US CONCRETE INC
Form 8-K
May 19, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 19, 2014

U.S. CONCRETE, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-34530	76-0586680
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

331 N. Main Street
Euless, Texas 76039
(Address of principal executive offices, including ZIP code)

(817) 835-4105
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure

An updated copy of the U.S. Concrete investor presentation is attached to this report as Exhibit 99.1. The slides set forth in Exhibit 99.1 are incorporated herein by reference.

The information in Item 7.01 of this report is being furnished, not filed, pursuant to Regulation FD. Accordingly, the information in Item 7.01 of this report will not be incorporated by reference into any registration statement filed by the Company under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference. The furnishing of the information in this report is not intended to, and does not, constitute a determination of admission by the Company that the information in this report is material or complete, or that investors should consider this information before making an investment decision with respect to any security of the Company or any of its affiliates.

Item 9.01 Financial Statements and Exhibits.
(d) Exhibits

Exhibit No.	Exhibit
99.1	Slides from presentation by management

SIGNATURE

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

U.S. CONCRETE, INC.

Date: May 19, 2014 By: /s/ William M. Brown
William M. Brown
Senior Vice President and Chief Financial Officer

Exhibit Index

Exhibit No.	Exhibit
99.1	Slides from presentation by management

ght:bold;">Fair and
carrying
value
receivable/
(payable)
Receive primarily U.S. dollars in exchange for the following currencies:

Euro
$
5,544

1.078

$
102

$
5,880

1.103

$
34

Japanese yen
935

111.6

39

853

120.9

(2
)
British pound
611

1.303

35

163

1.496

1

All other currencies
1,693

n/a

11

1,387

n/a

8

Total

$ 8,783		
	$ 187	
		$ 8,283
$ 41		

The company estimates that a 10% appreciation in the underlying currencies being hedged from their levels against the U.S. dollar, with all other variables held constant, would decrease the fair value of foreign exchange forward contracts by $854 million at December 31, 2016. If realized, this appreciation would negatively affect earnings over the remaining life of the contracts, which would be offset by gains on the underlying hedged items. A 10% appreciation is believed to be a reasonably possible near-term change in foreign currencies. Gains and losses on the hedging instruments offset losses and gains on the hedged transactions and reduce the earnings and stockholders' equity volatility relating to foreign exchange.

In November 2016, the company issued €3.6 billion aggregate principal amount of unsecured senior Euro notes, which are exposed to foreign currency risk. The company has designated these foreign currency denominated notes as hedges of its net investments in certain foreign subsidiaries and affiliates. As a result, any foreign currency translation gains or losses related to the Euro notes will be included in accumulated other comprehensive income. See Note 9 to the Consolidated Financial Statements for additional information related to the senior Euro note issuance and Note 10 to the Consolidated Financial Statements for additional information related to the net investment hedging program.

The functional currency of the company’s Venezuela operations is the U.S. dollar due to the hyperinflationary status of the Venezuelan economy. At December 31, 2015, there were three legal exchange mechanisms administered by the Venezuelan government. These were the official rate of 6.3 Venezuelan bolivars (VEF) per U.S. dollar, the Supplementary System for the Administration of Foreign Currency (SICAD) rate of approximately 13.5 VEF per U.S. dollar and the Foreign Exchange Marginal System (SIMADI) rate of approximately 200. Effective March 10, 2016, the Venezuelan government devalued the official rate of 6.3 to 10 VEF per U.S. dollar, eliminated the SICAD rate and replaced SIMADI with a new exchange mechanism, Divisa Complementaria (DICOM). As of December 31, 2016, the DICOM rate was approximately 673 VEF per U.S. dollar.

During the first quarter of 2016, in consideration of declining economic conditions in Venezuela and a decline in transactions settled at the official rate, AbbVie determined that its net monetary assets denominated in the Venezuelan bolivar were no longer expected to be settled at the official rate of 10 VEF per U.S. dollar, but rather at the DICOM rate. Therefore, during the first quarter of 2016, AbbVie recorded a charge of $298 million to net foreign exchange loss to revalue its bolivar-denominated net monetary assets using the DICOM rate then in effect of approximately 270 VEF per U.S. dollar. As of December 31, 2016, AbbVie’s net monetary assets in Venezuela were insignificant.

Interest Rate Risk

The company estimates that an increase in interest rates of 100 basis points would adversely impact the fair value of AbbVie's interest rate swap contracts by approximately $649 million at December 31, 2016. If realized, the fair value reduction would affect earnings over the remaining life of the contracts. The company estimates that an increase of 100 basis points in long-term interest rates would decrease the fair value of long-term debt by $2.3 billion at December 31, 2016. A 100 basis point change is believed to be a reasonably possible near-term change in interest rates.

Market Price Risk

AbbVie’s debt securities investment portfolio (the portfolio) is its main exposure to market price risk. The portfolio is subject to changes in fair value as a result of interest rate fluctuations and other market factors. It is AbbVie’s policy to mitigate market price risk by maintaining a diversified portfolio that limits the amount of exposure to a particular issuer and security type while placing limits on the amount of time to maturity. AbbVie’s investment policy limits investments to investment grade credit ratings. The company estimates that an increase in interest rates of 100 basis points would decrease the fair value of the portfolio by approximately $33 million as of December 31, 2016. If the portfolio were to be liquidated, the fair value reduction would affect the income statement in the period sold.

AbbVie also holds equity securities in other pharmaceutical and biotechnology companies that are traded on public stock exchanges. A hypothetical 20% decrease in the share prices of these investments would decrease the fair value of these investments by $15 million as of December 31, 2016. A 20% decrease is believed to be a reasonably possible near-term change in share prices.

Non-Publicly Traded Equity Securities

AbbVie holds equity securities in other pharmaceutical and biotechnology companies that are not traded on public stock exchanges. The carrying value of these investments was $42 million as of December 31, 2016 and $33 million as of December 31, 2015. AbbVie monitors these investments for other than temporary declines in market value and charges impairment losses to net earnings when an other than temporary decline in estimated value occurs. In 2016, impairment charges recorded were insignificant. In 2015, AbbVie recorded impairment charges totaling $36 million related to certain of the company's investments in non-publicly traded equity securities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

	Page
Consolidated Financial Statements	
Consolidated Statements of Earnings	48
Consolidated Statements of Comprehensive Income	49
Consolidated Balance Sheets	50
Consolidated Statements of Equity	51
Consolidated Statements of Cash Flows	52
Notes to Consolidated Financial Statements	53
Report of Independent Registered Public Accounting Firm	94

AbbVie Inc. and Subsidiaries
Consolidated Statements of Earnings

years ended December 31 (in millions, except per share data)	2016	2015	2014
Net revenues	$25,638	$22,859	$19,960
Cost of products sold	5,833	4,500	4,426
Selling, general and administrative	5,855	6,387	7,724
Research and development	4,366	4,285	3,297
Acquired in-process research and development	200	150	352
Other expense	—	—	750
Total operating costs and expenses	16,254	15,322	16,549
Operating earnings	9,384	7,537	3,411
Interest expense, net	965	686	391
Net foreign exchange loss	303	193	678
Other expense (income), net	232	13	(27)
Earnings before income tax expense	7,884	6,645	2,369
Income tax expense	1,931	1,501	595
Net earnings	$5,953	$5,144	$1,774
Per share data			
Basic earnings per share	$3.65	$3.15	$1.11
Diluted earnings per share	$3.63	$3.13	$1.10
Cash dividends declared per common share	$2.35	$2.10	$1.75
Weighted-average basic shares outstanding	1,622	1,625	1,595
Weighted-average diluted shares outstanding	1,631	1,637	1,610

The accompanying notes are an integral part of these consolidated financial statements.

AbbVie Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

years ended December 31 (in millions)	2016	2015	2014
Net earnings	$5,953	$5,144	$1,774
Foreign currency translation adjustments, net of tax expense (benefit) of $(31) in 2016, $(139) in 2015 and $(158) in 2014	(165)	(667)	(1,073)
Net investment hedging activities, net of tax expense (benefit) of $79 in 2016, $— in 2015 and $— in 2014	140	—	—
Pension and post-employment benefits, net of tax expense (benefit) of $(75) in 2016, $96 in 2015 and $(351) in 2014	(135)	230	(781)
Unrealized gains (losses) on marketable securities, net of tax expense (benefit) of $(11) in 2016, $22 in 2015 and $1 in 2014	(1)	44	1
Cash flow hedging activities, net of tax expense (benefit) of $18 in 2016, $(6) in 2015 and $8 in 2014	136	(137)	264
Other comprehensive loss	(25)	(530)	(1,589)
Comprehensive income	$5,928	$4,614	$185

The accompanying notes are an integral part of these consolidated financial statements.

AbbVie Inc. and Subsidiaries
Consolidated Balance Sheets

as of December 31 (in millions, except share data)	2016	2015
Assets		
Current assets		
Cash and equivalents	$5,100	$8,399
Short-term investments	1,323	8
Accounts receivable, net	4,758	4,730
Inventories	1,444	1,719
Prepaid expenses and other	3,562	1,458
Total current assets	16,187	16,314
Investments	1,783	145
Property and equipment, net	2,604	2,565
Intangible assets, net	28,897	19,709
Goodwill	15,416	13,168
Other assets	1,212	1,149
Total assets	$66,099	$53,050
Liabilities and Equity		
Current liabilities		
Short-term borrowings	$377	$406
Current portion of long-term debt and lease obligations	25	2,025
Accounts payable and accrued liabilities	9,379	8,463
Total current liabilities	9,781	10,894
Long-term debt and lease obligations	36,440	29,240
Deferred income taxes	6,890	5,276
Other long-term liabilities	8,352	3,695
Commitments and contingencies		
Stockholders' equity		
Common stock, $0.01 par value, 4,000,000,000 shares authorized, 1,754,900,486 shares issued as of December 31, 2016 and 1,749,027,140 as of December 31, 2015.	18	17
Common stock held in treasury, at cost, 162,387,762 shares as of December 31, 2016 and 139,134,205 shares as of December 31, 2015.	(10,852)	(8,839)
Additional paid-in-capital	13,678	13,080
Retained earnings	4,378	2,248
Accumulated other comprehensive loss	(2,586)	(2,561)
Total stockholders' equity	4,636	3,945
Total liabilities and equity	$66,099	$53,050

The accompanying notes are an integral part of these consolidated financial statements.

AbbVie Inc. and Subsidiaries
Consolidated Statements of Equity

years ended December 31 (in millions)	Common shares outstanding	Common stock	Treasury stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at December 31, 2013	1,587	$ 16	$(320)	$3,671	$1,567	$ (442)	$4,492
Net earnings	—	—	—	—	1,774	—	1,774
Other comprehensive loss, net of tax	—	—	—	—	—	(1,589)	(1,589)
Dividends declared	—	—	—	—	(2,806)	—	(2,806)
Purchases of treasury stock	(9)	—	(665)	—	—	—	(665)
Stock-based compensation plans and other	13	—	13	523	—	—	536
Balance at December 31, 2014	1,591	16	(972)	4,194	535	(2,031)	1,742
Net earnings	—	—	—	—	5,144	—	5,144
Other comprehensive loss, net of tax	—	—	—	—	—	(530)	(530)
Dividends declared	—	—	—	—	(3,431)	—	(3,431)
Common shares issued to Pharmacyclics stockholders	128	1	—	8,404	—	—	8,405
Purchases of treasury stock	(119)	—	(7,886)	—	—	—	(7,886)
Stock-based compensation plans and other	10	—	19	482	—	—	501
Balance at December 31, 2015	1,610	17	(8,839)	13,080	2,248	(2,561)	3,945
Net earnings	—	—	—	—	5,953	—	5,953
Other comprehensive loss, net of tax	—	—	—	—	—	(25)	(25)
Dividends declared	—	—	—	—	(3,823)	—	(3,823)
Common shares issued to Stemcentrx stockholders	63	—	3,958	(35)	—	—	3,923
Purchases of treasury stock	(94)	—	(6,018)	—	—	—	(6,018)
Stock-based compensation plans and other	14	1	47	633	—	—	681
Balance at December 31, 2016	1,593	$ 18	$(10,852)	$13,678	$4,378	$ (2,586)	$4,636

The accompanying notes are an integral part of these consolidated financial statements.

AbbVie Inc. and Subsidiaries
Consolidated Statements of Cash Flows

years ended December 31 (in millions) (brackets denote cash outflows)	2016	2015	2014	
Cash flows from operating activities				
Net earnings	$5,953	$5,144	$1,774	
Adjustments to reconcile net earnings to net cash from operating activities:				
Depreciation	425	417	383	
Amortization of intangible assets	764	419	403	
Change in fair value of contingent consideration	228	—	—	
Stock-based compensation	353	282	241	
Upfront costs and milestones related to collaborations	280	280	1,102	
Devaluation loss related to Venezuela	298	—	—	
Other, net	429	489	434	
Changes in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(71)	(1,076)	(172)	
Inventories	(38)	(434)	(203)	
Prepaid expenses and other assets	(393)	511	(220)	
Accounts payable and other liabilities	(1,187)	1,503	(193)	
Cash flows from operating activities	7,041	7,535	3,549	(a)
Cash flows from investing activities				
Acquisition of businesses, net of cash acquired	(2,495)	(11,488)	—	
Other acquisitions and investments	(262)	(964)	(622)	
Acquisitions of property and equipment	(479)	(532)	(612)	
Purchases of investment securities	(5,315)	(851)	(1,169)	
Sales and maturities of investment securities	2,359	899	1,477	
Other	118	—	—	
Cash flows from investing activities	(6,074)	(12,936)	(926)	
Cash flows from financing activities				
Net change in short-term borrowings	(29)	(19)	12	
Proceeds from issuance of long-term debt	11,627	20,660	—	
Repayments of long-term debt and lease obligations	(6,010)	(4,018)	(17)	
Debt issuance cost	(69)	(182)	(141)	
Dividends paid	(3,717)	(3,294)	(2,661)	
Purchases of treasury stock	(6,033)	(7,586)	(665)	
Proceeds from the exercise of stock options	268	155	232	
Other, net	35	36	(53)	
Cash flows from financing activities	(3,928)	5,752	(3,293)	
Effect of exchange rate changes on cash and equivalents	(338)	(300)	(577)	
Net increase (decrease) in cash and equivalents	(3,299)	51	(1,247)	
Cash and equivalents, beginning of year	8,399	8,348	9,595	
Cash and equivalents, end of year	$5,100	$8,399	$8,348	
Other supplemental information				
Interest paid, net of portion capitalized	$986	$536	$419	
Income taxes paid	3,563	1,108	498	
Supplemental schedule of non-cash investing and financing activities				

Issuance of common shares associated with acquisitions of businesses	3,923	8,405	—

Cash flows from operating activities included the impact of transaction and financing-related and other costs (a) incurred in connection with the terminated proposed combination with Shire plc. See Note 5 for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

AbbVie Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Note 1 Background and Basis of Presentation

Background
The principal business of AbbVie Inc. (AbbVie or the company) is the discovery, development, manufacture and sale of a broad line of pharmaceutical products. AbbVie's products are generally sold worldwide directly to wholesalers, distributors, government agencies, health care facilities, specialty pharmacies and independent retailers from AbbVie-owned distribution centers and public warehouses. Substantially all of AbbVie's net revenues in the United States are to three wholesalers. Outside the United States, products are sold primarily to customers or through distributors, depending on the market served.
AbbVie was incorporated in Delaware on April 10, 2012. On January 1, 2013, AbbVie became an independent, publicly-traded company as a result of the distribution by Abbott Laboratories (Abbott) of 100% of the outstanding common stock of AbbVie to Abbott's shareholders. AbbVie incurred separation-related expenses of $270 million in 2015 and $445 million in 2014, which were principally classified in selling, general and administrative expenses (SG&A) in the consolidated statements of earnings. These charges principally related to information technology, legal and regulatory fees.

Basis of Historical Presentation

For a certain 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 satisfy other regulatory requirements in certain countries. Under the terms of the separation agreement with Abbott, AbbVie was responsible for the business activities conducted by Abbott on its behalf and was subject to the risks and entitled to the benefits generated by these operations and assets. As a result, the related assets and liabilities and results of operations have been reported in AbbVie’s consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014. Net revenues related to these operations were insignificant in 2016, $213 million in 2015 and $282 million in 2014. All of these operations have been transferred to AbbVie as of December 31, 2016.
Note 2 Summary of Significant Accounting Policies

Use of Estimates
The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for rebates, pension and post-employment benefits, income taxes, litigation, valuation of intangible assets and goodwill, contingent consideration liabilities, financial instruments and inventory and accounts receivable exposures.
Basis of Consolidation
The consolidated financial statements as of and for the years ended December 31, 2016 and 2015 include the accounts of AbbVie and all of its subsidiaries in which a controlling interest is maintained. Controlling interest is determined by majority ownership interest and the absence of substantive third-party participating rights or, in the case of variable interest entities, where AbbVie is determined to be the primary beneficiary. Investments in companies over which AbbVie has a significant influence but not a controlling interest are accounted for using the equity method with AbbVie's share of earnings or losses reported in other expense (income), net in the consolidated statements of earnings. All other investments are generally accounted for using the cost method. Intercompany balances and transactions are eliminated.
Certain reclassifications have been made to conform the prior period consolidated financial statements to the current period presentation.
Revenue Recognition

AbbVie recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability of the sales price is reasonably assured. Revenue from product sales is recognized when title and risk of loss have passed to the customer. Provisions for discounts, rebates, sales incentives to customers, returns and other adjustments are provided for in the period the related revenues are recorded. Rebate amounts are typically

based upon the volume of purchases using contractual or statutory prices, which may vary by product and by payer. For each type of rebate, the factors used in the calculations of the accrual include the identification of the products subject to the rebate, the applicable price terms and the estimated lag time between sale and payment of the rebate, which can be significant. Sales incentives to customers are insignificant. Historical data is readily available and reliable and is used for estimating the amount of the reduction in gross revenues. 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. Sales of product rights for marketable products are recorded as revenue upon disposition of the rights.

