,801
Earnings from Continuing Operations	599	786
Basic Earnings per Common Share	0.40	0.52
Diluted Earnings per Common Share	0.40	0.52
Net Earnings	615	784
Basic Earnings Per Common Share (a)	0.41	0.52
Diluted Earnings Per Common Share (a)	0.41	0.52
Market Price Per Share-High	44.58	50.47
Market Price Per Share-Low	36.76	45.55
<b>Third Quarter</b>		
Continuing Operations:		
Net Sales	\$ 5,302	\$ 5,150
Gross Profit	2,877	2,757
Earnings (Loss) from Continuing Operations	(357)	596
Basic Earnings (Loss) per Common Share	(0.24)	0.40
Diluted Earnings (Loss) per Common Share	(0.24)	0.39
Net Earnings (Loss)	(329)	580
Basic Earnings (Loss) Per Common Share (a)	(0.22)	0.39
Diluted Earnings (Loss) Per Common Share (a)	(0.22)	0.38
Market Price Per Share-High	45.79	51.74
Market Price Per Share-Low	39.16	39.00
<b>Fourth Quarter</b>		
Continuing Operations:		
Net Sales	\$ 5,333	\$ 5,188
Gross Profit	2,900	2,839
Earnings from Continuing Operations	875	695
Basic Earnings per Common Share	0.51	0.46
Diluted Earnings per Common Share	0.51	0.46
Net Earnings	798	767
Basic Earnings Per Common Share (a)	0.54	0.51
Diluted Earnings Per Common Share (a)	0.53	0.51
Market Price Per Share-High	43.78	46.38
Market Price Per Share-Low	37.38	39.28

Edgar Filing: ABBOTT LABORATORIES - Form 10-K

- (a) The sum of the four quarters of earnings per share for 2016 and 2015 may not add to the full year earnings per share amount due to rounding and/or the use of quarter-to-date weighted average shares to calculate the earnings per share amount in each respective quarter.

**Management Report on Internal Control Over Financial Reporting**

The management of Abbott Laboratories is responsible for establishing and maintaining adequate internal control over financial reporting. Abbott's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Abbott's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2016. In making this assessment, it used the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we believe that, as of December 31, 2016, the company's internal control over financial reporting was effective based on those criteria.

Abbott's independent registered public accounting firm has issued an audit report on their assessment of the effectiveness of the company's internal control over financial reporting. This report appears on page 93.

Miles D. White  
Chairman of the Board and Chief Executive Officer

Brian B. Yoor  
Senior Vice President, Finance and Chief Financial Officer

Robert E. Funck  
Vice President, Controller

February 17, 2017

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of Abbott Laboratories:

We have audited the accompanying consolidated balance sheets of Abbott Laboratories and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Abbott Laboratories and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 17, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 17, 2017

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

### Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Abbott Laboratories:

We have audited Abbott Laboratories and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Abbott Laboratories and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Abbott Laboratories and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Abbott Laboratories and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, shareholders' investment and cash flows for each of the three years in the period ended December 31, 2016 of Abbott Laboratories and subsidiaries and our report dated February 17, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 17, 2017

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

*Evaluation of disclosure controls and procedures.* The Chief Executive Officer, Miles D. White, and the Chief Financial Officer, Brian B. Yoor, 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 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.

**Internal Control Over Financial Reporting**

*Management's annual report on internal control over financial reporting.* Management's report on Abbott's internal control over financial reporting is included on page 91 hereof. The report of Abbott's independent registered public accounting firm related to their assessment of the effectiveness of internal control over financial reporting is included on page 93 hereof.

*Changes in internal control over financial reporting.* During the quarter ended December 31, 2016, 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.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Incorporated herein by reference are "Nominees for Election as Directors," "Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting" to be included in the 2017 Abbott Laboratories Proxy Statement. The 2017 Proxy Statement will be filed on or about March 17, 2017. Also incorporated herein by reference is the text found under the caption, "Executive Officers of the Registrant" on pages 18 through 21 hereof.

Abbott has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and principal accounting officer and controller. That code is part of Abbott's code of business conduct which is available free of charge through Abbott's investor relations website ([www.abbottinvestor.com](http://www.abbottinvestor.com)). Abbott intends to include on its website any amendment to, or waiver from, a provision of its code of ethics that applies to Abbott's principal executive officer, principal financial officer, and principal accounting officer and controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K.

