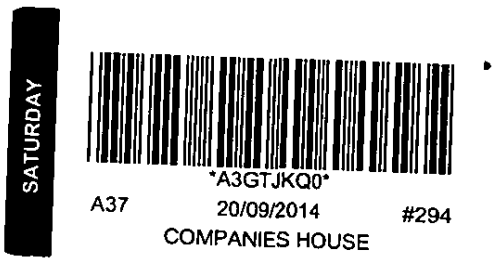
AbbVie Investments Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2013



Registration number 2981281

23/9/14 226 (F/E/S)

AbbVie Investments Limited

Directors' Report for the Year Ended 31 December 2013

The directors present their report and the financial statements for the year ended 31 December 2013

Directors of the company
The directors who held office during the year were as follows

T Freyman (resigned 1 January 2013)

C Soenderby (resigned 1 January 2013)

M Smith (resigned 1 January 2013)

S Hudson (resigned 1 January 2013)

W Chase (appointed 1 January 2013)

M Regan (appointed 1 January 2013)

G White - (appointed 1 January 2013)

Business review

Fair review of the business
The profit after tax for the year was $1,375,000 (2012 $2,674,000)

Principal risks and uncertainties
The company is at risk from foreign exchange movements and has some risk from interest rate movements However, the directors do not consider these to be significant risks

The company has considerable financial resources and as a consequence, the directors believe that the company is well placed to manage its business successfully despite the current uncertain economic outlook

Small company provisions
This report has been prepared in accordance with the small companies regime under the Companies Act 2006

Strategic report
Advantage has been taken of the exemption under section 414B of the Companies Act 2006 from the requirement to prepare a strategic report

Directors' liabilities
The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company auditor is aware of that information The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of

Reappointment of auditors

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006

Approved by the Board on 15 September 2014 and signed on its behalf by

M Regan
Director

AbbVie Investments Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditor's Report to the Members of AbbVie Investments Limited

We have audited the financial statements which comprise of the profit and loss account, statement of total recognised gains and losses, balance sheet and related notes 1 to 11, of AbbVie Investments Limited for the year ended 31 December 2013, set out on pages 6 to 11 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 3), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

David Hales (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Date 19 September 2014

AbbVie Investments Limited
Profit and Loss Account for the
Year Ended 31 December 2013

	Note	2013 $ 000	2012 $ 000
Turnover		-	-
Administrative (expenses)/ income		(19)	17
Operating (loss)/profit		(19)	17
Other interest receivable and similar income		1,810	3,525
Profit on ordinary activities before taxation		1,791	3,542
Tax on profit on ordinary activities	4	(416)	(868)
Profit for the financial year	8	1,375	2,674

Turnover and operating profit derive wholly from continuing operations

The company has no recognised gains or losses for the year other than the results above

AbbVie Investments Limited
(Registration number: 2981281)
Balance Sheet at 31 December 2013

	Note	2013 $ 000	2012 $ 000
Current assets			
Debtors	5	144,082	142,956
Cash at bank and in hand		126	179
		144,208	143,135
Creditors Amounts falling due within one year	6	(403)	(705)
Net assets		143,805	142,430
Capital and reserves			
Called up share capital	7	66,463	66,463
Profit and loss account	8	77,342	75,967
Shareholders' funds	9	143,805	142,430

Approved and authorised for issue by the Board on 15 September 2014 and signed on its behalf by

M Regan
Director

1 Accounting policies

A summary of the principal accounting policies are set out below, all of which have been applied consistently throughout the period and the preceding year

Basis of preparation

The accounts have been prepared on the historical cost basis and have been prepared in accordance with applicable United Kingdom law and accounting standards

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business review which forms part of the Directors' Report After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts

Interest income

Interest income is due to the company from cash deposits with affiliated companies or third party banks Interest income is calculated on a daily basis and accrued monthly

Taxation

UK corporation tax is provided at amounts expected to be paid, or recovered, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts A net deferred tax asset is recognised as recoverable only when, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted Deferred tax is not discounted