Research and Development Expenses

Internal research and development (R&D) 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 collaborations for pre-commercialization milestones, the milestone payment obligations are expensed when the milestone results are achieved. Payments made to third parties subsequent to regulatory approval are capitalized as intangible assets and amortized to cost of products sold over the remaining useful life of the related product.

Collaborations and Other Arrangements

The company enters into collaborative agreements with third parties to develop and commercialize drug candidates. Collaborative activities may include joint research and development and commercialization of new products. AbbVie generally receives certain licensing rights under these arrangements. These collaborations often require upfront payments and may include additional milestone, research and development cost sharing, royalty or profit share payments, contingent upon the occurrence of certain future events linked to the success of the asset in development and commercialization. Upfront payments associated with collaborative arrangements during the development stage are expensed to acquired in-process research and development (IPR&D) expenses in the consolidated statements of earnings. Subsequent payments made to the partner for the achievement of milestones during the development stage are expensed to R&D expense in the consolidated statements of earnings when the milestone is achieved. Milestone payments made to the partner subsequent to regulatory approval are capitalized as intangible assets and amortized to cost of products sold over the estimated useful life of the related asset. Royalties are expensed to cost of products sold in the consolidated statements of earnings when incurred.

Advertising

Costs associated with advertising are expensed as incurred and are included in SG&A expenses in the consolidated statements of earnings. Advertising expenses were $764 million in 2016, $704 million in 2015 and $665 million in 2014.

Pension and Other Post-Employment Benefits

AbbVie records annual expenses relating to its defined benefit pension and other post-employment plans based on calculations which utilize various actuarial assumptions, including discount rates, rates of return on assets, compensation increases, turnover rates and health care cost trend rates. AbbVie reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends. Actuarial gains and losses are deferred in accumulated other comprehensive loss (AOCI), net of tax and are amortized over the remaining service attribution periods of the employees under the corridor method. Differences between the expected long-term return on plan assets and the actual annual return are amortized to net periodic benefit cost over a five-year period.

Income Taxes

Income taxes are accounted for under the asset and liability method. Provisions for federal, state and foreign income taxes are calculated on reported pretax earnings based on current tax laws. Deferred taxes are provided using enacted tax rates on the future tax consequences of temporary differences, which are the differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and the tax benefits of carryforwards. A valuation allowance is established or maintained when, based on currently available information, it is more likely than not that all or a portion of a deferred tax asset will not be realized.

Cash and Equivalents

Cash and equivalents include money market funds and time deposits with original maturities of three months or less.

Investments

Investments consist primarily of time deposits, marketable debt securities, held-to-maturity debt securities and equity securities. Investments in marketable 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 AOCI on the consolidated balance sheets. Investments in equity securities that are not traded on public stock exchanges and held-to-maturity debt securities are recorded at cost.

AbbVie periodically assesses its investment securities for other-than-temporary impairment losses. This evaluation is based on a number of factors, including the length of time and the extent to which the fair value has been below the cost basis and adverse conditions related specifically to the security, including any changes to the credit rating of the security, intent to sell, or whether AbbVie will more likely than not be required to sell the security before recovery of its amortized cost basis. AbbVie also considers industry factors and general market trends. When AbbVie determines that an other than temporary decline has occurred, a cost basis investment is written down with a charge to other expense (income), net in the consolidated statements of earnings and an available-for-sale investment's unrealized loss is reclassified from AOCI to other expense (income), net in the consolidated statements of earnings. Realized gains and losses on sales of investments are computed using the first-in, first-out method adjusted for any other-than-temporary declines in fair value that were recorded in net earnings.

Accounts Receivable

Accounts receivable are stated at their net realizable value. The allowance against gross accounts receivable 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 written off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted. The allowance was $72 million at December 31, 2016 and $78 million at December 31, 2015.

Inventories

Inventories are valued at the lower of cost (first-in, first-out basis) or market. Cost includes material and conversion costs. Inventories consisted of the following:

as of December 31 (in millions)	2016	2015
Finished goods	$223	$469
Work-in-process	1,080	1,081
Raw materials	141	169
Inventories	$1,444	$1,719

Property and Equipment

as of December 31 (in millions)	2016	2015
Land	$46	$46
Buildings	1,344	1,284
Equipment	5,726	5,656
Construction in progress	410	348
Property and equipment, gross	7,526	7,334
Less accumulated depreciation	(4,922)	(4,769)
Property and equipment, net	$2,604	$2,565

Depreciation for property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets. The estimated useful life for buildings ranges from 10 to 50 years. Buildings include leasehold improvements which are amortized over the life of the related facility lease (including any renewal periods, if appropriate) or the asset, whichever is shorter. The estimated useful life for equipment ranges from 3 to 20 years. Equipment includes certain computer software and software development costs incurred in connection with developing or obtaining software for internal use and is amortized over 3 to 10 years. Depreciation expense was $425 million in 2016, $417 million in 2015 and $383 million in 2014. Assets related to capital leases were insignificant at December 31, 2016 and 2015.

Litigation and Contingencies

Loss contingency provisions are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. When a best estimate cannot be made, the minimum loss contingency amount in a probable range is recorded. Legal fees are expensed as incurred. AbbVie

accrues for product liability

claims, on an undiscounted basis. The liabilities are evaluated quarterly and adjusted if necessary as additional information becomes available. Receivables for insurance recoveries, if any, for product liability claims are recorded as assets, on an undiscounted basis, when it is probable that a recovery will be realized.

Business Combinations

AbbVie utilizes the acquisition method of accounting for business combinations. This method requires, among other things, that results of operations of acquired companies are included in AbbVie's results of operations beginning on the respective acquisition dates and that assets acquired and liabilities assumed are recognized at fair value as of the acquisition date. Any excess of the fair value of consideration transferred over the fair values of the net assets acquired is recognized as goodwill. Contingent consideration liabilities are recognized at the estimated fair value on the acquisition date. Subsequent changes to the fair value of contingent consideration liabilities are recognized in other expense (income), net in the consolidated statements of earnings. The fair value of assets acquired and liabilities assumed in certain cases may be subject to revision based on the final determination of fair value during a period of time generally not to exceed twelve months from the acquisition date. Legal costs, due diligence costs, business valuation costs and all other business acquisition costs are expensed when incurred.

Goodwill and Intangible Assets

Intangible assets acquired in a business combination are recorded at fair value using a discounted cash flow model. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, the cost of capital and terminal values of market participants. Definite-lived intangibles are amortized over their estimated useful lives using the estimated pattern of economic benefit. AbbVie reviews the recoverability of definite-lived intangible assets whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. AbbVie first compares the projected undiscounted cash flows to be generated by the asset to its carrying value. If the undiscounted cash flows of an intangible asset are less than the carrying value, the intangible asset is written down to its fair value. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest level for which cash flows are largely independent of the cash flows of other assets and liabilities.

Goodwill and indefinite-lived assets are not amortized, but are subject to an impairment review annually and more frequently when indicators of impairment exist. An impairment of goodwill could occur if the carrying amount of a reporting unit exceeded the fair value of that reporting unit. An impairment of Indefinite-lived intangible assets, which consist of capitalized IPR&D, would occur if the fair value of the IPR&D intangible asset is less than the carrying amount.

The company tests its goodwill for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying amount. If the company concludes it is more likely than not that the fair value of reporting unit is less than its carrying amount, a quantitative impairment test is performed.

AbbVie tests indefinite-lived intangible assets using a quantitative impairment test. For its quantitative impairment tests, the company uses an estimated future cash flow approach that requires significant judgment with respect to future volume, revenue and expense growth rates, changes in working capital use, future foreign currency exchange rates, the selection of an appropriate discount rate, asset groupings and other assumptions and estimates. The estimates and assumptions used are consistent with the company's business plans and a market participant's views of a company and similar companies. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the assets and potentially result in different impacts to the company's results of operations. Actual results may differ from the company's estimates.

Acquired In-Process Research and Development

In an asset acquisition, the initial costs of rights to IPR&D projects acquired are expensed as IPR&D in the consolidated statements of earnings 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. In a business combination, the fair value of IPR&D projects acquired are capitalized and accounted for as indefinite-lived intangible assets until the underlying project receives regulatory approval, at which point the intangible asset will be accounted for as a definite-lived intangible asset, or discontinuation, at which point the intangible asset will be written off. R&D costs incurred after the acquisition are expensed as incurred.

Foreign Currency Translation

Foreign subsidiary earnings are translated into U.S. dollars using average exchange rates. The net assets of foreign subsidiaries are translated into U.S. dollars using period-end exchange rates. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recognized in other comprehensive (loss) income (OCI) in the consolidated statements of comprehensive income. The net assets of subsidiaries in highly inflationary economies are

remeasured as if the functional currency were the reporting currency. The remeasurement is recognized in net foreign exchange loss in the consolidated statements of earnings.

Derivatives

All derivative instruments are recognized as either assets or liabilities at fair value on the consolidated balance sheets and are classified as current or long-term based on the scheduled maturity of the instrument.

For derivatives formally designated as hedges, the company assesses at inception and quarterly thereafter, whether the hedging derivatives are highly effective in offsetting changes in the fair value or cash flows of the hedged item. The changes in fair value of a derivative designated as a fair value hedge and of the hedged item attributable to the hedged risk are recognized in earnings immediately. The effective portions of changes in the fair value of a derivative designated as a cash flow hedge are reported in AOCI and are subsequently recognized in earnings consistent with the underlying hedged item. If it is determined that a derivative is no longer highly effective as a hedge, the company discontinues hedge accounting prospectively. If a hedged forecasted transaction becomes probable of not occurring, any gains or losses are reclassified from AOCI to earnings. Derivatives that are not designated as hedges are adjusted to fair value through current earnings.

The company also uses derivative instruments or foreign currency denominated debt to hedge its net investments in certain foreign subsidiaries and affiliates. Realized and unrealized gains and losses from these hedges are included in AOCI.

Derivative cash flows, with the exception of net investment hedges, are principally classified in the operating section of the consolidated statements of cash flows, consistent with the underlying hedged item. Cash flows related to net investment hedges are classified in the investing section of the consolidated statements of cash flows.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-9, Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs—Contracts with Customers (Subtopic 340-40). The amendments in this standard supersede most current revenue recognition requirements. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. AbbVie can apply the amendments using one of the following two methods: (i) retrospectively to each prior reporting period presented, or (ii) modified retrospectively with the cumulative effect of initially applying the amendments recognized at the date of initial application. This standard will be effective for AbbVie starting with the first quarter of 2018. Early application is permitted only for annual reporting periods beginning starting with the first quarter of 2017. AbbVie will adopt the standard effective the first quarter of 2018 and apply the amendments using the modified retrospective method. AbbVie's revenues are primarily comprised of product sales. AbbVie is currently assessing the impact of adopting this guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The standard requires several targeted changes including that equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) be measured at fair value with changes in fair value recognized in net earnings. These provisions will not impact the accounting for AbbVie's investments in debt securities. The new guidance also changes certain disclosure requirements and other aspects of current U.S. GAAP. Amendments are to be applied as a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. This standard will be effective for AbbVie starting with the first quarter of 2018. The standard does not permit early adoption with the exception of certain targeted provisions. AbbVie is currently assessing the impact of adopting this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU 2016-02 outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new standard requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The new standard must be adopted using the modified retrospective approach and will be effective for AbbVie starting with the first

quarter of 2019. Early adoption is permitted. AbbVie is currently assessing the impact and timing of adopting this guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. Under the new guidance, excess tax benefits associated with share-based awards will be recognized in the statement of earnings when the awards vest or settle, rather than in stockholders' equity. The standard also permits entities to make a policy election to account for forfeitures as they occur and clarifies the statement of cash flows presentation for certain components of share-based awards. AbbVie will adopt the standard effective the first quarter of 2017 with any adjustments reflected as of the beginning of the fiscal year of adoption. AbbVie cannot predict the

impact of adopting this standard as it will be dependent upon several unknown factors including when employees exercise stock options and the company's stock price at settlement date. However, based on historical trends, AbbVie does not believe the adoption will have a material impact on the company's consolidated financial statements.
In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326). The standard changes how credit losses are measured for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, the standard requires the use of a new forward-looking "expected credit loss" model that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, the standard now requires allowances to be recorded instead of reducing the amortized cost of the investment. The standard additionally requires new disclosures and will be effective for AbbVie starting with the first quarter of 2020. Early adoption beginning in the first quarter of 2019 is permitted. With certain exceptions, adjustments are to be applied using a modified-retrospective approach by reflecting adjustments through a cumulative-effect impact to retained earnings as of the beginning of the fiscal year of adoption. AbbVie is currently assessing the impact and timing of adopting this guidance on its consolidated financial statements.
In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740). The new standard requires entities to recognize the income tax consequences of an intercompany transfer of an asset other than inventory when the transfer occurs. Under current U.S. GAAP, the income tax consequences of these intercompany asset transfers are deferred until the asset is sold to a third party or otherwise recovered through use. The standard will be effective for AbbVie starting with the first quarter of 2018. Early adoption is permitted as of the beginning of an annual period. Adjustments for this update are to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings with any adjustments reflected as of the beginning of the fiscal year of adoption. AbbVie is currently assessing the impact and timing of adopting this guidance on its consolidated financial statements. As of December 31, 2016, AbbVie had approximately $1.9 billion of prepaid income tax assets that will be affected by this standard, of which $1.4 billion was included in prepaid expenses and other on the consolidated balance sheet.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The standard provides clarifying guidance to assist in the evaluation of whether transactions are treated as business combinations or asset acquisitions. AbbVie will early adopt the standard starting with the first quarter of 2017. The ASU will be applied prospectively to any transactions occurring after adoption.

Note 3 Supplemental Financial Information

Interest Expense, Net

years ended December 31 (in millions)	2016	2015	2014
Interest expense	$1,047	$719	$429
Interest income	(82)	(33)	(38)
Interest expense, net	$965	$686	$391

Accounts Payable and Accrued Liabilities

as of December 31 (in millions)	2016	2015
Sales rebates	$2,887	$2,355
Accounts payable	1,407	1,597
Dividends payable	1,028	924
Salaries, wages and commissions	644	632
Royalty and license arrangements	434	411
Other	2,979	2,544
Accounts payable and accrued liabilities	$9,379	$8,463

Other Long-Term Liabilities

as of December 31 (in millions)	2016	2015
Contingent consideration	$3,941	$—
Pension and other post-employment benefits	2,085	1,949
Liabilities for unrecognized tax benefits	1,166	902
Other	1,160	844
Other long-term liabilities	$8,352	$3,695

Note 4 Earnings Per Share

AbbVie grants certain shares of restricted stock awards (RSAs) and restricted stock units (RSUs) that are considered to be participating securities. Due to the presence of participating securities, AbbVie calculates earnings per share (EPS) using the more dilutive of the treasury stock or the two-class method. For all periods presented, the two-class method was more dilutive.

The following table summarizes the impact of the two-class method:

	Years ended December 31,		
(in millions, except per share information)	2016	2015	2014
Basic EPS			
Net earnings	$5,953	$5,144	$1,774
Earnings allocated to participating securities	30	26	9
Earnings available to common shareholders	$5,923	$5,118	$1,765
Weighted-average basic shares outstanding	1,622	1,625	1,595
Basic earnings per share	$3.65	$3.15	$1.11
Diluted EPS			
Net earnings	$5,953	$5,144	$1,774
Earnings allocated to participating securities	30	26	9
Earnings available to common shareholders	$5,923	$5,118	$1,765
Weighted-average shares of common stock outstanding	1,622	1,625	1,595
Effect of dilutive securities	9	12	15
Weighted-average diluted shares outstanding	1,631	1,637	1,610
Diluted earnings per share	$3.63	$3.13	$1.10

As further described in Note 12, in both 2016 and 2015, AbbVie entered into and executed an accelerated share repurchase agreement (ASR) with third party financial institutions. For purposes of calculating EPS, AbbVie reflected the ASR as a repurchase of AbbVie common stock in the relevant periods.

Certain shares issuable under stock-based compensation plans were excluded from the computation of EPS because the effect would have been antidilutive. The number of common shares excluded was insignificant for all periods presented.

Note 5 Licensing, Acquisitions and Other Arrangements

Acquisition of Stemcentrx

On June 1, 2016, AbbVie acquired all of the outstanding equity interests in Stemcentrx, a privately-held biotechnology company. The transaction expands AbbVie’s oncology pipeline by adding the late-stage asset rovalpituzumab tesirine (Rova-T), four additional early-stage clinical compounds in solid tumor indications and a significant portfolio of pre-clinical assets. Rova-T is currently in registrational trials for small cell lung cancer.