**ITEM 11. EXECUTIVE COMPENSATION**

The material to be included in the 2017 Proxy Statement under the headings "2016 Director Compensation," and "Executive Compensation," and "Compensation Committee Report" is incorporated herein by reference. The 2017 Proxy Statement will be filed on or about March 17, 2017.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

- (a) *Equity Compensation Plan Information.* Incorporated herein by reference is the material under the heading "Equity Compensation Plan Information" in the 2017 Proxy Statement. The 2017 Proxy Statement will be filed on or about March 17, 2017.
- (b) *Information Concerning Security Ownership.* Incorporated herein by reference is the material under the heading "Security Ownership of Executive Officers and Directors" in the 2017 Proxy Statement. The 2017 Proxy Statement will be filed on or about March 17, 2017.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The material to be included in the 2017 Proxy Statement under the headings "The Board of Directors," "Committees of the Board of Directors," "Leadership Structure," "Director Selection," "Board Diversity and Composition," "Corporate Governance Materials," and "Approval Process for Related Person Transactions" is incorporated herein by reference. The 2017 Proxy Statement will be filed on or about March 17, 2017.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The material to be included in the 2017 Proxy Statement under the headings "Audit Fees and Non-Audit Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditor" is incorporated herein by reference. The 2017 Proxy Statement will be filed on or about March 17, 2017.



**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a)

*Documents filed as part of this Form 10-K.*

(1)

*Financial Statements:* See Item 8, "Financial Statements and Supplementary Data," on page 50 hereof, for a list of financial statements.

(2)

*Financial Statement Schedules:* The required financial statement schedules are found on the pages indicated below. These schedules should be read in conjunction with the Consolidated Financial Statements of Abbott Laboratories:

**Abbott Laboratories Financial Statement Schedules**

**Page No.**

Valuation and Qualifying Accounts (Schedule II)

99

Schedules I, III, IV, and V are not submitted because they are not applicable or not required

Report of Independent Registered Public Accounting Firm

100

Individual Financial Statements of businesses acquired by the registrant have been omitted pursuant to Rule 3.05 of Regulation S-X

(3)

*Exhibits Required by Item 601 of Regulation S-K:* The information called for by this paragraph is incorporated herein by reference to the Exhibit Index on pages 101 through 107 of this Form 10-K.

(b)

*Exhibits filed (see Exhibit Index on pages 101 through 107).*

(c)

*Financial Statement Schedule filed (page 99).*

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Abbott Laboratories has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABBOTT LABORATORIES

By /s/ MILES D. WHITE

Miles D. White  
Chairman of the Board and  
Chief Executive Officer

Date: February 17, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Abbott Laboratories on February 17, 2017 in the capacities indicated below.

/s/ MILES D. WHITE

Miles D. White  
Chairman of the Board, Chief Executive Officer  
and Director of Abbott Laboratories  
(principal executive officer)

/s/ BRIAN B. YOOR

Brian B. Yoor  
Senior Vice President, Finance and Chief  
Financial Officer (principal financial officer)

/s/ ROBERT E. FUNCK

Robert E. Funck  
Vice President and Controller  
(principal accounting officer)

/s/ ROBERT J. ALPERN, M.D.

Robert J. Alpern, M.D.  
Director of Abbott Laboratories

/s/ ROXANNE S. AUSTIN

Roxanne S. Austin  
Director of Abbott Laboratories

/s/ SALLY E. BLOUNT, PH.D.

Sally E. Blount, Ph.D.  
Director of Abbott Laboratories

/s/ W. JAMES FARRELL

W. James Farrell  
Director of Abbott Laboratories

/s/ EDWARD M. LIDDY

Edward M. Liddy  
Director of Abbott Laboratories

/s/ NANCY MCKINSTRY

Nancy McKinstry  
Director of Abbott Laboratories

Edgar Filing: ABBOTT LABORATORIES - Form 10-K

/s/ PHEBE N. NOVAKOVIC

---

Phebe N. Novakovic  
Director of Abbott Laboratories

/s/ WILLIAM A. OSBORN

---

William A. Osborn  
Director of Abbott Laboratories

/s/ SAMUEL C. SCOTT III

---

Samuel C. Scott III  
Director of Abbott Laboratories

/s/ DANIEL J. STARKS

---

Daniel J. Starks  
Director of Abbott Laboratories

/s/ GLENN F. TILTON

---

Glenn F. Tilton  
Director of Abbott Laboratories

**ABBOTT LABORATORIES AND SUBSIDIARIES**  
**SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**  
(in millions of dollars)