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date All exchange differences are included in the profit and loss account

..... continued

2 Auditor's remuneration

	2013 $ 000	2012 $ 000
Audit of the financial statements	6	6

3 Staff costs

During the current and prior year, no director received any emoluments The directors of the company are also directors or officers of other companies within the group The Directors' services to the company do not occupy a significant amount of their time and are considered incidental As such, the Directors do not consider that they receive any remuneration for the services from the company the comapny has no other employees

4 Taxation

Tax on profit on ordinary activities

	2013 $ 000	2012 $ 000
Current tax		
Corporation tax charge	416	868
Total current tax	416	868

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is the same as (2012 - the same as) the standard rate of corporation tax in the UK of 23 25% (2012 - 24 5%)

The differences are reconciled below

	2013 $ 000	2012 $ 000
Profit on ordinary activities before taxation	1,791	3,542
Corporation tax at standard rate	416	868
Total current tax	416	868

..... *continued*

5 Debtors

	2013 $ 000	2012 $ 000
Amounts owed by group undertakings	144,082	142,956

6 Creditors: Amounts falling due within one year

	2013 $ 000	2012 $ 000
Amounts owed to group undertakings	-	5
Corporation tax	382	680
Accruals	21	20
	403	705

..... *continued*

7 Share capital

Allotted, called up and fully paid

	2013 $000	2012 $000
66,462,949 ordinary shares of $1 each	66,463	66,463

8 Reserves

	Profit and loss account $ 000	Total $ 000
At 1 January 2013	75,967	75,967
Profit for the year	1,375	1,375
At 31 December 2013	77,342	77,342

9 Reconciliation of movement in shareholders' funds

	2013 $ 000	2012 $ 000
Profit attributable to the members of the company	1,375	2,674
Net addition to shareholders' funds	1,375	2,674
Shareholders' funds at 1 January	142,430	139,756
Shareholders' funds at 31 December	143,805	142,430

10 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group

11 Ultimate parent and controlling party

The company is controlled by immediate parent company Abbvie Bahamas Ltd, incorporated in Bahamas The largest group in which the results of Abbvie Investments Limited are consolidated is the ultimate parent company AbbVie Inc , incorporated in the state of Delaware, USA The consolidated accounts are available to the public and my be obtained from AbbVie Inc , 1 North Waukegan Road, North Chicago, IL 60064, USA

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

2981281

AbbVie Inc. and Subsidiaries

Consolidated Statements of Earnings

years ended December 31 (in millions, except per share data)	2013	2012	2011
Net sales	$18,790	$18,380	$17,444
Cost of products sold	4,581	4,508	4,639
Selling, general and administrative	5,352	4,989	5,894
Research and development	2,855	2,778	2,618
Acquired in-process research and development	338	288	673
Total operating costs and expenses	13,126	12,563	13,824
Operating earnings	5,664	5,817	3,620
Interest expense (income), net	278	84	(20)
Net foreign exchange loss (gain)	55	17	(30)
Other (income) expense, net	(1)	(9)	2
Earnings before income tax expense	5,332	5,725	3,668
Income tax expense	1,204	450	235
Net earnings	$ 4,128	$ 5,275	$ 3,433
Per share data			
Basic earnings per share	$ 2 58	$ 3 35	$ 2 18
Diluted earnings per share	$ 2 56	$ 3 35	$ 2 18
Cash dividends declared per common share(a)	$ 2 00	n/a	n/a
Weighted-average basic shares outstanding(b)	1,589	1,577	1,577
Weighted-average diluted shares outstanding(b)	1,604	1,577	1,577

(a) On January 4, 2013, the board of directors declared a cash dividend of $0 40 per share of common stock This dividend was declared from pre-separation earnings and was recorded as a reduction of additional paid-in capital In addition, AbbVie declared regular quarterly cash dividends in 2013 aggregating $1 60 per share of common stock Refer to Note 11 for information regarding cash dividends declared in 2013