The acquisition of Stemcentrx has been accounted for as a business combination using the acquisition method of accounting. The aggregate upfront consideration for the acquisition of Stemcentrx consisted of approximately 62.4 million shares of AbbVie common stock, issued from common stock held in treasury, and cash. AbbVie may make up to $4.0 billion in additional payments upon the achievement of certain development and regulatory milestones. The acquisition-date fair value of this contingent consideration totaled $620 million and was estimated using a combination of probability-weighted discounted cash flow models and Monte Carlo simulation models. The estimate was based on significant inputs that are not observable in the market, referred to as Level 3 inputs, as described in more detail in Note 10. The following table summarizes total consideration:

(in millions)	
Cash	$1,883
Fair value of AbbVie common stock	3,923
Contingent consideration	620
Total consideration	$6,426

The following table summarizes fair values of assets acquired and liabilities assumed as of the June 1, 2016 acquisition date:

(in millions)	
Assets acquired and liabilities assumed	
Accounts receivable	$1
Prepaid expenses and other	7
Property and equipment	17
Intangible assets - Indefinite-lived research and development	6,100
Accounts payable and accrued liabilities	(31)
Deferred income taxes	(1,933)
Other long-term liabilities	(7)
Total identifiable net assets	4,154
Goodwill	2,272
Total assets acquired and liabilities assumed	$6,426

Intangible assets related to IPR&D for Rova-T, four additional early-stage clinical compounds in solid tumor indications and several additional pre-clinical compounds. The estimated fair value of the acquired IPR&D was determined using the multi-period excess earnings model of the “income approach,” which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of those asset valuations include the estimated annual cash flows for each asset or product (including net revenues, cost of sales, R&D costs, selling and marketing costs and working capital/contributory asset charges), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset’s life cycle, the regulatory approval probabilities, commercial success risks, competitive landscape, as well as other factors.

The goodwill recognized from the acquisition of Stemcentrx represents expected synergies, including the ability to: (i) leverage the respective strengths of each business; (ii) expand the combined company’s product portfolio; (iii) accelerate AbbVie's clinical and commercial presence in oncology; and (iv) establish a strong leadership position in oncology and was impacted by the establishment of a deferred tax liability for the acquired identifiable intangible assets which have no tax basis. The goodwill is not deductible for tax purposes.

Subsequent to the acquisition date, the company made certain measurement period adjustments including a refinement of the discount rate assumption, to increase the fair value of consideration transferred by $273 million and made measurement period adjustments to the preliminary purchase price allocation, including: (i) an increase to indefinite-lived research and development intangible assets of $330 million; (ii) an increase to deferred income tax liabilities of $78 million; and (iii) an increase to goodwill of $21 million. These measurement period adjustments have been reflected in the tables above. The company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date. These adjustments did not have a significant impact on AbbVie's results of operations. In the fourth quarter of 2016, the company finalized its valuation of the acquisition date assets acquired and liabilities assumed.

Following the acquisition date, the operating results of Stemcentrx have been included in the company's financial statements. AbbVie’s consolidated statement of earnings for the year ended December 31, 2016 included no net revenues and an operating loss of $165 million associated with Stemcentrx's operations. This operating loss included $43 million of post-acquisition stock-based compensation expense for Stemcentrx options and excluded interest expense and certain acquisition costs.

Pro Forma Financial Information

The following table presents the unaudited pro forma combined results of operations of AbbVie and Stemcentrx for the years ended December 31, 2016 and 2015 as if the acquisition of Stemcentrx had occurred on January 1, 2015:

	Years ended December 31,	
(in millions, except per share information)	2016	2015
Net revenues	$25,641	$22,869
Net earnings	5,907	4,894
Basic earnings per share	$3.58	$2.90
Diluted earnings per share	$3.56	$2.88

The unaudited pro forma financial information was prepared using the acquisition method of accounting and was based on the historical financial information of AbbVie and Stemcentrx. In order to reflect the occurrence of the acquisition on January 1, 2015 as required, the unaudited pro forma financial information includes adjustments to reflect the additional interest expense associated with the issuance of debt to finance the acquisition and the reclassification of acquisition, integration and financing-related costs incurred during the year ended December 31, 2016 to the year ended December 31, 2015. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations would have been had the acquisition been completed on January 1, 2015. In addition, the unaudited pro forma financial information is not a projection of the future results of operations of the combined company nor does it reflect the expected realization of any cost savings or synergies associated with the acquisition.

Acquisition of BI 655066 and BI 655064 from Boehringer Ingelheim

On April 1, 2016, AbbVie acquired all rights to risankizumab (BI 655066), an anti-IL-23 monoclonal biologic antibody in Phase 3 development for psoriasis, from Boehringer Ingelheim (BI) pursuant to a global collaboration agreement. AbbVie is also evaluating the potential of this biologic therapy in Crohn’s disease, psoriatic arthritis and asthma. In addition to risankizumab, AbbVie also gained rights to an anti-CD40 antibody, BI 655064, currently in Phase 1 development. BI will retain responsibility for further development of BI 655064 and AbbVie may elect to advance the program after completion of certain clinical achievements. The acquired assets include all patents, data, know-how, third-party agreements, regulatory filings and manufacturing technology related to BI 655066 and BI 655064.

The company concluded that the acquired assets met the definition of a business and accounted for the transaction as a business combination using the acquisition method of accounting. Under the terms of the agreement, AbbVie made an upfront payment of $595 million. $18 million of additional payments to BI pursuant to a contractual obligation to reimburse BI for certain development costs it incurred prior to the acquisition date were deferred. In addition, AbbVie may make additional contingent payments upon the achievement of defined development, regulatory and commercial milestones, as well as royalty payments based on net revenues of licensed products. The maximum aggregate amount payable for development and regulatory milestones is approximately $1.6 billion. The acquisition-date fair value of these milestones was $606 million. In addition, the acquisition-date fair value of contingent royalty payments was $2.8 billion. The potential contingent consideration payments were estimated by applying a probability-weighted expected payment model for contingent milestone payments and a Monte Carlo simulation model for contingent royalty payments, which were then discounted to present value. The fair value measurements were based on Level 3 inputs. The following table summarizes total consideration:

(in millions)	
Cash	$595
Deferred consideration payable	18

Contingent consideration	3,365
Total consideration	$3,978

The following table summarizes fair values of assets acquired as of the April 1, 2016 acquisition date:

(in millions)	
Assets acquired	
Identifiable intangible assets - Indefinite-lived research and development	$3,890
Goodwill	88
Total assets acquired	$3,978

The estimated fair value of the acquired IPR&D was determined using the multi-period excess earnings model of the "income approach." The goodwill recognized from this acquisition includes expected synergies, including an expansion of the combined company's immunology product portfolio.

Subsequent to the acquisition date, the company made a measurement period adjustment to decrease the fair value of consideration transferred by $397 million and made measurement period adjustments to the preliminary purchase price allocation, including: (i) a decrease to indefinite-lived research and development intangible assets of $460 million; and (ii) an increase to goodwill of $63 million. These measurement period adjustments have been reflected in the tables above. The company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date. In the fourth quarter of 2016, the company finalized its valuation of the acquisition date assets acquired.

Pro forma results of operations for this acquisition have not been presented because this acquisition is insignificant to AbbVie's consolidated results of operations.

Acquisition of Pharmacyclics

On May 26, 2015, AbbVie acquired Pharmacyclics, a biopharmaceutical company that develops and commercializes novel therapies for people impacted by cancer. Pharmacyclics markets IMBRUVICA® (ibrutinib), a Bruton's tyrosine kinase (BTK) inhibitor, targeting B-cell malignancies.

The acquisition of Pharmacyclics was accounted for as a business combination using the acquisition method of accounting. The total consideration for the acquisition of Pharmacyclics consisted of cash and approximately 128 million shares of AbbVie common stock and is summarized as follows:

(in millions)	
Cash	$12,365
Fair value of AbbVie common stock	8,405
Total consideration	$20,770

The following table summarizes the fair values of assets acquired and liabilities assumed as of the May 26, 2015 acquisition date:

(in millions)	
Assets acquired and liabilities assumed	
Cash and equivalents	$877
Short-term investments	11
Accounts receivable	106
Inventories	492
Other assets	212
Intangible assets	
Definite-lived developed product rights	4,590
Definite-lived license agreements	6,780
Indefinite-lived research and development	7,180
Accounts payable and accrued liabilities	(381)
Deferred income taxes	(6,453)
Other long-term liabilities	(254)
Total identifiable net assets	13,160
Goodwill	7,610
Total assets acquired and liabilities assumed	$20,770

The amortization of the fair market value step-up for acquired inventory was included in cost of products sold and R&D in the consolidated statements of earnings. The related amortization was $274 million in 2016 and $113 million in 2015.

Intangible assets relate to the IMBRUVICA developed product rights, IPR&D in the United States related to additional indications for IMBRUVICA and the contractual rights to IMBRUVICA profits and losses outside the United States as a result of the collaboration agreement with Janssen Biotech, Inc. and its affiliates (Janssen), one of the Janssen Pharmaceutical companies of Johnson & Johnson. See Note 6 for additional information regarding the collaboration with Janssen. The acquired definite-lived intangible assets are being amortized over a weighted-average estimated useful life of 12 years using the estimated pattern of economic benefit. The estimated fair value of the IPR&D and identifiable intangible assets was determined using the "income approach."

The goodwill recognized from the acquisition of Pharmacyclics includes expected synergies, including the ability to leverage the respective strengths of each business, expanding the combined company's product portfolio, acceleration of clinical and commercial presence in oncology and establishment of a strong leadership position in hematological oncology. The goodwill is not deductible for tax purposes.

In the second quarter of 2016, the company finalized its valuation of the acquisition date assets acquired and liabilities assumed. There were no measurement period adjustments in 2016.

From the acquisition date through December 31, 2015, AbbVie's 2015 consolidated statement of earnings included net revenues of $774 million and an operating loss of $519 million associated with Pharmacyclics' operations. The operating loss included $346 million of acquisition-related compensation expense, $261 million of inventory step-up and intangible asset amortization and $100 million of transaction and integration costs. Of these costs, $294 million was recorded within SG&A expenses, $152 million within R&D expense and $261 million within cost of products sold in the 2015 consolidated statement of earnings.

Pro Forma Financial Information

The following table presents the unaudited pro forma combined results of operations of AbbVie and Pharmacyclics for 2015 and 2014 as if the acquisition of Pharmacyclics had occurred on January 1, 2014:

years ended December 31 (in millions, except per share information)	2015	2014
Net revenues	$23,215	$20,690
Net earnings	5,345	812
Basic earnings per share	$3.18	$0.47
Diluted earnings per share	$3.16	$0.47

The unaudited pro forma financial information was prepared using the acquisition method of accounting and was based on the historical financial information of AbbVie and Pharmacyclics. In order to reflect the occurrence of the acquisition on January 1, 2014 as required, the unaudited pro forma financial information includes adjustments to reflect the incremental amortization expense to be incurred based on the fair values of the identifiable intangible assets acquired; the incremental cost of products sold related to the fair value adjustments associated with the acquisition-date inventory; the additional interest expense associated with the issuance of debt to finance the acquisition; and the reclassification of acquisition, integration and financing-related costs incurred during the year ended December 31, 2015 to the year ended December 31, 2014. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations would have been had the acquisition been completed on January 1, 2014. In addition, the unaudited pro forma financial information is not a projection of the future results of operations of the combined company nor does it reflect the expected realization of any cost savings or synergies associated with the acquisition.

Other Licensing & Acquisitions Activity

Excluding the acquisitions above, cash outflows related to other acquisitions and investments totaled $262 million in 2016, $964 million in 2015 and $622 million in 2014. AbbVie recorded IPR&D charges of $200 million in 2016, $150 million in 2015 and $352 million in 2014. In 2014, AbbVie also recorded other operating expenses of $750 million related to the collaboration with Calico Life Sciences LLC (Calico). Significant arrangements impacting 2016, 2015 and 2014, some of which require contingent milestone payments, are summarized below.

C_2N Diagnostics

In March 2015, AbbVie entered into an exclusive worldwide license agreement with C_2N Diagnostics (C_2N) to develop and commercialize anti-tau antibodies for the treatment of Alzheimer's disease and other neurological disorders. As part of the agreement, AbbVie made an initial upfront payment of $100 million, which was expensed to IPR&D in 2015. In 2016, AbbVie made an additional payment of $35 million, which was recorded in R&D expense, due to the achievement of a development milestone under the license agreement. Upon the achievement of certain development, regulatory and commercial milestones, AbbVie could make additional payments of up to $650 million, as well as royalties on net revenues.

Calico Life Sciences LLC

In September 2014, AbbVie and Calico entered into a novel R&D collaboration agreement to discover, develop and commercialize new therapies for patients with age-related diseases, including neurodegeneration and cancer. In 2014, AbbVie recorded $750 million in other operating expense in the consolidated statement of earnings related to its commitments under the agreement of which $250 million was paid in 2014 and $500 million was paid in early 2015. Calico is responsible for research and early development during the first five years and will continue to advance collaboration projects through Phase 2a for a 10 year period. AbbVie will have the option to exclusively license collaboration compounds after completion of Phase 2a. AbbVie will support Calico in its early R&D efforts and, upon option exercise, would be responsible for all late-stage development and commercial activities. Collaboration costs and profits will be shared equally by both companies post option exercise.

Infinity Pharmaceuticals, Inc.

In September 2014, AbbVie entered into a global collaboration agreement with Infinity Pharmaceuticals, Inc. (Infinity) to develop and commercialize duvelisib (IPI-145) for the treatment of patients with cancer. As part of the agreement, AbbVie made an initial upfront payment of $275 million, which was expensed to IPR&D in the third quarter of 2014. In 2015, AbbVie made an additional payment of $130 million, which was recorded in R&D expense in the consolidated statement of earnings, due to the achievement of a development milestone under the collaboration agreement. In June 2016, AbbVie exercised its right to end its global collaboration with Infinity. Pursuant to the terms of the global collaboration agreement, the worldwide rights to duvelisib reverted to Infinity.

Other Arrangements

In addition to the significant arrangements described above, AbbVie entered into several other arrangements resulting in charges to IPR&D of $200 million in 2016, $50 million in 2015 and $77 million in 2014. In connection with the other individually insignificant early stage arrangements entered into in 2016, AbbVie could make additional payments of up to $2.6 billion upon the achievement of certain development, regulatory and commercial milestones.

Other Activity

Priority Review Voucher (PRV)

In August 2015, AbbVie entered into an agreement to purchase a rare pediatric disease PRV from a third party. The PRV entitles AbbVie to receive an FDA priority review of a single New Drug Application or Biologics License Application, which reduces the target review time and could lead to an expedited approval. In exchange for the PRV, AbbVie made a payment of $350 million, which was recorded in R&D expense in the consolidated statement of earnings and as an operating cash outflow in the consolidated statement of cash flows for 2015. AbbVie intends to use the PRV for an existing R&D project.

Termination of Proposed Combination with Shire

On October 15, 2014, AbbVie's board of directors withdrew its previous recommendation to AbbVie stockholders in favor of a proposed combination with Shire and recommended stockholders vote against the proposed combination. On October 20, 2014, AbbVie and Shire mutually agreed to terminate the proposed combination. In 2014, the company incurred transaction and financing-related costs totaling $1.8 billion, of which $1.7 billion was recorded in SG&A expenses and $141 million was recorded in interest expense, net in the consolidated statement of earnings. Included in SG&A expenses was a break fee of $1.6 billion, which was tax deductible, paid by AbbVie to Shire in October 2014 as a result of the termination of the proposed combination. In addition, the company recorded $666 million of net foreign exchange losses primarily due to undesignated forward contracts that were entered into to hedge anticipated foreign currency cash outflows associated with the terminated proposed combination with Shire and the exit of certain foreign currency positions. The forward contracts were settled in 2014. In the first quarter of 2015, AbbVie recorded additional foreign exchange losses of $170 million to reflect the completed liquidation of its remaining foreign currency positions.

Note 6 Collaboration with Janssen Biotech, Inc.

In December 2011, Pharmacyclics entered into a worldwide collaboration and license agreement with Janssen for the joint development and commercialization of IMBRUVICA, a novel, orally active, selective covalent inhibitor of BTK and certain compounds structurally related to IMBRUVICA, for oncology and other indications, excluding all immune and inflammatory mediated diseases or conditions and all psychiatric or psychological diseases or conditions, in the United States and outside the United States.

The collaboration provides Janssen with an exclusive license to commercialize IMBRUVICA outside of the United States and co-exclusively with AbbVie in the United States. Both parties are responsible for the development, manufacturing and marketing of any products generated as a result of the collaboration. The collaboration has no set duration or specific expiration date and provides for potential future development, regulatory and approval milestone payments of up to $200 million to AbbVie.

Janssen is responsible for and has exclusive rights to commercialize IMBRUVICA outside the United States. While both parties have co-exclusive rights to commercialize the products in the United States, AbbVie is the principal in the end customer product sales. For sales of IMBRUVICA in the United States, revenues are included in net revenues.