Allowances for Doubtful Accounts and Product Returns	Balance at Beginning of Year	Provisions/ Charges to Income	Amounts Charged Off and Other Deductions	Balance at End of Year
2016	\$ 337	\$ 92	\$ (179)	\$ 250
2015	310	225	(198)	337
2014	312	220	(222)	310

99

---

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of Abbott Laboratories:

We have audited the consolidated financial statements of Abbott Laboratories and subsidiaries as of December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016, and have issued our report thereon dated February 17, 2017 (included elsewhere in this Annual Report on Form 10-K). Our audits also included the financial statement schedule listed in Item 15(a)(2) of this Annual Report on Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Chicago, Illinois  
February 17, 2017

**EXHIBIT INDEX**  
**ABBOTT LABORATORIES**  
**ANNUAL REPORT**  
**FORM 10-K**  
**2016**

**10-K**  
**Exhibit**  
**Table**  
**Item No.**

- 2.1 \*Agreement and Plan of Merger dated as of January 30, 2016, among Alere Inc. and Abbott Laboratories, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated January 30, 2016.
- \*Agreement and Plan of Merger, dated as of April 27, 2016, by and among Abbott Laboratories, St. Jude Medical, Inc., Vault Merger Sub, Inc. and Vault Merger Sub, LLC, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated April 27, 2016.
- 2.2
- 2.3 \*Stock Purchase Agreement, dated as of September 14, 2016, by and between Abbott Laboratories and Chace LLC and, solely for certain purposes, Johnson & Johnson, filed as Exhibit 2.1 to the Abbott Laboratories Current Report on Form 8-K dated September 14, 2016.
- Certain schedules and exhibits have been omitted from these filings pursuant to Item 601(b)(2) of Regulation S-K. Abbott will furnish supplemental copies of any such schedules or exhibits to the U.S. Securities and Exchange Commission upon request.
- 3.1 \*Articles of Incorporation, Abbott Laboratories, filed as Exhibit 3.1 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
- 3.2 \*By-Laws of Abbott Laboratories, as amended and restated effective February 16, 2017, filed as Exhibit 3.1 to the Abbott Laboratories Current Report on Form 8-K dated February 16, 2017.
- 4.1 \*Indenture dated as of February 9, 2001, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association, successor to Bank One Trust Company, N.A.) (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Registration Statement on Form S-3 dated February 12, 2001.
- 4.2 \*Supplemental Indenture dated as of February 27, 2006, between Abbott Laboratories and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association), filed as Exhibit 4.2 to the Abbott Laboratories Registration Statement on Form S-3 dated February 28, 2006.
- 4.3 \*Form of \$1,000,000,000 6.150% Note due 2037, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
- 4.4 \*Actions of the Authorized Officers with respect to Abbott's 5.150% Notes due 2012, 5.600% Notes due 2017 and 6.150% Notes due 2037, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated November 6, 2007.
- 4.5 \*Form of \$2,000,000,000 5.125% Note due 2019, filed as Exhibit 99.4 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
- 4.6 \*Form of \$1,000,000,000 6.000% Note due 2039, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