(b) On January 1, 2013, Abbott Laboratories distributed 1,577 million shares of AbbVie common stock For periods prior to the separation, the weighted-average basic and diluted shares outstanding was based on the number of shares of AbbVie common stock outstanding on the distribution date Refer to Note 4 for information regarding the calculation of basic and diluted earnings per common share for the year ended December 31, 2013

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)	2013	2012	2011
Net earnings	$4,128	$5,275	$3,433
Foreign currency translation gain (loss) adjustments, net of tax expense of $71 in 2013	48	173	(295)
Pension and post-employment benefits, net of tax expense (benefit) of $309 in 2013, $(24) in 2012 and $(12) in 2011	598	(150)	(7)
Unrealized gains (losses) on marketable equity securities, net of tax expense (benefit) of $—in 2013, $(15) in 2012 and $10 in 2011	1	(25)	17
Hedging activities, net of tax (benefit) of $—in 2013, $(8) in 2012 and $(8) in 2011	(77)	(27)	(28)
Other comprehensive income (loss)	570	(29)	(313)
Comprehensive income	$4,698	$5,246	$3,120

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)	2013	2012
Assets		
Current assets		
Cash and equivalents	$ 9,595	$ 5,901
Short-term investments	300	2,075
Accounts and other receivables, net	3,854	4,298
Inventories, net	1,150	1,091
Income tax receivable	949	—
Deferred income taxes	766	669
Prepaid expenses and other	1,234	1,320
Total current assets	17,848	15,354
Investments	118	119
Property and equipment, net	2,298	2,247
Intangible assets, net of amortization	1,890	2,323
Goodwill	6,277	6,130
Other assets	767	835
Total assets	$29,198	$27,008
Liabilities and Equity		
Current liabilities		
Short-term borrowings	$ 413	$ 1,020
Current portion of long-term debt and lease obligations	18	22
Accounts payable and accrued liabilities	6,448	5,734
Total current liabilities	6,879	6,776
Long-term liabilities	3,535	2,239
Long-term debt and lease obligations	14,292	14,630
Commitments and contingencies		
Equity		
Net parent company investment in AbbVie Inc., prior to separation	—	3,713
Stockholders' equity		
Common stock, $0.01 par value, authorized 4,000,000,000 shares, issued 1,594,260,996 shares in 2013	16	—
Common stock held in treasury, at cost, 6,900,434 shares in 2013	(320)	—
Additional paid-in-capital	3,671	—
Retained earnings	1,567	—
Accumulated other comprehensive loss	(442)	(350)
Total stockholders' equity	4,492	(350)
Total equity	4,492	3,363
Total liabilities and equity	$29,198	$27,008

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	Accumulated other comprehensive Income (loss)	Retained earnings	Net parent company investment	Total
Balance at December 31, 2010	—	$—	$ —	$ —	$ 288	$ —	$ 15,415	$ 15,703
Net earnings	—	—	—	—	—	—	3,433	$ 3,433
Net transactions with Abbott Laboratories	—	—	—	—	—	—	(6,891)	$ (6,891)
Other comprehensive loss, net of tax	—	—	—	—	(313)	—	—	$ (313)
Balance at December 31, 2011	—	—	—	—	(25)	—	11,957	$ 11,932
Net earnings	—	—	—	—	—	—	5,275	$ 5,275
Net transactions with Abbott Laboratories	—	—	—	—	—	—	(13,519)	$(13,519)
Assumption of accumulated unrealized losses on pension and other post-employment benefits, net of tax benefit of $36	—	—	—	—	(296)	—	—	$ (296)
Other comprehensive loss, net of tax	—	—	—	—	(29)	—	—	$ (29)
Balance at December 31, 2012	—	—	—	—	(350)	—	3,713	$ 3,363
Separation-related adjustments	—	—	—	(1,316)	(662)	—	707	$ (1,271)
Reclassification of parent company net investment in connection with separation	—	—	—	4,420	—	—	(4,420)	$ —
Issuance of common stock at separation	1,577	16	—	(16)	—	—	—	$ —
Net earnings	—	—	—	—	—	4,128	—	$ 4,128
Other comprehensive income, net of tax	—	—	—	—	570	—	—	$ 570
Dividends declared	—	—	—	—	—	(2,561)	—	$ (2,561)
Share repurchases	(4)	—	(223)	—	—	—	—	$ (223)
Stock-based compensation plans, net of tax benefits of $(38), and other	14	—	(97)	583	—	—	—	$ 486
Balance at December 31, 2013	1,587	$16	$(320)	$ 3,671	$(442)	$ 1,567	$ —	$ 4,492