AbbVie and Janssen share pre-tax profits and losses equally from the commercialization of products. Amounts payable to AbbVie by Janssen for IMBRUVICA collaboration profits outside the United States are included in net revenues. Amounts payable to Janssen by AbbVie for IMBRUVICA collaboration profits in the United States are included in cost of products sold. The

collaboration also includes a cost sharing arrangement for associated collaboration activities. Except in certain cases, in general, Janssen is responsible for approximately 60% of collaboration development costs and AbbVie is responsible for the remaining 40% of collaboration development costs. Operating expenses for costs incurred under the collaboration are reported in their respective expense line items, net of any payments due to or reimbursements due from Janssen.

The following table shows the profit and cost sharing relationship between Janssen and AbbVie:

	Twelve months ended December 31,	
(in millions)	2016	2015
Collaboration revenues - International	$252	$95
AbbVie profit share costs - United States	735	306
AbbVie's share of cost sharing expenses	262	159

Note 7 Goodwill and Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amount of goodwill:

(in millions)	
Balance as of December 31, 2014	$5,862
Additions (see Note 5)	7,610
Foreign currency translation and other adjustments	(304)
Balance as of December 31, 2015	13,168
Additions (see Note 5)	2,360
Foreign currency translation and other adjustments	(112)
Balance as of December 31, 2016	$15,416

The latest impairment assessment of goodwill was completed in the third quarter of 2016. As of December 31, 2016, there were no accumulated goodwill impairment losses. Future impairment tests for goodwill will be performed annually in the third quarter, or earlier if impairment indicators exist.

Intangible Assets, Net

The following table summarizes intangible assets:

	2016			2015		
as of December 31 (in millions)	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangible assets						
Developed product rights	$16,464	$ (4,256)	$12,208	$9,103	$ (3,944)	$5,159
License agreements	7,809	(1,110)	6,699	8,000	(1,023)	6,977
Total definite-lived intangible assets	24,273	(5,366)	18,907	17,103	(4,967)	12,136
Indefinite-lived research and development	9,990	—	9,990	7,573	—	7,573
Total intangible assets, net	$34,263	$ (5,366)	$28,897	$24,676	$ (4,967)	$19,709

Intangible assets with finite useful lives are amortized over their estimated useful lives, which range between 2 to 16 years with an average of 12 years for developed product rights and 11 years for license agreements. In 2016, AbbVie reclassified an aggregate $7.6 billion of indefinite-lived research and development intangible assets to

developed product rights and license agreements intangible assets upon receiving certain regulatory approvals related to IMBRUVICA and ZINBRYTA. These intangible assets will be amortized over their estimated useful lives using the estimated pattern of economic

benefit. Additionally, in 2016, AbbVie reduced both the gross carrying amount and accumulated amortization by $396 million for certain developed product rights and license agreements that are fully amortized and no longer generating cash flows.

Amortization expense was $764 million in 2016, $419 million in 2015 and $403 million in 2014 and was included in cost of products sold in the consolidated statements of earnings. The anticipated annual amortization expense for definite lived intangible assets recorded as of December 31, 2016 is as follows:

(in billions)	2017	2018	2019	2020	2021
Anticipated annual amortization expense	$1.1	$1.3	$1.6	$1.8	$2.0

In the first quarter of 2016, an impairment charge of $39 million was recorded related to certain developed product rights in the United States due to a decline in the market for the product. In 2015, no intangible asset impairment charges were recorded. In the third quarter of 2014, an impairment charge of $37 million was recorded related to certain on-market product rights in Japan due to increased generic competition. The 2016 and 2014 impairment charges were based on discounted cash flow analyses and were included in cost of products sold in the consolidated statements of earnings.

The indefinite-lived intangible assets represent acquired IPR&D associated with products that have not yet received regulatory approval. Indefinite-lived intangible assets as of December 31, 2016 primarily related to the acquisition of Stemcentrx and BI compounds. Indefinite-lived intangible assets as of December 31, 2015 primarily related to the acquisition of Pharmacyclics. See Note 5 for additional information. The latest impairment assessment of intangible assets not subject to amortization was completed in the third quarter of 2016. No impairment charges were recorded in 2016 and 2015 and those recorded in 2014 were insignificant. Future impairment tests for indefinite-lived intangible assets will be performed annually in the third quarter, or earlier if impairment indicators exist.

Note 8 Restructuring Plans

AbbVie continuously evaluates its operations to identify opportunities to optimize its manufacturing and R&D operations, commercial infrastructure and administrative costs and to respond to changes in its business environment, for example, in conjunction with the loss and expected loss of exclusivity of certain products. As a result, AbbVie management periodically approves individual restructuring plans to achieve these objectives. In 2016, 2015 and 2014, no such plans were individually significant. Restructuring charges recorded were $52 million in 2016, $138 million in 2015 and $23 million in 2014 and were primarily related to employee severance and contractual obligations. These charges were recorded in cost of products sold, R&D expense and SG&A expenses in the consolidated statements of earnings based on classification of the affected employees or operations.

The following summarizes the cash activity in the restructuring reserve for 2016, 2015 and 2014:

(in millions)	
Accrued balance at December 31, 2013	$191
2014 restructuring charges	16
Payments and other adjustments	(85)
Accrued balance at December 31, 2014	122
2015 restructuring charges	126
Payments and other adjustments	(100)
Accrued balance at December 31, 2015	148
2016 restructuring charges	52
Payments and other adjustments	(113)
Accrued balance at December 31, 2016	$87

Note 9 Debt, Credit Facilities and Commitments and Contingencies

The following is a summary of long-term debt:

as of December 31 (in millions)	Effective interest rate in 2016[a]	2016	Effective interest rate in 2015[a]	2015
Senior notes issued in 2012:				
1.75% notes due 2017	1.86 %	$—	1.86 %	$4,000
2.00% notes due 2018	2.15 %	1,000	2.15 %	1,000
2.90% notes due 2022	2.97 %	3,100	2.97 %	3,100
4.40% notes due 2042	4.46 %	2,600	4.46 %	2,600
Senior notes issued in 2015:				
1.80% notes due 2018	1.92 %	3,000	1.92 %	3,000
2.50% notes due 2020	2.65 %	3,750	2.65 %	3,750
3.20% notes due 2022	3.28 %	1,000	3.28 %	1,000
3.60% notes due 2025	3.66 %	3,750	3.66 %	3,750
4.50% notes due 2035	4.58 %	2,500	4.58 %	2,500
4.70% notes due 2045	4.73 %	2,700	4.73 %	2,700
Senior notes issued in 2016:				
2.30% notes due 2021	2.40 %	1,800	— %	—
2.85% notes due 2023	2.91 %	1,000	— %	—
3.20% notes due 2026	3.28 %	2,000	— %	—
4.30% notes due 2036	4.37 %	1,000	— %	—
4.45% notes due 2046	4.50 %	2,000	— %	—
Senior Euro notes issued in 2016:				
0.38% notes due 2019 (€1,400 principal)	0.55 %	1,464	— %	—
1.38% notes due 2024 (€1,450 principal)	1.46 %	1,516	— %	—
2.13% notes due 2028 (€750 principal)	2.18 %	784	— %	—
Term loan facilities:				
Floating rate notes due 2016	— %	—	1.23 %	2,000
Floating rate notes due 2018	1.64 %	2,000	1.38 %	2,000
Other	— %	113	— %	139
Fair value hedges	— %	(338)	— %	(72)
Unamortized bond discounts	— %	(110)	— %	(85)
Unamortized deferred financing costs	— %	(164)	— %	(117)
Total long-term debt and lease obligations		36,465		31,265
Current portion		25		2,025
Noncurrent portion		$36,440		$29,240

(a) Excludes the effect of any related interest rate swaps.

In November 2016, the company issued €3.6 billion aggregate principal amount of unsecured senior Euro notes. These senior notes rank equally with all other unsecured and unsubordinated indebtedness of the company. AbbVie may redeem the senior notes prior to maturity at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium. AbbVie may redeem the senior notes at par between one and three months prior to maturity. In connection with the offering, debt issuance costs totaled $17 million and debt discounts incurred totaled $9 million and are being amortized over the respective terms of the notes to interest expense, net in the

consolidated statements of earnings. The company used the proceeds to redeem $4.0 billion aggregate principal amount of 1.75% senior notes due to mature in November 2017. As a result of this redemption, the company incurred a charge of $39 million ($25 million after tax) related to

the make-whole premium, write-off of unamortized debt issuance costs and other expenses. The charge was recorded in interest expense, net in the consolidated statement of earnings.

In May 2016, the company issued $7.8 billion aggregate principal amount of unsecured senior notes. These senior notes rank equally with all other unsecured and unsubordinated indebtedness of the company. AbbVie may redeem the senior notes prior to maturity at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium. AbbVie may redeem the senior notes at par between one and six months prior to maturity. In connection with the offering, debt issuance costs totaled $52 million and debt discounts incurred totaled $29 million and are being amortized over the respective terms of the notes to interest expense, net in the consolidated statements of earnings. Of the $7.7 billion net proceeds, $2.0 billion was used to repay the company’s outstanding term loan that was due to mature in November 2016, approximately $1.9 billion was used to finance the acquisition of Stemcentrx and approximately $3.8 billion was used to finance an ASR with a third party financial institution. See Note 5 for additional information related to the acquisition of Stemcentrx and Note 12 for additional information related to the ASR.

In September 2015, AbbVie entered into a $2.0 billion three-year term loan credit agreement and a $2.0 billion 364-day term loan credit agreement (collectively, the term loan facilities). In November 2015, AbbVie drew on these term loan facilities and used the proceeds to refinance its $4.0 billion of senior notes that matured in November 2015. In connection with the May 2016 unsecured senior notes issuance, AbbVie repaid the 364-day term loan credit agreement. The borrowings under the term loan facilities bear interest at variable rates which are adjusted based on AbbVie's public debt ratings.

In May 2015, the company issued $16.7 billion aggregate principal amount of unsecured senior notes. The senior notes rank equally with all other unsecured and unsubordinated indebtedness of the company. AbbVie may redeem the senior notes prior to maturity at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium and, except for the 1.80% notes due 2018, AbbVie may redeem the senior notes at par between one and six months prior to maturity. Debt issuance costs incurred in connection with the offering totaled $93 million and are being amortized over the respective terms of the senior notes to interest expense, net in the consolidated statements of earnings. Approximately $11.5 billion of the net proceeds from the issuance of the senior notes were used to finance the acquisition of Pharmacyclics and approximately $5.0 billion of the net proceeds were used to finance an ASR with a third party financial institution. See Note 5 for additional information related to the acquisition of Pharmacyclics and Note 12 for additional information related to the ASR.

In March 2015, AbbVie entered into an $18.0 billion bridge loan in support of the then planned acquisition of Pharmacyclics. No amounts were drawn under the bridge loan, which was terminated as a result of the company's May 2015 senior notes issuance. Interest expense, net in 2015 includes $86 million of costs related to the bridge loan.

AbbVie has outstanding $6.7 billion aggregate principal amount of unsecured senior notes which were issued in 2012. AbbVie may redeem all of the senior notes of each series, at any time, or some of the senior notes of each series, from time to time, at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium.

At December 31, 2016, the company was in compliance with its senior note covenants and term loan covenants.

Short-Term Borrowings

Short-term borrowings included commercial paper borrowings of $377 million at December 31, 2016 and $400 million at December 31, 2015. The weighted-average interest rate on short-term borrowings was 0.6% in 2016, 0.3% in 2015 and 0.2% in 2014.

In October 2014, AbbVie entered into a $3.0 billion five-year revolving credit facility, which matures in October 2019. The revolving credit facility enables the company to borrow funds on an unsecured basis at variable interest rates and contains various covenants. At December 31, 2016, the company was in compliance with all its credit facility covenants. Commitment fees under AbbVie's revolving credit facilities were insignificant in 2016, 2015 and 2014. No amounts were outstanding under the credit facility as of December 31, 2016 and December 31, 2015.

Maturities of Long-Term Debt and Capital Lease Obligations

The following table summarizes AbbVie's future minimum lease payments under non-cancelable operating leases, debt maturities and future minimum lease payments for capital lease obligations as of December 31, 2016:

as of and for the years ending December 31 (in millions)	Operating leases	Debt maturities and capital leases
2017	$ 131	$ 25
2018	116	6,023
2019	106	1,480
2020	95	3,760
2021	77	1,802
Thereafter	449	23,987
Total obligations and commitments	974	37,077
Fair value hedges, unamortized bond discounts and deferred financing costs	—	(612)
Total debt and lease obligations	$ 974	$ 36,465

Lease expense was $159 million in 2016, $146 million in 2015 and $115 million in 2014. AbbVie's operating leases generally include renewal options and provide for the company to pay taxes, maintenance, insurance and other operating costs of the leased property. As of December 31, 2016, annual future minimum lease payments for capital lease obligations are insignificant.

Contingencies and Guarantees

In connection with the separation, AbbVie has indemnified Abbott for all liabilities resulting from the operation of AbbVie's business other than income tax liabilities with respect to periods prior to the distribution date and other liabilities as agreed to by AbbVie and Abbott. AbbVie has no material exposures to off-balance sheet arrangements and no special-purpose entities. In the ordinary course of business, AbbVie has periodically entered into third-party agreements, such as the assignment of product rights, which have resulted in AbbVie becoming secondarily liable for obligations for which AbbVie had previously been primarily liable. Based upon past experience, the likelihood of payments under these agreements is remote. AbbVie periodically acquires a business or product rights in which AbbVie agrees to pay contingent consideration based on attaining certain thresholds or based on the occurrence of certain future events.

Note 10 Financial Instruments and Fair Value Measures

Risk Management Policy

The company is exposed to foreign currency exchange rate and interest rate risks related to its business operations. AbbVie's hedging policy attempts to manage these risks to an acceptable level based on the company's judgment of the appropriate trade-off between risk, opportunity and costs. The company uses derivative and nonderivative instruments to reduce its exposure to foreign currency exchange rates. AbbVie is also exposed to the risk that its earnings and cash flows could be adversely impacted by fluctuations in interest rates and periodically enters into interest rate swaps, in which the company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional amount. Derivative instruments are not used for trading purposes or to manage exposure to changes in interest rates for investment securities and none of the company's outstanding derivative instruments contain credit risk related contingent features; collateral is generally not required.

Financial Instruments

Various AbbVie foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany transactions denominated in a currency other than the functional currency of the local entity. These contracts, with notional amounts totaling $2.2 billion at December 31, 2016 and $1.5 billion at December 31, 2015 are designated as cash flow hedges and are recorded at fair value. The

durations of these forward exchange contracts were generally less than eighteen months. Accumulated gains and losses as of December 31, 2016 will be reclassified from AOCI and included in cost of products sold at the time the products are sold, generally not exceeding six months from the date of settlement.

The company also enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated trade payables and receivables and intercompany loans. These contracts are not designated as hedges and are recorded at fair value. Resulting gains or losses are reflected in net foreign exchange loss in the consolidated statements of earnings and are generally offset by losses or gains on the foreign currency exposure being managed. AbbVie held notional amounts of $6.6 billion at December 31, 2016 and $6.8 billion at December 31, 2015 of such undesignated foreign currency forward exchange contracts.

In 2014, the company entered into undesignated forward exchange contracts with a total notional amount of $16.9 billion to hedge anticipated foreign currency cash outflows associated with the terminated proposed combination with Shire. A large portion of these contracts were originally due to mature in the first quarter of 2015, but were net settled in the fourth quarter of 2014. In 2014, the company realized $490 million in net foreign exchange losses associated with the Shire-related forward exchange contracts.

The company also uses foreign currency forward exchange contracts or foreign currency denominated debt to hedge its net investments in certain foreign subsidiaries and affiliates. In the fourth quarter of 2016, the company issued €3.6 billion aggregate principal amount of senior Euro notes and designated the principal amounts of this foreign denominated debt as net investment hedges. Concurrently, the company settled foreign currency forward exchange contracts with aggregate notional amounts of €3.5 billion ($3.9 billion) that were designated as net investment hedges.

AbbVie is a party to interest rate hedge contracts, designated as fair value hedges, totaling $11.8 billion at December 31, 2016 and $11.0 billion at December 31, 2015. The effect of the hedge contracts is to change a fixed-rate interest obligation to a floating rate for that portion of the debt. AbbVie records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount.

The following table summarizes the amounts and location of AbbVie's derivative instruments on the consolidated balance sheets:

	Fair value - Derivatives in asset position			Fair value - Derivatives in liability position		
as of December 31 (in millions)	Balance sheet caption	2016	2015	Balance sheet caption	2016	2015
Foreign currency forward exchange contracts-						
Hedging instruments	Prepaid expenses and other	$170	$ 33	Accounts payable and accrued liabilities	$5	$—
Others not designated as hedges	Prepaid expenses and other	55	28	Accounts payable and accrued liabilities	33	21
Interest rate swaps designated as fair value hedges	Other assets	—	9	Other long-term liabilities	338	81
Total derivatives		$225	$ 70		$376	$102

While certain derivatives are subject to netting arrangements with the company's counterparties, the company does not offset derivative assets and liabilities within the consolidated balance sheets.

The following table presents the amounts of gains/ (losses) from derivative instruments recognized in other comprehensive loss. The amount of hedge ineffectiveness was insignificant for all periods presented:

	2016			2015			2014		
(in millions)	Cash Flow Hedges	Net Investment Hedges	Total	Cash Flow Hedges	Net Investment Hedges	Total	Cash Flow Hedges	Net Investment Hedges	Total
Foreign currency forward exchange contracts	$174	$ 118	$292	$122	$ —	$122	$193	$ —	$193

Assuming market rates remain constant through contract maturities, we expect to transfer pretax unrealized gains of $194 million into cost of products sold for foreign currency cash flow hedges during the next 12 months.