### 10-K Exhibit Table Item No.

- 4.7 \*Actions of the Authorized Officers with respect to Abbott's 5.125% Note due 2019 and 6.000% Note due 2039, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated February 26, 2009.
- 4.8 \*Form of 2020 Note, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
- 4.9 \*Form of 2040 Note, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
- 4.10 \*Actions of the Authorized Officers with respect to Abbott's 2.70% Notes, 4.125% Notes and 5.30% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated May 27, 2010.
- 4.11 \*Indenture, dated as of March 10, 2015, between Abbott Laboratories and U.S. Bank National Association (including form of Security), filed as Exhibit 4.1 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
- 4.12 \*Form of 2.000% Note due 2020, filed as Exhibit 99.4 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
- 4.13 \*Form of 2.550% Note due 2022, filed as Exhibit 99.5 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
- 4.14 \*Form of 2.950% Note due 2025, filed as Exhibit 99.6 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
- 4.15 \*Actions of the Authorized Officers with respect to Abbott's 2.000% Notes, 2.550% Notes and 2.950% Notes, filed as Exhibit 99.3 to the Abbott Laboratories Current Report on Form 8-K dated March 5, 2015.
- 4.16 \*Form of 2.350% Notes due 2019, filed as Exhibit 4.2 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
- 4.17 \*Form of 2.900% Notes due 2021, filed as Exhibit 4.3 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
- 4.18 \*Form of 3.400% Notes due 2023, filed as Exhibit 4.4 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
- 4.19 \*Form of 3.750% Notes due 2026, filed as Exhibit 4.5 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
- 4.20 \*Form of 4.750% Notes due 2036, filed as Exhibit 4.6 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
- 4.21 \*Form of 4.900% Notes due 2046, filed as Exhibit 4.7 to the Abbott Laboratories Current Report on Form 8-K dated November 22, 2016.
- 4.22 Officers' Certificate Pursuant to Sections 3.1 and 3.3 of the Indenture with respect to 2.350% Notes due 2019, 2.900% Notes due 2021, 3.400% Notes due 2023, 3.750% Notes due 2026, 4.750% Notes due 2036 and 4.900% Notes due 2046 (including forms of notes).
- 4.23 Indenture, dated as of July 28, 2009, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated July 28, 2009.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

### 10-K Exhibit Table Item No.

- 4.24 Fourth Supplemental Indenture, dated as of April 2, 2013, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 3.25% Senior Notes due 2023 and 4.75% Senior Notes due 2043 (including forms of notes), filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated April 2, 2013.
- 4.25 Fifth Supplemental Indenture, dated as of September 23, 2015, between St. Jude Medical, LLC (successor to St. Jude Medical, Inc.) and U.S. Bank National Association, as trustee, relating to St. Jude Medical, LLC's 2.000% Senior Notes due 2018, 2.800% Senior Notes due 2020 and 3.875% Senior Notes due 2025, filed as Exhibit 4.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated September 23, 2015.
- 4.26 Sixth Supplemental Indenture, dated as of January 4, 2017, among St. Jude Medical, Inc., St. Jude Medical, LLC and U.S. Bank National Association, as trustee, filed as Exhibit 4.1 to the St. Jude Medical, LLC Current Report on Form 8-K dated January 4, 2017.  
Other debt instruments are omitted in accordance with Item 601(b)(4)(iii)(A) of Regulation S-K. Copies of such agreements will be furnished to the Securities and Exchange Commission upon request.
- 10.1 \*Supplemental Plan Abbott Laboratories Extended Disability Plan, filed as an exhibit (pages 50-51) to the 1992 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.2 \*Abbott Laboratories Deferred Compensation Plan, as amended, filed as Exhibit 10.2 to the 2014 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.3 \*Abbott Laboratories 401(k) Supplemental Plan, as amended and restated, filed as Exhibit 10.3 to the 2012 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.4 \*Abbott Laboratories Supplemental Pension Plan, as amended and restated, filed as Exhibit 10.4 to the 2014 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.5 \*1986 Abbott Laboratories Management Incentive Plan, as amended and restated, filed as Exhibit 10.5 to the 2014 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.6 \*1998 Abbott Laboratories Performance Incentive Plan, as amended, filed as Exhibit 10.6 to the 2014 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.7 \*Rules for the 1998 Abbott Laboratories Performance Incentive Plan, as amended and restated, filed as Exhibit 10.7 to the 2012 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.8 \*Abbott Laboratories 1996 Incentive Stock Program, as amended and restated through the 6th Amendment February 20, 2009, filed as Exhibit 10.11 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.\*\*
- 10.9 \*Abbott Laboratories 2009 Incentive Stock Program, as amended and restated, filed as Exhibit 10.9 to the 2014 Abbott Laboratories Annual Report on Form 10-K.\*\*
- 10.10 Abbott Laboratories Non-Employee Directors' Fee Plan, as amended and restated.\*\*
- 10.11 \*Form of Non-Employee Director Restricted Stock Unit Agreement under Abbott Laboratories 1996 Incentive Stock Program, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated December 10, 2004.\*\*



## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

### 10-K Exhibit Table Item No.

- 10.12 \*Form of Employee Stock Option Agreement for a new Non-Qualified Stock Option under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 18, 2005, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated February 18, 2005.\*\*
- 10.13 \*Form of Non-Qualified Stock Option Agreement for an award of non-qualified stock options under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 17, 2006, filed as Exhibit 10.4 to the Abbott Laboratories Current Report on Form 8-K dated February 16, 2006.\*\*
- 10.14 \*Form of Non-Qualified Stock Option Agreement for an award of non-qualified stock options under the Abbott Laboratories 1996 Incentive Stock Program granted on or after February 20, 2009, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated February 20, 2009.\*\*
- 10.15 \*Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.2 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.\*\*
- 10.16 \*Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.3 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.\*\*
- 10.17 \*Form of Non-Qualified Stock Option Agreement (ratably vested), filed as Exhibit 10.5 to the Abbott Laboratories Current Report on Form 8-K dated April 24, 2009.\*\*
- 10.18 \*Form of Restricted Stock Unit Agreement (ratably vested), filed as Exhibit 10.37 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.19 \*Form of Restricted Stock Unit Agreement for foreign employees (ratably vested), filed as Exhibit 10.38 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.20 \*Form of Performance Restricted Stock Unit Agreement for foreign employees (annual performance based), filed as Exhibit 10.39 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.21 \*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (annual performance based), filed as Exhibit 10.40 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.22 \*Form of Performance Restricted Stock Unit Agreement for foreign employees (interim performance based), filed as Exhibit 10.41 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.23 \*Form of Performance Restricted Stock Unit Agreement for foreign executive officers (interim performance based), filed as Exhibit 10.42 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.24 \*Form of Restricted Stock Unit Agreement (cliff vested), filed as Exhibit 10.43 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.25 \*Form of Restricted Stock Unit Agreement for executive officers (cliff vested), filed as Exhibit 10.44 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.26 \*Form of Restricted Stock Unit Agreement for foreign employees (cliff vested), filed as Exhibit 10.45 to the 2013 Abbott Laboratories Annual Report on Form 10-K.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

### 10-K Exhibit Table Item No.

- 10.27 \*Form of Restricted Stock Unit Agreement for foreign executive officers (cliff vested), filed as Exhibit 10.46 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.28 \*Form of Non-Employee Director Restricted Stock Unit Agreement, filed as Exhibit 10.47 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.29 \*Form of Non-Employee Director Restricted Stock Unit Agreement for foreign non-employee directors, filed as Exhibit 10.48 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.30 \*Form of Restricted Stock Unit Agreement for Participants in France, filed as Exhibit 10.49 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.31 \*Form of Restricted Stock Agreement (ratably vested), filed as Exhibit 10.50 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.32 \*Form of Restricted Stock Agreement for executive officers (ratably vested), filed as Exhibit 10.51 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.33 \*Form of Performance Restricted Stock Agreement (annual performance based), filed as Exhibit 10.52 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.34 \*Form of Performance Restricted Stock Agreement for executive officers (annual performance based), filed as Exhibit 10.53 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.35 \*Form of Performance Restricted Stock Agreement (interim performance based), filed as Exhibit 10.54 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.36 \*Form of Performance Restricted Stock Agreement for executive officers (interim performance based), filed as Exhibit 10.55 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.37 \*Form of Restricted Stock Agreement (cliff vested), filed as Exhibit 10.56 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.38 \*Form of Restricted Stock Agreement for executive officers (cliff vested), filed as Exhibit 10.57 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.39 \*Form of Non-Qualified Stock Option Agreement, filed as Exhibit 10.58 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.40 \*Form of Non-Qualified Stock Option Agreement for executive officers, filed as Exhibit 10.59 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.41 \*Form of Non-Qualified Stock Option Agreement for foreign employees, filed as Exhibit 10.60 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.42 \*Form of Non-Qualified Stock Option Agreement for foreign executive officers, filed as Exhibit 10.61 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.43 \*Form of Non-Employee Director Non-Qualified Stock Option Agreement, filed as Exhibit 10.64 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.44 \*Form of Non-Employee Director Non-Qualified Stock Option Agreement for foreign non-employee directors, filed as Exhibit 10.65 to the 2013 Abbott Laboratories Annual Report on Form 10-K.



## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

### 10-K Exhibit Table Item No.

- 10.45 \*Form of UK Option Award Agreement, filed as Exhibit 10.66 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.46 \*Form of UK Option Award Agreement for executive officers, filed as Exhibit 10.67 to the 2013 Abbott Laboratories Annual Report on Form 10-K.
- 10.47 \*Form of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), filed as Exhibit 10.1 to the Abbott Laboratories Current Report on Form 8-K dated November 30, 2012.\*\*
- 10.48 \*Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2016, filed as Exhibit 10.59 to the 2014 Abbott Laboratories Annual Report on Form 10-K.
- 10.49 Form of Extension of Agreement Regarding Change in Control by and between Abbott Laboratories and its named executive officers (other than Mr. White), extending the agreement term to December 31, 2018.
- 10.50 \*Form of Time Sharing Agreement between Abbott Laboratories, Inc. and M.D. White, filed as Exhibit 10.6 to the Abbott Laboratories Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.\*\*
- 10.51 \*2004 Stock Incentive Plan, as amended and restated, filed as Exhibit 4.5 to the Abbott Laboratories Registration Statement on Form S-8 dated March 20, 2009.\*\*
- 10.52 \*Advanced Medical Optics, Inc. 2005 Incentive Compensation Plan, filed as Exhibit 4.6 to the Abbott Laboratories Registration Statement on Form S-8 dated March 20, 2009.\*\*
- 10.53 St. Jude Medical, Inc. 2016 Stock Incentive Plan, filed as Exhibit 10.1 to the St. Jude Medical, Inc. Current Report on Form 8-K dated October 27, 2016.
- 10.54 St. Jude Medical, Inc. 2007 Stock Incentive Plan, as amended and restated (2014), filed as Exhibit 10.22 to St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended January 3, 2015 dated February 26, 2015.
- 10.55 Form of Non-Qualified Stock Option Agreement (Global) and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.24 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012 dated February 26, 2013.
- 10.56 Form of Non-Qualified Stock Option Agreement for Non-Employee Directors and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.25 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.
- 10.57 Form of Restricted Stock Units Award Agreement (Global) and related Restricted Stock Units Award Certificate for restricted stock units granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, filed as Exhibit 10.27 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the year ended December 29, 2012, dated February 26, 2013.

## Edgar Filing: ABBOTT LABORATORIES - Form 10-K

**10-K  
Exhibit  
Table  
Item No.**

10.58 St. Jude Medical, Inc. Management Savings Plan, as amended and restated effective January 1, 2016, filed as 10.4 to the St. Jude Medical, Inc. Annual Report on Form 10-K for the fiscal year ended January 2, 2016 dated February 23, 2016.

Retention Agreement by and between Mr. Michael T. Rousseau and Abbott Laboratories, dated July 22, 2016.

10.59

Retention Agreement by and between Eric S. Fain and Abbott Laboratories, dated July 27, 2016.

10.60

10.61 120-Day Bridge Term Loan Agreement, dated as of December 13, 2016, among Abbott Laboratories, the guarantors referred to therein, Bank of America, N.A., as administrative agent, and the other lenders party thereto.

10.62 Amended and Restated Term Loan Agreement, dated as of January 4, 2017, among St. Jude Medical, LLC, the guarantors from time to time party thereto, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent.

Computation of Ratio of Earnings to Fixed Charges.

12

Subsidiaries of Abbott Laboratories.

21

Consent of Independent Registered Public Accounting Firm.

23.1

Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).

31.1

Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).

31.2

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 Annual Report on Form 10-K for the year ended December 31, 2016 filed on February 17, 2017, formatted in XBRL: (i) Consolidated Statement of Earnings; (ii) Consolidated Statement of Comprehensive Income; (iii) Consolidated Statement of Cash Flows; (iv) Consolidated Balance Sheet; (v) Consolidated Statement of Shareholders' Investment; and (vi) the notes to the consolidated financial statements.

---

\*

Incorporated herein by reference. Commission file number 1-2189.

\*\*

Denotes management contract or compensatory plan or arrangement required to be filed as an exhibit hereto.

Incorporated herein by reference. Commission file number 1-12441.

Abbott will furnish copies of any of the above exhibits to a shareholder upon written request to the Secretary, Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois 60064-6400.