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)	2013	2012	2011
Cash flows from operating activities			
Net earnings	$ 4,128	$ 5,275	$ 3,433
Adjustments to reconcile net earnings to net cash from operating activities			
Depreciation	388	525	508
Amortization of intangible assets	509	625	764
Stock-based compensation	212	187	163
Acquired in-process research and development	338	288	673
Other, net	34	66	—
Changes in operating assets and liabilities, net of acquisitions			
Accounts and other receivables	681	223	(498)
Inventories	(56)	(203)	(87)
Prepaid expenses and other assets	459	90	(206)
Accounts payable and other liabilities	(426)	(731)	1,497
Cash flows from operating activities	6,267	6,345	6,247
Cash flows from investing activities			
Acquisitions and investments, net of cash acquired	(405)	(688)	(273)
Acquisitions of property and equipment	(491)	(333)	(356)
Release of restricted funds	—	—	1,870
Purchases of investment securities	(930)	(2,550)	(1,943)
Sales and maturities of investment securities	2,705	1,153	1,255
Cash flows from investing activities	879	(2,418)	553
Cash flows from financing activities			
Net change in short-term borrowings	(601)	1,000	—
Dividends paid	(2,555)	—	—
Purchases of treasury stock	(320)	—	—
Proceeds from the exercise of stock options	347	—	—
Proceeds from issuance of long-term debt	—	14,586	—
Net transactions with Abbott Laboratories, excluding noncash items	(247)	(13,504)	(6,762)
Other, net	(66)	(151)	(21)
Cash flows from financing activities	(3,442)	1,931	(6,783)
Effect of exchange rate changes on cash and equivalents	(10)	16	—
Net increase in cash and equivalents	3,694	5,874	17
Cash and equivalents, beginning of year	5,901	27	10
Cash and equivalents, end of year	$ 9,595	$ 5,901	$ 27
Other supplemental information			
Interest paid, net of portion capitalized	283	61	—
Income taxes paid	1,305	—	—

The accompanying notes are an integral part of these 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 proprietary pharmaceutical products Substantially all of AbbVie's sales in the United States (U.S) are to three wholesalers Outside the U S , products are sold primarily to health care providers or through distributors, depending on the market served

On January 1, 2013, AbbVie became an independent, publicly-traded company as a result of the distribution by Abbott Laboratories (Abbott) of 100 percent of the outstanding common stock of AbbVie to Abbott's shareholders (the separation) AbbVie was incorporated in Delaware on April 10, 2012 Abbott's Board of Directors approved the distribution of its shares of AbbVie on November 28, 2012 AbbVie's registration statement on Form 10 was declared effective by the U S Securities and Exchange Commission on December 7, 2012 On January 1, 2013, Abbott's shareholders of record as of the close of business on December 12, 2012, received one share of AbbVie common stock for every one share of Abbott common stock held as of the record date AbbVie's common stock began trading "regular-way" under the ticker symbol "ABBV" on the New York Stock Exchange on January 2, 2013