Related to AbbVie’s non-derivative, foreign currency denominated debt designated as net investment hedges, the company recognized a pre-tax gain of $101 million in other comprehensive income (loss) in 2016.

The following table summarizes the pre-tax amounts and location of derivative instrument net gains/(losses) recognized in the consolidated statements of earnings, including the effective portions of the net gains/(losses) reclassified out of AOCI into net earnings. See Note 12 for the amount of net gains/(losses) reclassified out of AOCI.

years ended December 31 (in millions)	Statement of earnings caption	2016	2015	2014
Foreign currency forward exchange contracts-				
Designated as cash flow hedges	Cost of products sold	$20	$265	$(79)
Not designated as hedges	Net foreign exchange loss	6	(155)	(523)
Non-designated treasury rate lock agreements	Other expense (income), net	(12)	—	—
Interest rate swaps designated as fair value hedges	Interest expense, net	(266)	108	252
Total		$(252)	$218	$(350)

The gain/(loss) related to outstanding interest rate swaps designated as fair value hedges is recognized in interest expense, net and directly offsets the (loss)/gain on the underlying hedged item, the fixed-rate debt, resulting in no net impact to interest expense, net for all periods presented.

Fair Value Measures

The fair value hierarchy consists of the following three levels:

- Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets that the company has the ability to access;
- Level 2—Valuations based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations in which all significant inputs are observable in the market; and
- Level 3—Valuations using significant inputs that are unobservable in the market and include the use of judgment by the company's management about the assumptions market participants would use in pricing the asset or liability.

The following table summarizes the bases used to measure certain assets and liabilities that were carried at fair value on a recurring basis on the consolidated balance sheet as of December 31, 2016:

		Basis of fair value measurement		
(in millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Assets				
Cash and equivalents	$5,100	$1,191	$ 3,909	$ —
Time deposits	1,014	—	1,014	—
Debt securities	1,974	—	1,974	—
Equity securities	76	76	—	—
Foreign currency contracts	225	—	225	—
Total assets	$8,389	$1,267	$ 7,122	$ —
Liabilities				
Interest rate hedges	$338	$—	$ 338	$ —
Foreign currency contracts	38	—	38	—
Contingent consideration	4,213	—	—	4,213
Total liabilities	$4,589	$—	$ 376	$ 4,213

The following table summarizes the bases used to measure certain assets and liabilities that were carried at fair value on a recurring basis on the consolidated balance sheet as of December 31, 2015:

		Basis of fair value measurement		
(in millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Assets				
Cash and equivalents	$8,399	$798	$ 7,601	$ —
Time deposits	8	—	8	—
Equity securities	111	111	—	—
Interest rate hedges	9	—	9	—
Foreign currency contracts	61	—	61	—
Total assets	$8,588	$909	$ 7,679	$ —
Liabilities				
Interest rate hedges	$81	$—	$ 81	$ —
Foreign currency contracts	21	—	21	—
Total liabilities	$102	$—	$ 102	$ —

The fair values of time deposits approximate their amortized cost due to the short maturities of these instruments. The fair values of available-for-sale debt securities were based on prices obtained from commercial pricing services. Available-for-sale equity securities consists of investments for which the fair values were determined by using the published market price per unit multiplied by the number of units held, without consideration of transaction costs. The derivatives entered into by the company were valued using publicized spot curves for interest rate hedges and publicized forward curves for foreign currency contracts. The fair value measurements of the contingent consideration liabilities were determined based on significant unobservable inputs, including the discount rate, estimated probabilities and timing of achieving specified development, regulatory and commercial milestones and the estimated amount of future sales of the acquired products still in development. Changes to the fair value of the contingent consideration liabilities can result from changes to one or a number of inputs, including discount rates, the probabilities of achieving the milestones, the time required to achieve the milestones and estimated future sales. Significant judgment is employed in determining the appropriateness of these inputs. Changes to the inputs described above could have a material impact on the company's financial position and results of operations in any given period. At December 31, 2016, a 50 basis point increase/decrease in the assumed discount rate would have decreased/increased the value of the contingent consideration liabilities by approximately $180 million. Additionally, at December 31, 2016, a five percentage point increase/decrease in the assumed probability of success across all potential indications would have increased/decreased the value of the contingent consideration liabilities by approximately $360 million.

There have been no transfers of assets or liabilities between the fair value measurement levels. The following table is a reconciliation of the fair value measurements that use significant unobservable inputs (Level 3), which consist of contingent consideration related to the acquisitions of Stemcentrx and BI compounds. See Note 5 for additional information.

(in millions)	
Fair value as of December 31, 2015	$—

Additions	3,985
Change in fair value recognized in net earnings	228
Fair value as of December 31, 2016	$4,213

The change in fair value recognized in net earnings was recorded in other expense (income), net in the consolidated statement of net earnings for the twelve months ended December 31, 2016.

In addition to the financial instruments that the company is required to recognize at fair value on the consolidated balance sheets, the company has certain financial instruments that were recognized at historical cost or some basis other than fair value. The book values, approximate fair values and bases used to measure the approximate fair values of certain financial instruments as of December 31, 2016 are shown in the table below:

(in millions)	Book Value	Approximate fair values	Basis of fair value measurement		
			Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Assets					
Investments	$42	$ 42	$—	$ 5	$ 37
Total assets	$42	$ 42	$—	$ 5	$ 37
Liabilities					
Short-term borrowings	$377	$ 377	$—	$ 377	$ —
Current portion of long-term debt and lease obligations	25	25	—	25	—
Long-term debt and lease obligations, excluding fair value hedges	36,778	36,664	34,589	2,075	—
Total liabilities	$37,180	$ 37,066	$34,589	$ 2,477	$ —

The book values, approximate fair values and bases used to measure the approximate fair values of certain financial instruments as of December 31, 2015 are shown in the table below:

(in millions)	Book Value	Approximate fair values	Basis of fair value measurement		
			Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Assets					
Investments	$34	$ 37	$—	$ —	$ 37
Total assets	$34	$ 37	$—	$ —	$ 37
Liabilities					
Short-term borrowings	$406	$ 406	$—	$ 406	$ —
Current portion of long-term debt and lease obligations	2,025	2,016	—	2,016	—
Long-term debt and lease obligations, excluding fair value hedges	29,312	29,143	27,061	2,082	—
Total liabilities	$31,743	$ 31,565	$27,061	$ 4,504	$ —

Investments primarily consist of cost method investments. To determine the fair values of other cost method investments, the company takes into consideration recent transactions, as well as the financial information of the investee, which represents a Level 3 basis of fair value measurement. The fair values of short-term and current borrowings approximate the carrying values due to the short maturities of these instruments.

The fair values of long-term debt, excluding fair value hedges and the term loans, were determined by using the published market price for the debt instruments, without consideration of transaction costs, which represents a Level 1 basis of fair value measurement. The fair values of the term loans were determined based on a discounted cash flow analysis using quoted market rates, which represents a Level 2 basis of fair value measurement. The counterparties to financial instruments consist of select major international financial institutions.

Available-for-sale Securities

Substantially all of the company’s investments in debt and equity securities were classified as available-for-sale. As of December 31, 2016, $309 million of debt securities were classified as short-term. Long-term debt securities mature primarily within five years. There were no significant debt securities outstanding as of December 31, 2015. Estimated fair values of available-for-sale debt securities were based on prices obtained from commercial pricing services. The following table is a summary of available-for-sale securities by type as of December 31, 2016:

(in millions)	Amortized Cost	Gross unrealized Gains	Losses	Fair Value
Asset backed securities	$ 891	$ 1	$ (4)	$ 888
Corporate debt securities	961	1	(2)	960
Other debt securities	127	—	(1)	126
Equity securities	18	60	(2)	76
Total	$ 1,997	$ 62	$ (9)	$ 2,050

AbbVie had no other-than-temporary impairments as of December 31, 2016. For the years ended December 31, 2016 and 2015, net realized gains were insignificant.

Concentrations of Risk

The company invests excess cash in time deposits, money market funds and debt securities to diversify the concentration of cash among different financial institutions. The company has established credit exposure limits and monitors concentrations of credit risk associated with financial institution deposits.

The functional currency of the company's Venezuela operations is the U.S. dollar due to the hyperinflationary status of the Venezuelan economy. At December 31, 2015, there were three legal exchange mechanisms administered by the Venezuelan government. These were the official rate of 6.3 Venezuelan bolivars (VEF) per U.S. dollar, the Supplementary System for the Administration of Foreign Currency (SICAD) rate of approximately 13.5 VEF per U.S. dollar and the Foreign Exchange Marginal System (SIMADI) rate of approximately 200. Effective March 10, 2016, the Venezuelan government devalued the official rate of 6.3 to 10 VEF per U.S. dollar, eliminated the SICAD rate and replaced SIMADI with a new exchange mechanism, Divisa Complementaria (DICOM). As of December 31, 2016, the DICOM rate was approximately 673 VEF per U.S. dollar.

During the first quarter of 2016, in consideration of declining economic conditions in Venezuela and a decline in transactions settled at the official rate, AbbVie determined that its net monetary assets denominated in the Venezuelan bolivar were no longer expected to be settled at the official rate of 10 VEF per U.S. dollar, but rather at the DICOM rate. Therefore, during the first quarter of 2016, AbbVie recorded a charge of $298 million to net foreign exchange loss to revalue its bolivar-denominated net monetary assets using the DICOM rate then in effect of approximately 270 VEF per U.S. dollar. As of December 31, 2016, AbbVie’s net monetary assets in Venezuela were insignificant.

AbbVie continues to do business with foreign governments in certain countries, including Greece, Portugal, Italy and Spain, which have historically experienced challenges in credit and economic conditions. Substantially all of AbbVie’s trade receivables in Greece, Portugal, Italy and Spain are with government health systems. Outstanding net governmental receivables in these countries totaled $244 million at December 31, 2016 and $525 million at December 31, 2015. The company also continues to do business with foreign governments in certain oil-exporting countries which have recently experienced a deterioration in economic conditions, including Saudi Arabia and Russia. Outstanding net governmental receivables were $122 million related to Saudi Arabia and $110 million related to Russia as of December 31, 2016. Due to oil market conditions in recent years, liquidity issues in certain countries may result in delays in the collection of receivables. Global economic conditions and customer-specific factors may require the company to periodically re-evaluate the collectability of its receivables and the company could potentially incur credit losses.

Of total net accounts receivable, three U.S. wholesalers accounted for 51% as of December 31, 2016 and 51% as of December 31, 2015 and substantially all of AbbVie's net revenues in the United States are to these three wholesalers.

HUMIRA (adalimumab) is AbbVie's single largest product and accounted for approximately 63% in 2016, 61% in 2015 and 63% in 2014 of AbbVie's total net revenues.

Note 11 Post-Employment Benefits

AbbVie sponsors various pension and other post-employment benefit plans, including defined benefit, defined contribution and termination indemnity plans, which cover most employees worldwide. In addition, AbbVie provides medical benefits, primarily to eligible retirees in the United States and Puerto Rico, through other post-retirement benefit plans. Net obligations for these plans have been reflected on the consolidated balance sheets as of December 31, 2016 and 2015.

AbbVie's principal domestic defined benefit plan is the AbbVie Pension Plan. AbbVie made voluntary contributions of $150 million in 2016, $150 million in 2015 and $370 million in 2014 to this plan. AbbVie also made a voluntary contribution of $150 million to this plan subsequent to December 31, 2016.

The benefit plan information in the table below pertains to the global AbbVie-sponsored defined benefit and other post-employment plans:

	Defined benefit plans		Other post-employment plans	
as of and for the years ended December 31 (in millions)	2016	2015	2016	2015
Projected benefit obligations				
Beginning of period	$5,387	$5,681	$ 557	$ 538
Service cost	210	227	25	25
Interest cost	201	219	24	23
Employee contributions	1	2	—	—
Actuarial loss (gain)	313	(467)	33	(17)
Benefits paid	(163)	(158)	(12)	(11)
Other, primarily foreign currency translation adjustments	(120)	(117)	—	(1)
End of period	5,829	5,387	627	557
Fair value of plan assets				
Beginning of period	4,174	4,173	—	—
Actual return (loss) on plan assets	383	(25)	—	—
Company contributions	273	217	12	11
Employee contributions	1	2	—	—
Benefits paid	(163)	(158)	(12)	(11)
Other, primarily foreign currency translation adjustments	(96)	(35)	—	—
End of period	4,572	4,174	—	—
Funded status end of period	$(1,257)	$(1,213)	$ (627)	$ (557)
Amounts recognized on the consolidated balance sheets				
Other assets	$240	$214	$ —	$ —
Accounts payable and accrued liabilities	(25)	(24)	(14)	(11)
Other long-term liabilities	(1,472)	(1,403)	(613)	(546)
Net obligation	$(1,257)	$(1,213)	$ (627)	$ (557)
Actuarial loss, net	$2,118	$1,939	$ 179	$ 154
Prior service cost (credit)	14	16	(37)	(45)
Accumulated other comprehensive loss	$2,132	$1,955	$ 142	$ 109

The projected benefit obligations (PBO) in the table above included $1.7 billion at December 31, 2016 and $1.5 billion at December 31, 2015, related to international defined benefit plans.

For plans reflected in the table above, the accumulated benefit obligations (ABO) were $5.3 billion at December 31, 2016 and $4.8 billion at December 31, 2015. For those plans reflected in the table above in which the ABO exceeded plan assets at December 31, 2016, the ABO was $3.2 billion, the PBO was $3.7 billion and aggregate plan assets were $2.2 billion.

Amounts Recognized in Other Comprehensive Loss

The following table summarizes the pre-tax gains and losses included in other comprehensive loss:

years ended December 31 (in millions)	2016	2015	2014
Defined benefit plans			
Actuarial loss (gain)	$284	$(117)	$1,127
Prior service cost	—	—	1
Amortization of actuarial loss and prior service cost	(85)	(127)	(68)
Foreign exchange gain	(22)	(37)	(41)
Total pre-tax loss (gain) recognized in other comprehensive loss	$177	$(281)	$1,019
Other post-employment plans			
Actuarial loss (gain)	$33	$(17)	$111
Prior service credit	—	—	(13)
Amortization of actuarial loss and prior service cost (credit)	—	(2)	3
Total pre-tax loss (gain) recognized in other comprehensive loss	$33	$(19)	$101

The pre-tax amount of actuarial loss and prior service cost included in AOCI at December 31, 2016 that is expected to be recognized in net periodic benefit cost in 2017 is $103 million for defined benefit plans and $3 million for other post-employment plans.

Net Periodic Benefit Cost

years ended December 31 (in millions)	2016	2015	2014
Defined benefit plans			
Service cost	$210	$227	$173
Interest cost	201	219	217
Expected return on plan assets	(354)	(325)	(302)
Amortization of actuarial loss and prior service cost	85	127	68
Net periodic benefit cost	$142	$248	$156
Other post-employment plans			
Service cost	$25	$25	$22
Interest cost	24	23	22
Amortization of actuarial loss (gain) and prior service cost (credit)	—	2	(2)
Net periodic benefit cost	$49	$50	$42

Weighted-Average Assumptions Used in Determining Benefit Obligations at the Measurement Date

as of December 31	2016	2015
Defined benefit plans		
Discount rate	3.9%	4.4%
Rate of compensation increases	4.4%	4.4%
Other post-employment plans		
Discount rate	4.7%	4.9%

The assumptions used in calculating the December 31, 2016 measurement date benefit obligations will be used in the calculation of net periodic benefit cost in 2017.

Weighted-Average Assumptions Used in Determining Net Periodic Benefit Cost

years ended December 31	2016	2015	2014
Defined benefit plans			
Discount rate for determining service cost	4.4%	3.9%	4.9%
Discount rate for determining interest cost	4.0%	3.9%	4.9%
Expected long-term rate of return on plan assets	7.9%	7.8%	7.9%
Expected rate of change in compensation	4.4%	4.4%	5.0%
Other post-employment plans			
Discount rate for determining service cost	5.1%	4.5%	5.3%
Discount rate for determining interest cost	4.3%	4.5%	5.3%

Effective December 31, 2015, AbbVie elected to change the method it uses to estimate the service and interest cost components of net periodic benefit costs. Historically, AbbVie estimated these service and interest cost components of this expense utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. In late 2015, AbbVie elected to utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. AbbVie elected to make this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. AbbVie has accounted for this change prospectively as a change in accounting estimate that is inseparable from a change in accounting principle. This change reduced AbbVie's net periodic benefit cost by approximately $41 million in 2016. This change had no effect on the 2015 or 2014 expense and did not affect the measurement of AbbVie's total benefit obligations.

For the December 31, 2016 post-retirement health care obligations remeasurement, the company assumed a 6.8 percent pre-65 (7.8 percent post-65) annual rate of increase in the per capita cost of covered health care benefits. The rate was assumed to decrease gradually to 4.5 percent in 2064 and remain at that level thereafter. For purposes of measuring the 2016 post-retirement health care costs, the company assumed a 7.3 percent pre-65 (8.3 percent post-65) annual rate of increase in the per capita cost of covered health care benefits. The rate was assumed to decrease gradually to 4.5 percent for 2064 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. As of December 31, 2016, a 1 percentage point change in assumed health care cost trend rates would have the following effects:

year ended December 31, 2016 (in millions) (brackets denote a reduction)	One percentage point Increase	One percentage point Decrease
Service cost and interest cost	$ 11	$ (9)
Projected benefit obligation	120	(95)

Defined Benefit Pension Plan Assets

as of December 31 (in millions)	2016	Basis of fair value measurement: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities				
U.S. large cap[a]	$519	$519	$ —	$ —
U.S. mid cap[b]	63	63	—	—
International[c]	97	97	—	—
Fixed income securities				
U.S. government securities[d]	94	—	94	—
Corporate debt instruments[d]	243	162	81	—
Non-U.S. government securities[d]	32	30	2	—
Other[d]	184	179	5	—
Absolute return funds[e]	228	3	225	—
Real assets	31	31	—	—
Other[f]	61	61	—	—
Total	$1,552	$1,145	$ 407	$ —
Total assets measured at NAV	3,020			
Fair value of plan assets	$4,572			

as of December 31 (in millions)	2015	Basis of fair value measurement: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities				
U.S. large cap[a]	$542	$542	$ —	$ —
U.S. mid cap[b]	35	35	—	—
International[c]	100	100	—	—
Fixed income securities				
U.S. government securities[d]	93	15	78	—
Corporate debt instruments[d]	203	124	79	—
Non-U.S. government securities[d]	35	33	2	
Other[d]	126	122	4	—
Absolute return funds[e]	194	2	192	—
Real assets	8	8	—	—
Other[f]	93	93	—	—

Total	$1,429	$1,074	$ 355	$ —
Total assets measured at NAV	2,745			
Fair value of plan assets	$4,174			

(a) A mix of index funds and actively managed equity accounts that are benchmarked to various large cap indices.
(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 equity accounts that are benchmarked to various non-US equity indices in both developed and emerging markets.
(d) Securities held by actively managed accounts, index funds and mutual funds.
(e) Funds having global mandates 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, financial futures, currencies and other securities, with objectives to outperform agreed upon benchmarks of specific return and volatility targets.
(f) Investments in cash and cash equivalents.

Equities and registered investment companies having quoted prices are valued at the published market prices. Fixed income securities that are valued using significant other observable inputs are quoted at prices obtained from independent financial service industry-recognized vendors. Investments held in pooled investment funds, common collective trusts or limited partnerships are valued at the net asset value (NAV) practical expedient to estimate fair value. The NAV is provided by the fund administrator and is based on the value of the underlying assets owned by the fund minus its liabilities.

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return, balancing higher return, more volatile equity securities and lower return, less volatile fixed income securities. Investment allocations are established for each plan and are generally made across a range of markets, industry sectors, capitalization sizes and in the case of fixed income securities, maturities and credit quality. The target investment allocations for the AbbVie Pension Plan is 35% in equity securities, 20% in fixed income securities and 45% in asset allocation strategies and other holdings. There are no known significant concentrations of risk in the plan assets of the AbbVie Pension Plan or any other plans' assets.

The plans' expected return on plan assets assumption 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.

Expected Defined Benefit and Other Post-Employment Plan Payments

years ending December 31 (in millions)	Defined benefit plans	Other post-employment plans
2017	$ 174	$ 14
2018	185	17
2019	199	20
2020	211	20
2021	226	22
2022 to 2026	1,351	145

The above table reflects total benefit payments expected to be paid to participants, which includes payments funded from both plan and company assets.

Defined Contribution Plan

AbbVie's principal defined contribution plan is the AbbVie Savings Plan. AbbVie recorded expense of $75 million in 2016, $73 million in 2015 and $67 million in 2014 related to this plan. AbbVie provides certain other post-employment benefits, primarily salary continuation arrangements, to qualifying employees and accrues for the related cost over the service lives of the employees.

Note 12 Equity

Stock-Based Compensation

AbbVie grants stock-based awards to eligible employees pursuant to the AbbVie 2013 Incentive Stock Program (2013 ISP), which provides for several different forms of benefits, including nonqualified stock options, RSAs, RSUs and various performance-based awards. Under the 2013 ISP, 100 million shares of AbbVie common stock were reserved for issuance as awards to AbbVie employees. The 2013 ISP also facilitated the assumption of certain awards granted under Abbott's incentive stock program, which were adjusted and converted into Abbott and AbbVie stock-based awards as a result of AbbVie's separation from Abbott.

Compensation expense for stock-based awards is measured based on the grant date fair value of the awards and the estimated number of awards that are expected to vest. Forfeitures are estimated based on historical experience at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. Compensation cost for stock-based awards is amortized over the service period, which could be shorter than the vesting period if an employee is retirement eligible. Retirement eligible employees generally are those who are age 55 or order and have at least ten years of service.

Stock-based compensation expense is principally related to awards issued pursuant to the 2013 ISP and is summarized as follows:

	Years ended December 31,		
(in millions)	2016	2015	2014
Cost of products sold	$22	$21	$16
Research and development	193	111	78
Selling, general and administrative	181	150	147
Pre-tax compensation expense	396	282	241
Tax benefit	104	89	73
After-tax compensation expense	$292	$193	$168

Stock-based compensation expense for the year ended December 31, 2016 also included the post-combination impact related to Stemcentrx options. See Note 5 for additional information related to the Stemcentrx acquisition.

The realized excess tax benefits associated with stock-based compensation totaled $55 million in 2016, $61 million in 2015 and $56 million in 2014. These amounts were recorded in additional paid in capital and were presented in the consolidated statements of cash flows as an outflow in operating activities and an inflow in financing activities.

Stock Options

Stock options awarded pursuant to the 2013 ISP typically have a contractual term of 10 years and generally vest in one-third increments over a three-year period. The exercise price is equal to at least 100% of the market value on the date of grant. The fair value is determined using the Black-Scholes model. The weighted-average grant-date fair values of stock options granted were $9.29 in 2016, $9.96 in 2015 and $9.83 in 2014.

The following table summarizes AbbVie stock option activity in 2016:

(options in thousands, aggregate intrinsic value in millions)	Options	Weighted-average exercise price	Weighted-average remaining life (in years)	Aggregate intrinsic value
Outstanding at December 31, 2015	23,569	$ 30.64	3.0	$ 674
Granted	1,143	54.99		
Granted in acquisition	1,076	12.85		
Exercised	(9,720)	26.71		
Lapsed	(106)	23.62		
Outstanding at December 31, 2016	15,962	$ 33.63	3.7	$ 463
Exercisable at December 31, 2016	12,945	$ 30.76	2.5	$ 412

The total intrinsic value of options exercised was $325 million in 2016, $216 million in 2015 and $253 million in 2014. The total fair value of options vested during 2016 was $28 million. On June 1, 2016, AbbVie issued stock options for 1.1 million AbbVie shares to holders of unvested Stemcentrx options as a result of the conversion of such options in connection with the Stemcentrx acquisition. These options were fair-valued using a lattice valuation model. See Note 5 for additional information related to the Stemcentrx acquisition.

As of December 31, 2016, $34 million of unrecognized compensation cost related to stock options is expected to be recognized as expense over approximately the next two years.

RSAs, RSUs and Performance Shares

RSUs awarded to employees other than senior executives and other key employees pursuant to the 2013 ISP generally vest in one-third increments over a three year period. Recipients of these RSUs are entitled to receive dividend equivalents as dividends are declared and paid during the RSU vesting period.

The majority of the equity awards AbbVie grants to its senior executives and other key employees under the 2013 ISP are performance-based. Such awards granted before 2016 consisted of RSAs (or RSUs to the extent necessary for global employees) that generally vest in one-third increments over a three-to-five year period, with vesting contingent upon AbbVie achieving a minimum annual return on equity (ROE). Recipients are entitled to receive dividends (or dividend equivalents for RSUs) as dividends are declared and paid during the award vesting period.

In 2016, AbbVie redesigned certain aspects of its long-term incentive program. As a result, equity awards granted in 2016 to senior executives and other key employees consist of a combination of performance-vested RSUs and performance shares. The performance-vested RSUs have the potential to vest in one-third increments during a three-year performance period based on AbbVie's ROE relative to a defined peer group of pharmaceutical, biotech and life sciences companies. The recipient may receive one share of AbbVie common stock for each vested award. The performance shares have the potential to vest over a three-year performance period and may be earned based on AbbVie's EPS achievement and AbbVie's total stockholder return (TSR) (a market condition) relative to a defined peer group of pharmaceutical, biotech and life sciences companies. Dividend equivalents on performance-vested RSUs and performance shares accrue during the performance period and are payable at vesting only to the extent that shares are earned.

The weighted-average grant-date fair value of RSAs, RSUs and performance shares generally is determined based on the number of shares/units granted and the quoted price of AbbVie's common stock on the date of grant. The weighted-average grant-date fair values of performance shares with a TSR market condition are determined using the Monte Carlo simulation model.

The following table summarizes AbbVie RSA, RSU and performance share activity for 2016:

(share units in thousands)	Share units	Weighted-average grant date fair value
Outstanding at December 31, 2015	12,490	$ 51.66
Granted	5,561	55.28
Vested	(6,559)	46.24
Forfeited	(777)	57.00
Outstanding at December 31, 2016	10,715	$ 56.47

The fair market value of RSAs, RSUs and performance shares (as applicable) vested was $362 million in 2016, $335 million in 2015 and $338 million in 2014.

As of December 31, 2016, $228 million of unrecognized compensation cost related to RSAs, RSUs and performance shares is expected to be recognized as expense over approximately the next two years.

Cash Dividends

The following table summarizes quarterly cash dividends for the years ended December 31, 2016 and 2015:

2016			2015		
Date Declared	Payment Date	Dividend Per Share	Date Declared	Payment Date	Dividend Per Share
10/28/16	02/15/17	$ 0.64	10/30/15	02/16/16	$ 0.57
09/09/16	11/15/16	$ 0.57	09/11/15	11/16/15	$ 0.51
06/16/16	08/15/16	$ 0.57	06/18/15	08/14/15	$ 0.51
02/18/16	05/16/16	$ 0.57	02/19/15	05/15/15	$ 0.51

Stock Repurchase Program

AbbVie's board of directors authorized increases to its existing stock repurchase program of $4.0 billion in April 2016 in anticipation of executing an ASR in connection with the Stemcentrx acquisition and of $5.0 billion in March 2015 in anticipation of executing an ASR in connection with the Pharmacyclics acquisition. The stock repurchase authorization permits purchases of AbbVie shares from time to time in open-market or private transactions at management’s direction depending on the company’s cash flows, net debt level and market conditions. The program has no time limit and can be discontinued at any time. Shares repurchased under these programs are recorded at acquisition cost, including related expenses and are available for general corporate purposes. The following table shows details about AbbVie’s ASR transactions:

(shares in millions, repurchase amounts in billions)				
Execution date	Purchase amount	Initial delivery of shares	Final delivery of shares	Related acquisition
05/26/15	$ 5.0	68.1	5.0	Pharmacyclics
06/01/16	3.8	54.4	5.4	Stemcentrx

On June 2, 2016, the initial 54.4 million shares of AbbVie’s common stock related to the 2016 ASR were received. The 2016 ASR transaction was completed on September 28, 2016, resulting in the receipt of an additional 5.4 million shares. AbbVie recorded the aggregate $3.8 billion purchase price of the 2016 ASR as a reduction to common stock held in treasury on the consolidated balance sheet as of December 31, 2016.

In addition to the ASRs, AbbVie repurchased on the open market approximately 34 million shares for $2.1 billion in 2016, 46 million shares for $2.8 billion in 2015 and 9 million shares for $550 million in 2014. AbbVie's remaining share repurchase authorization was $36 million as of December 31, 2016. On February 16, 2017, AbbVie's board of directors authorized a $5.0 billion increase to AbbVie's existing stock repurchase program. The stock repurchase authorization permits shares to be repurchased in open market or private transactions, has no time limit and may be discontinued at any time.

Accumulated Other Comprehensive Loss

The following table summarizes the changes in each component of AOCI, net of tax, for 2016, 2015 and 2014:

(in millions) (brackets denote losses)	Foreign currency translation adjustments	Net investment hedging activities	Pension and post-employment benefits	Unrealized gains (losses) on marketable securities	Cash flow hedging activities	Total
Balance as of December 31, 2013	$ 470	$ —	$ (827)	$ 2	$ (87)	$ (442)
Other comprehensive income (loss) before reclassifications	(1,073)	—	(827)	1	187	(1,712)
Net losses reclassified from accumulated other comprehensive loss	—	—	46	—	77	123
Net current-period other comprehensive income (loss)	(1,073)	—	(781)	1	264	(1,589)
Balance as of December 31, 2014	(603)	—	(1,608)	3	177	(2,031)
Other comprehensive income (loss) before reclassifications	(667)	—	147	48	122	(350)
Net losses (gains) reclassified from accumulated other comprehensive loss	—	—	83	(4)	(259)	(180)
Net current-period other comprehensive income (loss)	(667)	—	230	44	(137)	(530)
Balance as of December 31, 2015	(1,270)	—	(1,378)	47	40	(2,561)
Other comprehensive income (loss) before reclassifications	(165)	140	(194)	7	160	(52)
Net losses (gains) reclassified from accumulated other comprehensive loss	—	—	59	(8)	(24)	27
Net current-period other comprehensive income (loss)	(165)	140	(135)	(1)	136	(25)
Balance as of December 31, 2016	$ (1,435)	$ 140	$ (1,513)	$ 46	$ 176	$ (2,586)

Other comprehensive loss in 2016 included foreign currency translation adjustments totaling a loss of $165 million, which was principally due to the impact of the weakening of the Euro on the translation of the company’s Euro -denominated assets. Other comprehensive loss in 2015 included foreign currency translation adjustments totaling a loss of $667 million, which was principally driven by the impact of the weakening of the Euro on the translation of the company's Euro-denominated assets. Other comprehensive loss in 2014 included foreign currency translation adjustments totaling a loss of $1.1 billion, which was principally driven by (i) the impact of the substantial weakening of the Euro in 2014 on the translation of the company's Euro-denominated assets and (ii) the weakening of foreign currencies in combination with an increased concentration of cash denominated in foreign currencies accumulated in anticipation of the terminated proposed combination with Shire.

The table below presents the impact on AbbVie's consolidated statements of earnings for significant amounts reclassified out of each component of accumulated other comprehensive loss:

years ended December 31 (in millions) (brackets denote gains)	2016	2015	2014
Pension and post-employment benefits			
Amortization of actuarial losses and other[(a)]	$85	$129	$65
Tax benefit	(26)	(46)	(19)
Total reclassifications, net of tax	$59	$83	$46
Cash flow hedging activities			
Losses (gains) on designated cash flow hedges[(b)]	$(20)	$(265)	$79
Tax expense (benefit)	(4)	6	(2)
Total reclassifications, net of tax	$(24)	$(259)	$77

(a) Amounts are included in the computation of net periodic benefit cost (see Note 11).

(b) Amounts are included in cost of products sold (see Note 10).

Other

In addition to common stock, AbbVie's authorized capital includes 200 million shares of preferred stock, par value $0.01. As of December 31, 2016, no shares of preferred stock were issued or outstanding.

Note 13 Income Taxes

Earnings Before Income Tax Expense

years ended December 31 (in millions)	2016	2015	2014
Domestic	$(1,651)	$(1,038)	$(3,245)
Foreign	9,535	7,683	5,614
Total earnings before income tax expense	$7,884	$6,645	$2,369

The domestic loss before income taxes in 2014 was driven by transaction and financing-related costs associated with the terminated proposed combination with Shire. See Note 5 for additional information.

Income Tax Expense

years ended December 31 (in millions)	2016	2015	2014
Current			
Domestic	$2,229	$1,036	$634
Foreign	498	313	341
Total current taxes	$2,727	$1,349	$975
Deferred			
Domestic	$(792)	$141	$(301)
Foreign	(4)	11	(79)
Total deferred taxes	$(796)	$152	$(380)
Total income tax expense	$1,931	$1,501	$595

Effective Tax Rate Reconciliation			
years ended December 31	2016	2015	2014
Statutory tax rate	35.0 %	35.0 %	35.0 %
Effect of foreign operations	(10.3)	(9.4)	(11.3)
U.S. tax credits	(4.4)	(4.5)	(8.9)
Branded prescription drug fee	0.5	0.7	3.7
Tax law change related to foreign currency	2.4	—	—
Valuation allowances	—	(1.6)	3.6
All other, net	1.3	2.4	3.0
Effective tax rate	24.5 %	22.6 %	25.1 %

The effective tax rate fluctuates year to year due to the allocation of the company's taxable earnings among jurisdictions, as well as certain discrete factors and events in each year, including acquisitions and collaborations. The effective tax rates in 2016, 2015 and 2014 differed from the statutory tax rate principally due to the benefit from foreign operations which reflects the impact of lower income tax rates in locations outside the United States, tax exemptions and incentives in Puerto Rico and other foreign tax jurisdictions, business development activities and the cost of repatriation decisions. The effective tax rates for these periods also reflected the benefit from U.S. tax credits principally related to research and development credits, the orphan drug tax credit and Puerto Rico excise tax credits. The Puerto Rico excise tax credits relate to legislation enacted by Puerto Rico that assesses an excise tax on certain products manufactured in Puerto Rico. The tax is levied on gross inventory purchases from entities in Puerto Rico and is included in cost of products sold in the consolidated statements of earnings. The majority of the tax is creditable for U.S. income tax purposes.

The effective tax rate in 2016 included additional expense of $187 million related to the recognition of the tax effect of regulations issued by the Internal Revenue Service on December 7, 2016 that changed the determination of the US taxability of foreign currency gains and losses related to certain foreign operations.

The effective income tax rate included a tax benefit of $103 million in 2015 from a reduction of state valuation allowances.

The effective tax rate in 2014 included additional expenses of $129 million related to the Branded Prescription Drug Fee, which is non-deductible and state valuation allowances of $129 million. On July 28, 2014, the Internal Revenue Service issued final rules and regulations for the Branded Prescription Drug Fee, an annual non-tax-deductible fee payable to the federal government under the Affordable Care Act based on an allocation of a company's market share for branded prescription drugs sold to certain government programs in the prior year. The final rules accelerated the expense recognition criteria for the fee obligation from the year in which the fee is paid, to the year in which the market share used to allocate the fee is determined. This change required AbbVie and other industry participants to recognize an additional year of expense in 2014.

Deferred Tax Assets and Liabilities as of December 31 (in millions)	2016	2015
Deferred tax assets		
Compensation and employee benefits	$665	$584
Accruals and reserves	378	368
Chargebacks and rebates	473	472
Deferred revenue	391	372
Depreciation	24	45
Net operating losses and other credit carryforwards	151	282
Other	71	316
Total deferred tax assets	2,153	2,439
Valuation allowances	(76)	(70)
Total net deferred tax assets	2,077	2,369
Deferred tax liabilities		
Excess of book basis over tax basis of intangible assets	(5,375)	(4,459)
Excess of book basis over tax basis in investments	(3,367)	(2,958)
Total deferred tax liabilities	(8,742)	(7,417)
Net deferred tax liabilities	$(6,665)	$(5,048)

The increases in the deferred tax liabilities were primarily due to the acquisition of Stemcentrx in which AbbVie recorded the excess of book basis over tax basis of intangible assets.

As of December 31, 2016, gross state net operating losses were $847 million and tax credit carryforwards were $188 million. The state tax carryforwards expire between 2017 and 2036. As of December 31, 2016, foreign net operating loss carryforwards were $198 million. Foreign net operating loss carryforwards of $166 million expire between 2017 and 2026 and the remaining do not have an expiration period.

The company had valuation allowances of $76 million as of December 31, 2016 and $70 million as of December 31, 2015. These were principally related to state net operating losses and credit carryforwards that are not expected to be realized.

Deferred income taxes have not been provided on approximately $29 billion of the undistributed earnings of foreign subsidiaries as these earnings have been indefinitely reinvested for continued use in foreign operations. Due to the complexities in tax laws and assumptions that would have to be made, it is not practicable to estimate the amount of income taxes that would be due if these earnings were distributed.

Unrecognized Tax Benefits years ended December 31 (in millions)	2016	2015	2014
Balance as of January 1	$954	$421	$247
Increase due to current year tax positions	118	187	115
Increase due to prior year tax positions	111	369	67
Decrease due to prior year tax positions	(7)	(15)	(6)
Lapse of statutes of limitations	(8)	(8)	(2)
Balance as of December 31	$1,168	$954	$421

AbbVie and Abbott entered into a tax sharing agreement, effective on the date of separation, which provides that Abbott is liable for and has indemnified AbbVie against all income tax liabilities for periods prior to the separation. AbbVie will be responsible for unrecognized tax benefits and related interest and penalties for periods after separation or in instances where an existing entity was transferred to AbbVie upon separation.

If recognized, the net amount of potential tax benefits that would impact the company's effective tax rate is $1.1 billion in 2016 and $901 million in 2015. Of the unrecognized tax benefits recorded in the table above as of December 31, 2016, AbbVie would be indemnified for approximately $96 million. The "Increase due to prior year tax positions" in the table above includes amounts relating to federal, state and international items as well as prior positions acquired through business development activities during the year. Uncertain tax positions are generally included as a long-term liability on the consolidated balance sheets.

AbbVie recognizes interest and penalties related to income tax matters in income tax expense in the consolidated statements of earnings. AbbVie recognized gross income tax expense of $35 million in 2016, $13 million in 2015 and $10 million in 2014, for interest and penalties related to income tax matters. AbbVie had an accrual for the payment of gross interest and penalties of $112 million at December 31, 2016, $83 million at December 31, 2015 and $25 million at December 31, 2014.

The company is routinely audited by the tax authorities in significant jurisdictions and a number of audits are currently underway. It is reasonably possible during the next twelve months that uncertain tax positions may be settled, which could result in a decrease in the gross amount of unrecognized tax benefits. Due to the potential for resolution of federal, state and foreign examinations and the expiration of various statutes of limitation, the company's gross unrecognized tax benefits balance may change within the next twelve months up to $201 million. All significant federal, state, local and international matters have been concluded for years through 2005. The company believes adequate provision has been made for all income tax uncertainties.

Note 14 Legal Proceedings and Contingencies

AbbVie is subject to contingencies, such as various claims, legal proceedings and investigations regarding product liability, intellectual property, commercial, securities and other matters that arise in the normal course of business. 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 within a probable range is recorded. The recorded accrual balance for litigation was approximately $225 million as of December 31, 2016 and approximately $170 million at December 31, 2015. Initiation of new legal proceedings or a change in the status of existing proceedings may result in a change in the estimated loss accrued by AbbVie. While it is not feasible to predict the outcome of all proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on AbbVie's consolidated financial position, results of operations or cash flows.

Subject to certain exceptions specified in the separation agreement by and between Abbott and AbbVie, AbbVie assumed the liability for, and control of, all pending and threatened legal matters related to its business, including liabilities for any claims or legal proceedings related to products that had been part of its business, but were discontinued prior to the distribution, as well as assumed or retained liabilities, and will indemnify Abbott for any liability arising out of or resulting from such assumed legal matters.

Several pending lawsuits filed against Unimed Pharmaceuticals, Inc., Solvay Pharmaceuticals, Inc. (a company Abbott acquired in February 2010 and now known as AbbVie Products LLC) and others are consolidated for pre-trial purposes in the United States District Court for the Northern District of Georgia under the Multi-District Litigation (MDL) Rules as In re: AndroGel Antitrust Litigation, MDL No. 2084. These cases, brought by private plaintiffs and the Federal Trade Commission (FTC), generally allege Solvay's patent litigation involving AndroGel was sham litigation and the 2006 patent litigation settlement agreements and related agreements with three generic companies violate federal antitrust laws. Plaintiffs generally seek monetary damages and/or injunctive relief and attorneys' fees. These cases include: (a) four individual plaintiff lawsuits; (b) three purported class actions; and (c) Federal Trade Commission v. Actavis, Inc. et al. Following the district court's dismissal of all plaintiffs' claims, appellate proceedings led to the reinstatement of the claims regarding the patent litigation settlements, which are proceeding in discovery in the district court. The Attorney General of the State of Alaska has served AbbVie with a Civil Investigative Demand, primarily seeking documents that AbbVie produced in these lawsuits.

Lawsuits are pending against AbbVie and others generally alleging that the 2005 patent litigation settlement involving Niaspan entered into between Kos Pharmaceuticals, Inc. (a company acquired by Abbott in 2006 and presently a subsidiary of AbbVie) and a generic company violates federal and state antitrust laws and state unfair and deceptive

trade practices and unjust enrichment laws. Plaintiffs generally seek monetary damages and/or injunctive relief and attorneys' fees. The lawsuits consist of four individual plaintiff lawsuits and two consolidated purported class actions: one brought by three named direct purchasers of Niaspan and the other brought by ten named end-payor purchasers of Niaspan. The cases are consolidated for pre-trial proceedings in the United States District Court for the Eastern District of Pennsylvania under the MDL Rules as In re: Niaspan Antitrust Litigation, MDL No. 2460. The office of the Attorney General of the State of Alaska has served AbbVie with a

Civil Investigative Demand, primarily seeking documents that AbbVie produced in this lawsuit. In October 2016, the State of California filed a lawsuit regarding the Niaspan patent litigation settlement in Orange County Superior Court, asserting a claim under the unfair competition provision of the California Business and Professions Code seeking injunctive relief, restitution, civil penalties and attorneys' fees.

In November 2007, GlaxoSmithKline plc (GSK) filed a lawsuit against Abbott in the United States District Court for the Northern District of California alleging that Abbott violated federal antitrust and various state laws in connection with the 2003 Norvir re-pricing. In March 2011, a jury found that Abbott did not violate antitrust laws, but breached its license agreement with GSK. In January 2014, the United States Court of Appeals for the Ninth Circuit reversed this verdict and remanded the case for a new trial due to the alleged improper exclusion of a potential juror. The case was returned to the district court in California, but after GSK dismissed its federal antitrust claims, the case was transferred in April 2015 to the United States District Court for the Middle District of North Carolina, where pre-trial proceedings are pending. AbbVie assumed the liability for and control of this proceeding in connection with its separation from Abbott.

In September 2014, the FTC filed suit in the United States District Court for the Eastern District of Pennsylvania against AbbVie and others, alleging that the 2011 patent litigation with two generic companies regarding AndroGel was sham litigation and the patent litigation settlement with one of those generic companies violates federal antitrust laws. The FTC's complaint seeks monetary damages and injunctive relief. In May 2015, the court dismissed the FTC's claim regarding the patent litigation settlement. The office of the Attorney General of the State of Alaska has served AbbVie with a Civil Investigative Demand, primarily seeking documents that AbbVie produced in this lawsuit.

In March 2015, the State of Louisiana filed a lawsuit, State of Louisiana v. Fournier Industrie et Sante, et al., against AbbVie, Abbott and affiliated Abbott entities in Louisiana state court. Plaintiff alleges that patent applications and patent litigation filed and other alleged conduct from the early 2000's and before related to the drug TriCor violated Louisiana State antitrust and unfair trade practices laws. The lawsuit seeks monetary damages and attorneys' fees. In August 2015, the court dismissed the case as time-barred. In December 2016, the appellate court for the state’s appeal remanded for the trial court to determine whether the state is a proper party in interest.

In August 2013, a putative class action lawsuit, Sidney Hillman Health Center of Rochester, et al. v. AbbVie Inc., et al., was filed against AbbVie in the United States District Court for the Northern District of Illinois by three healthcare benefit providers alleging violations of Federal Racketeer Influenced and Corrupt Organizations (RICO) statutes and state deceptive business practice and unjust enrichment laws in connection with reimbursements for certain uses of Depakote from 1998 to 2012. Plaintiffs seek monetary damages and/or equitable relief and attorneys' fees. In June 2016, the court granted AbbVie’s motion to dismiss, without prejudice, and the plaintiffs have filed an amended complaint.

In November 2014, a putative class action lawsuit, Medical Mutual of Ohio v. AbbVie Inc., et al., was filed against several manufacturers of testosterone replacement therapies (TRTs), including AbbVie, in the United States District Court for the Northern District of Illinois on behalf of all insurance companies, health benefit providers and other third party payors who paid for TRTs, including AndroGel. The claims asserted include violations of the federal RICO Act and state consumer fraud and deceptive trade practices laws. The complaint seeks monetary damages and injunctive relief. A similar lawsuit, Allied Services Division Welfare Fund v. AbbVie Inc., et al., was filed in the same court in October 2015 on behalf of the same putative class members and a putative class of consumers.

Product liability cases are pending in which plaintiffs generally allege that AbbVie and other manufacturers of TRTs did not adequately warn about risks of certain injuries, primarily heart attacks, strokes and blood clots. Approximately 3,941 claims are consolidated for pre-trial purposes in the United States District Court for the Northern District of Illinois under the MDL Rules as In re: Testosterone Replacement Therapy Products Liability Litigation, MDL No. 2545. Approximately 217 claims are pending in various state courts. Plaintiffs seek compensatory and punitive damages.

Product liability cases are pending in which plaintiffs generally allege that AbbVie did not adequately warn about risk of certain injuries, primarily various birth defects, arising from use of Depakote. Over ninety percent of the approximately 698 claims are pending in the United States District Court for the Southern District of Illinois, and the rest are pending in various other federal and state courts. Plaintiffs seek compensatory and punitive damages.

In November 2014, five individuals filed a putative class action lawsuit on behalf of purchasers and sellers of certain Shire plc (Shire) securities between June 20 and October 14, 2014, against AbbVie and its chief executive officer in the United States District Court for the Northern District of Illinois alleging that the defendants made and/or are responsible for material misstatements in violation of federal securities laws in connection with AbbVie's proposed transaction with Shire.

In June 2016, a lawsuit, Elliott Associates, L.P., et al. v. AbbVie Inc., was filed by five investment funds against AbbVie in the Cook County, Illinois Circuit Court alleging that AbbVie made misrepresentations and omissions in connection with its proposed transaction with Shire. Plaintiffs seek compensatory and punitive damages.

Beginning in May 2016, the Patent Trial & Appeal Board of the U.S. Patent & Trademark Office (PTO) instituted five inter partes review proceedings brought by Coherus Biosciences and Boehringer Ingelheim related to three AbbVie patents covering methods of treatment of rheumatoid arthritis using adalimumab. In these proceedings, the PTO will review the validity of the patents.

AbbVie is seeking to enforce certain patent rights related to adalimumab (a drug AbbVie sells under the trademark HUMIRA®). In a case filed in United States District Court for the District of Delaware in August 2016, AbbVie alleges that Amgen Inc.'s and Amgen Manufacturing, Limited's proposed biosimilar adalimumab product infringes certain AbbVie patents. AbbVie seeks declaratory and injunctive relief.

Note 15 Segment and Geographic Area Information

AbbVie operates in one business segment—pharmaceutical products. Substantially all of AbbVie's net revenues in the United States are to three wholesalers. Outside the United States, products are sold primarily to health care providers or through distributors, depending on the market served. The following tables detail AbbVie's worldwide net revenues:

years ended December 31 (in millions)	2016	2015	2014
HUMIRA	$16,078	$14,012	$12,543
IMBRUVICA	1,832	754	—
VIEKIRA	1,522	1,639	48
Lupron	821	826	778
Synagis	730	740	835
Synthroid	763	755	709
Creon	730	632	516
AndroGel	675	694	934
Kaletra	549	700	870
Sevoflurane	428	474	550
Duodopa	293	231	220
All other	1,217	1,402	1,957
Total net revenues	$25,638	$22,859	$19,960

Net revenues to external customers by geographic area, based on product shipment destination, were as follows:

years ended December 31 (in millions)	2016	2015	2014
United States	$15,947	$13,561	$10,845
Germany	1,104	1,082	1,035
United Kingdom	776	688	722
Japan	770	599	581
France	713	597	584
Canada	624	551	551
Spain	589	618	534
Italy	523	452	432
Brazil	355	376	435
The Netherlands	352	334	345
All other countries	3,885	4,001	3,896
Total net revenues	$25,638	$22,859	$19,960

Long-lived assets, primarily net property and equipment, by geographic area were as follows:

years ended December 31 (in millions)	2016	2015
United States and Puerto Rico	$1,822	$1,868
Europe	504	513
All other	278	184
Total long-lived assets	$2,604	$2,565

Note 16 Quarterly Financial Data (unaudited)

(in millions except per share data)	2016	2015
First Quarter		
Net revenues	$5,958	$5,040
Gross margin	4,589	4,098
Net earnings[(a)]	1,354	1,022
Basic earnings per share	$0.83	$0.64
Diluted earnings per share	$0.83	$0.63
Cash dividends declared per common share	$0.57	$0.51
Second Quarter		
Net revenues	$6,452	$5,475
Gross margin	5,047	4,559
Net earnings[(b)]	1,610	1,366
Basic earnings per share	$0.99	$0.84
Diluted earnings per share	$0.98	$0.83
Cash dividends declared per common share	$0.57	$0.51
Third Quarter		
Net revenues	$6,432	$5,944
Gross margin	4,928	4,777
Net earnings[(c)]	1,598	1,239
Basic earnings per share	$0.97	$0.75
Diluted earnings per share	$0.97	$0.74
Cash dividends declared per common share	$0.57	$0.51
Fourth Quarter		
Net revenues	$6,796	$6,400
Gross margin	5,241	4,925
Net earnings[(d)]	1,391	1,517
Basic earnings per share	$0.86	$0.93
Diluted earnings per share	$0.85	$0.92
Cash dividends declared per common share	$0.64	$0.57

(a) Results for the first quarter of 2016 included a net foreign exchange loss of $298 million relating to the devaluation of AbbVie's net monetary assets denominated in the Venezuelan bolivar. Results for the first quarter of 2015 included after-tax foreign exchange losses of $170 million related to the liquidation in 2015 of remaining foreign currency positions related to the terminated proposed combination with Shire in 2014, a $100 million after-tax charge as a

result of entering into an exclusive worldwide license agreement with C_2N and after-tax costs of $41 million incurred in connection with the with the acquisition of Pharmacyclics.

(b) Second quarter results in 2016 included after-tax costs totaling $122 million relating to the acquisition of Stemcentrx and BI compounds as well as the amortization of the acquisition date fair value step-up for inventory related to the acquisition of Pharmacyclics. Second quarter results for 2015 included after-tax costs totaling $215 million incurred in connection with the acquisition and integration of Pharmacyclics.

(c) Third quarter results in 2016 included after-tax costs totaling $104 million relating to the change in fair value of contingent consideration. Results for the third quarter of 2015 included a $350 million after-tax charge related to the purchase of a rare pediatric disease PRV from a third party, after after-tax costs totaling $85 million incurred in connection with the acquisition and integration of Pharmacyclics and an $83 million after-tax charge due to the achievement of a development milestone under the global collaboration with Infinity.

(d) Fourth quarter results in 2016 included after-tax costs totaling $187 million associated with a tax law change for regulations issued in the fourth quarter of 2016 that revised the treatment of foreign currency translation gains and losses for certain operations and included after-tax costs totaling $85 million relating to the change in fair value of contingent consideration. Fourth quarter results for 2015 included after-tax costs totaling $68 million incurred in connection with the acquisition and integration of Pharmacyclics and after-tax charges of $101 million to increase the company's litigation reserves.

Report Of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of AbbVie Inc.

We have audited the accompanying consolidated balance sheets of AbbVie Inc. and subsidiaries as of December 31, 2016 and 2015 and the related consolidated statements of earnings, comprehensive income, equity 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 AbbVie Inc. 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), AbbVie Inc. 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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures; Internal Control Over Financial Reporting

Evaluation of disclosure controls and procedures. The Chief Executive Officer, Richard A. Gonzalez, and the Chief Financial Officer, William J. Chase, evaluated the effectiveness of AbbVie's disclosure controls and procedures as of the end of the period covered by this report, and concluded that AbbVie's disclosure controls and procedures were effective to ensure that information AbbVie 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 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 AbbVie in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to AbbVie's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. There were no changes in AbbVie's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, AbbVie's internal control over financial reporting during the quarter ended December 31, 2016.

Inherent limitations on effectiveness of controls. AbbVie's management, including its Chief Executive Officer and its Chief Financial Officer, do not expect that AbbVie's disclosure controls or internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Management's annual report on internal control over financial reporting. Management of AbbVie is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. AbbVie's internal control over financial reporting is 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 in the United States. However, 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 reporting.

Management assessed the effectiveness of AbbVie's internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on that assessment, management concluded that AbbVie maintained effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

The effectiveness of AbbVie's internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report below, which expresses an unqualified opinion on the effectiveness of AbbVie's internal control over financial reporting as of December 31, 2016.

Report of independent registered public accounting firm. The report of AbbVie's independent registered public accounting firm related to its assessment of the effectiveness of internal control over financial reporting is included below.

Report Of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of AbbVie Inc.

We have audited AbbVie Inc. 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). AbbVie Inc. 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's Annual 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, AbbVie Inc. 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 as of December 31, 2016 and 2015 and the related consolidated statements of earnings, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2016 of AbbVie Inc. and subsidiaries and our report dated February 17, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois

February 17, 2017

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference are "Information Concerning Director Nominees," "The Board of Directors and its Committees—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 AbbVie Inc. Proxy Statement. The 2017 Definitive Proxy Statement will be filed on or about March 20, 2017. Also incorporated herein by reference is the text found in this Form 10-K under the caption, "Executive Officers of the Registrant."

AbbVie's code of business conduct requires all its business activities to be conducted in compliance with all applicable laws, regulations and ethical principles and values. All directors, officers and employees of AbbVie are required to read, understand and abide by the requirements of the code of business conduct applicable to them. AbbVie's code of business conduct is available in the corporate governance section of AbbVie's investor relations website at www.abbvieinvestor.com.

Any waiver of the code of business conduct for directors or executive officers may be made only by AbbVie's audit committee. AbbVie will disclose any amendment to, or waiver from, a provision of the code of conduct for the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on its website within four business days following the date of the amendment or waiver. In addition, AbbVie will disclose any waiver from the code of business conduct for the other executive officers and for directors on the website.

AbbVie has a chief ethics and compliance officer who reports to the chief executive officer and to the public policy committee. The chief ethics and compliance officer is responsible for overseeing, administering and monitoring AbbVie's compliance program.

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2017 Proxy Statement under the headings "Director Compensation," "Executive Compensation," and "Compensation Committee Report" is incorporated herein by reference. The 2017 Definitive Proxy Statement will be filed on or about March 20, 2017.

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

(a) Equity Compensation Plan Information.

The following table presents information as of December 31, 2016 about AbbVie's equity compensation plans under which AbbVie common stock has been authorized for issuance:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	(b) Weighted-average exercise price of outstanding options, warrants and rights (2)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	25,991,282	$ 33.63	78,997,077
Equity compensation plans not approved by security holders	—	—	—
Total	25,991,282	$ 33.63	78,997,077

(1) Includes 10,761,273 shares issuable under AbbVie's Incentive Stock Program pursuant to awards granted by Abbott and adjusted into AbbVie awards in connection with AbbVie's separation from Abbott.

(2) The weighted-average exercise price does not include outstanding restricted stock units and restricted stock awards that have no exercise price.

(b) Information Concerning Security Ownership. Incorporated herein by reference is the material under the heading "Securities Ownership—Securities Ownership of Executive Officers and Directors" in the 2017 Proxy Statement. The 2017 Definitive Proxy Statement will be filed on or about March 20, 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 and its Committees," "Corporate Governance Materials," and "Procedures for Approval of Related Person Transactions" is incorporated herein by reference. The 2017 Definitive Proxy Statement will be filed on or about March 20, 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 Registered Public Accounting Firm" is incorporated herein by reference. The 2017 Definitive Proxy Statement will be filed on or about March 20, 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 47 hereof, for a list of financial statements.

(2) Financial Statement Schedules: All schedules omitted are inapplicable or the information required is shown in the consolidated financial statements or notes thereto.

(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 103 through 105 of this Form 10-K.

(b) Exhibits filed: See Exhibit Index on pages 103 through 105.

(c) Financial Statement Schedules: None applicable.

SIGNATURES

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

AbbVie Inc.
By: /s/ RICHARD A. GONZALEZ
Name: Richard A. Gonzalez
Title: 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 AbbVie Inc. on February 17, 2017 in the capacities indicated below.

/s/ RICHARD A. GONZALEZ Richard A. Gonzalez Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	/s/ WILLIAM J. CHASE William J. Chase Executive Vice President, Chief Financial Officer (Principal Financial Officer)
/s/ THOMAS A. HURWICH Thomas A. Hurwich Vice President, Controller (Principal Accounting Officer)	
/s/ ROBERT J. ALPERN, M.D. Robert J. Alpern, M.D. Director of AbbVie Inc.	/s/ ROXANNE S. AUSTIN Roxanne S. Austin Director of AbbVie Inc.
/s/ WILLIAM H.L. BURNSIDE William H.L. Burnside Director of AbbVie Inc.	/s/ BRETT J. HART Brett J. Hart Director of AbbVie Inc.
/s/ EDWARD M. LIDDY Edward M. Liddy Director of AbbVie Inc.	/s/ EDWARD J. RAPP Edward J. Rapp Director of AbbVie Inc.
/s/ GLENN F. TILTON Glenn F. Tilton Director of AbbVie Inc.	/s/ FREDERICK H. WADDELL Frederick H. Waddell Director of AbbVie Inc.

EXHIBIT INDEX
ABBVIE INC.
ANNUAL REPORT
FORM 10-K
2016

Exhibits 32.1 and 32.2 are furnished herewith and should not be deemed to be "filed" under the Securities Exchange Act of 1934.

Exhibit Number	Exhibit Description
2.1	*Agreement and Plan of Merger, dated as of April 25, 2016, by and among Stemcentrx, Inc., AbbVie Inc., Sirius Sonoma Corporation, AbbVie Stemcentrx LLC (formerly Sirius Sonoma LLC) and, solely for the purposes set forth therein, Fertile Valley LLC (incorporated by reference to Exhibit 2.1 of AbbVie's Current Report on Form 8-K/A filed on May 6, 2016).
2.2	*Amendment No. 1, dated as of May 28, 2016, to the Agreement and Plan of Merger, dated as of April 25, 2016, by and among Stemcentrx, Inc., AbbVie Inc., Sirius Sonoma Corporation, AbbVie Stemcentrx LLC (formerly Sirius Sonoma LLC) and, solely for the purposes set forth therein, Fertile Valley LLC (incorporated by reference to Exhibit 2.2 of AbbVie's Current Report on Form 8-K filed on June 1, 2016).
2.3	*Agreement and Plan of Reorganization by and among AbbVie Inc., Oxford Amherst Corporation, Oxford Amherst LLC and Pharmacyclics, Inc. dated as of March 4, 2015 (incorporated by reference to Exhibit 2.1 of the company's Current Report on Form 8-K filed on March 6, 2015).
2.4	*Amendment No. 1 to Agreement and Plan of Reorganization by and among AbbVie Inc., Oxford Amherst Corporation, Oxford Amherst LLC and Pharmacyclics, Inc. dated as of March 22, 2015 (incorporated by reference to Exhibit 2.1 of the company's Current Report on Form 8-K filed on March 23, 2015).
3.1	*Amended and Restated Certificate of Incorporation of AbbVie Inc. (incorporated by reference to Exhibit 3.1 of the company's Current Report on Form 8-K filed on January 2, 2013).
3.2	*Amended and Restated By-Laws of AbbVie Inc. (incorporated by reference to Exhibit 3.1 of the company's Current Report on Form 8-K filed on February 22, 2016).
4.1	*Indenture dated as of November 8, 2012 between AbbVie Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Amendment No. 5 to the company's Registration Statement on Form 10 filed on November 16, 2012).
4.2	*Supplemental Indenture No. 1 dated as of November 8, 2012 among AbbVie Inc. and U.S. Bank National Association, including forms of notes (incorporated by reference to Exhibit 4.2 of Amendment No. 5 to the company's Registration Statement on Form 10 filed on November 16, 2012).
4.3	*Supplemental Indenture No. 2 dated May 14, 2015, between AbbVie Inc. and U.S. Bank National Association, as trustee, including forms of notes (incorporated by reference to Exhibit 4.1 of the company's Current Report on Form 8-K filed on May 14, 2015).
4.4	*Supplemental Indenture No. 3 dated May 12, 2016, between AbbVie Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of AbbVie's Current Report on Form 8-K filed on May 12, 2016).
4.5	*Supplemental Indenture No. 4, dated as of November 17, 2016, among AbbVie Inc., U.S. Bank National Association, as trustee, Elavon Financial Services DAC, U.K. Branch, as paying agent and Elavon Financial Services DAC, as transfer agent and registrar (incorporated by reference to Exhibit 1.1 of the company's Current Report on Form 8-K filed on November 17,2016).
4.6	*Agency Agreement, dated as of November 17, 2016, among AbbVie Inc., U.S. Bank National Association, as trustee, Elavon Financial Services DAC, U.K. Branch, as paying agent and Elavon Financial Services DAC, as transfer agent and registrar (incorporated by reference to Exhibit 1.1 of the company's Current Report on Form 8-K filed on November 17,2016).

4.7	*Support Agreement by and among AbbVie Inc., Oxford Amherst Corporation and Robert W. Duggan dated as of March 4, 2015 (incorporated by reference to Exhibit 4.1 of the company's Current Report on Form 8-K filed on March 6, 2015).
10.1	*Form of Agreement Regarding Change in Control by and between AbbVie Inc. and its named executive officers (incorporated by reference to Exhibit 10.13 of Amendment No. 5 to the Company's Registration Statement on Form 10 filed on November 16, 2012).**
10.2	*AbbVie 2013 Incentive Stock Program (incorporated by reference to Exhibit A to the AbbVie Inc. Definitive Proxy Statement on Schedule 14A dated March 15, 2013).**

Exhibit Number	Exhibit Description
10.3	*AbbVie 2013 Management Incentive Plan (incorporated by reference to Exhibit 10.14 of the company's Annual Report on Form 10-K filed on March 15, 2013).**
10.4	*AbbVie Performance Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.4 of the company's Annual Report on Form 10-K filed on February 19, 2016).**
10.5	AbbVie Deferred Compensation Plan, as amended and restated.**
10.6	*AbbVie Non-Employee Directors' Fee Plan, as amended and restated (incorporated by reference to Exhibit 10.6 of the company's Annual Report on Form 10-K filed on February 19, 2016).**
10.7	AbbVie Supplemental Pension Plan.**
10.8	*AbbVie Supplemental Savings Plan, as amended and restated (incorporated by reference to Exhibit 10.8 of the company's Annual Report on Form 10-K filed on February 19, 2016). **
10.9	*Form of AbbVie Inc. Non-Employee Director Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.3 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013).**
10.10	*Form of AbbVie Inc. Performance Restricted Stock Agreement (CEO/Chairman) (incorporated by reference to Exhibit 10.4 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013).**
10.11	*Form of AbbVie Inc. Performance Restricted Stock Agreement (Annual) (incorporated by reference to Exhibit 10.5 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013).**
10.12	*Form of AbbVie Inc. Performance Restricted Stock Agreement (Interim) (incorporated by reference to Exhibit 10.6 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013).**
10.13	*Form of AbbVie Inc. Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.7 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013).**
10.14	*Form of AbbVie Inc. Non-Employee Director Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.15	*Form of AbbVie Inc. Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.16	*Form of AbbVie Inc. Retention Restricted Stock Unit Agreement - Cliff Vesting (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.17	*Form of AbbVie Inc. Retention Restricted Stock Unit Agreement - Ratable Vesting (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.18	*Form of AbbVie Inc. Retention Restricted Stock Agreement - Cliff Vesting (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.19	*Form of AbbVie Inc. Retention Restricted Stock Agreement - Ratable Vesting (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.20	*Form of AbbVie Inc. Performance Share Award Agreement (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.21	*Form of AbbVie Inc. Performance-Vested Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.22	

	*Stemcentrx 2011 Equity Incentive Plan (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 filed on June 16, 2016).**
10.23	*Pharmacyclics, Inc. 2014 Equity Incentive Award Plan (incorporated by reference to Exhibit 4.1 of the company's Registration Statement on Form S-8 filed on May 27, 2015).**
10.24	*Revolving Credit Agreement, dated as of August 18, 2014, among AbbVie Inc., AbbVie Private Limited, AbbVie Holdings Private Limited, JPMorgan Chase Bank, N.A. and the lenders and other parties party thereto (incorporated by reference to Exhibit 10.2 of the company's Current Report on Form 8-K filed on August 21, 2014).

Exhibit Number	Exhibit Description
10.25	*Amendment No. 1 to Revolving Credit Agreement, dated as of March 16, 2015, by and among AbbVie Inc., JPMorgan Chase Bank, N.A., as Administrative Agent and the lenders party thereto (incorporated by reference to Exhibit 10.1 of the company's Current Report on Form 8-K filed on March 20, 2015).
10.26	*Three-Year Term Loan Agreement, dated as of September 25, 2015, among AbbVie, Bank of America, N.A. and the lenders and other parties party thereto (incorporated by reference to Exhibit 10.1 of the company's Current Report on Form 8-K filed on September 29, 2015).
10.27	*364-Day Term Loan Credit Agreement, dated as of September 25, 2015, among AbbVie, Bank of America, N.A. and the lenders and other parties party thereto (incorporated by reference to Exhibit 10.2 of the company's Current Report on Form 8-K filed on September 29, 2015).
10.28	*364-Day Bridge Term Loan Credit Agreement, dated as of March 27, 2015, among the company, as borrower, the various financial institutions party thereto, as lenders and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated by reference to Exhibit 10.1 of the company's Current Report on Form 8-K filed on March 30, 2015).
10.29	*Underwriting Agreement, dated as of May 5, 2015, by and among AbbVie Inc. and Morgan Stanley & Co. LLC, Barclays Capital Inc., Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the several other underwriters named therein (incorporated by reference to Exhibit 1.1 of the company's Current Report on Form 8-K filed on May 7, 2015).
10.30	*Underwriting Agreement, dated as of May 9, 2016, by and among AbbVie Inc., and Barclays Capital Inc., Deutsche Bank Securities Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the several underwriters named in Schedule II thereto (incorporated by reference to Exhibit 1.1 of AbbVie's Current Report on Form 8-K filed on May 12, 2016).
10.31	*Underwriting Agreement, dated as of November 14, 2016, by and among AbbVie Inc., and Barclays Bank PLC, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc, Merrill Lynch International and Morgan Stanley & Co. International plc, as representatives of the several other underwriters named therein (incorporated by reference to Exhibit 1.1 of the company's Current Report on Form 8-K filed on November 17, 2016).
12.1	Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges
21	Subsidiaries of AbbVie Inc.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
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 AbbVie Inc. Annual Report on Form 10-K for the year ended December 31, 2016 filed on February 17, 2017, formatted in XBRL: (i) Consolidated Statements of Earnings; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Balance Sheets; (iv) Consolidated Statements of Equity; (v) Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements.
	The AbbVie Inc. 2017 Definitive Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 20, 2017.

---

* Incorporated herein by reference. Commission file number 001-35565.

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

AbbVie will furnish copies of any of the above exhibits to a stockholder upon written request to the Secretary, AbbVie Inc., 1 North Waukegan Road, North Chicago, Illinois 60064.