During the year ended December 31, 2013, separation-related adjustments totaling $1 3 billion were recorded in stockholders' equity Separation-related adjustments to additional paid-in capital principally reflected dividends to AbbVie shareholders that were declared from pre-separation earnings during the first quarter and the transfer of certain pension plan liabilities and assets from Abbott to AbbVie upon the legal split of those plans in 2013 In addition, because the historical financial statements were derived from Abbott's records, separation-related adjustments also included an adjustment to accumulated other comprehensive loss to reflect the appropriate opening balances associated with currency translation adjustments related to AbbVie's legal entities at the separation date Refer to Note 10 for further information regarding the separation of the pension plans

In connection with the separation, AbbVie and Abbott entered into transition services agreements covering certain corporate support and back office services that AbbVie has historically received from Abbott Such services include information technology, accounts payable, payroll, receivables collection, treasury and other financial functions, as well as order entry, warehousing, engineering support, quality assurance support and other administrative services These agreements facilitate the separation by allowing AbbVie to operate independently prior to establishing stand-alone back office functions across its organization Transition services may be provided for up to 24 months, with an option for a one-year extension

During the year ended December 31, 2013 and 2012, AbbVie incurred $254 million and $288 million, respectively, of separation-related expenses, including legal, information technology and regulatory fees, which were principally classified in selling, general and administrative expenses (SG&A)

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 is responsible for the business activities conducted by Abbott on its behalf, and is 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 year ended December 31, 2013 Net sales related to these operations for the year ended December 31, 2013 totaled approximately $738 million At December 31, 2013, the assets and liabilities consisted primarily of accounts receivable of $62 million, inventories of $190 million, other assets of $93 million and accounts payable and other accrued liabilities of $212 million The majority of these operations are expected to be transferred to AbbVie by the end of 2014

Prior to the separation on January 1, 2013, the historical financial statements of AbbVie were prepared on a stand-alone basis and were derived from Abbott's consolidated financial statements and accounting records as if the former research-based pharmaceutical business of Abbott had been part of AbbVie for all periods presented Accordingly, AbbVie's financial statements for periods prior to January 1, 2013 are presented herein on a combined basis and reflect AbbVie's financial position, results of operations and cash flows as its business was operated as part of Abbott prior to the separation, in conformity with U S generally accepted accounting principles (GAAP)

The historical combined financial statements included the allocation of certain assets and liabilities that were historically held at the Abbott corporate level but which were specifically identifiable or allocable to AbbVie Prior to 2012, cash and equivalents, short-term investments and restricted funds held by Abbott were not allocated to AbbVie unless those assets were held by an entity that was transferred to AbbVie As of December 31, 2012, AbbVie's combined balance sheet reflected the direct holdings of AbbVie legal entities Prior to November 2012, long-term debt and short-term borrowings were not allocated to AbbVie as none of the debt recorded by Abbott was directly attributable to or guaranteed by AbbVie In November 2012, AbbVie issued $14 7 billion of long-term debt with maturities ranging from three to 30 years and $1 0 billion of commercial paper, which was reflected on AbbVie's combined balance sheet as of December 31, 2012 All AbbVie intracompany transactions and accounts were eliminated Prior to 2012, all intercompany transactions between AbbVie and Abbott were considered to be effectively settled in the historical combined financial statements at the time the transactions were recorded As a result, the total net effect of the settlement of these intercompany transactions was reflected in the combined statements of cash flows for the years ended December 31, 2012 and 2011 as a financing activity and in the combined balance sheet as of December 31, 2012 as net parent company investment in AbbVie As of December 31, 2012, outstanding transactions between AbbVie and Abbott were reflected in the combined balance sheet outside of net parent company investment in AbbVie Inc As of December 31, 2013 and 2012, the aggregate amount due from Abbott totaled $738 million and $696 million, respectively, and was classified in accounts and other receivables, net The aggregate amount due to Abbott totaled $876 million and $923 million as of December 31, 2013 and 2012, respectively, and was classified in accounts payable and accrued liabilities

Prior to the separation on January 1, 2013, Abbott provided AbbVie certain services, which included administration of treasury, payroll, employee compensation and benefits, travel and meeting services, public and investor relations, real estate services, internal audit, telecommunications, information technology, corporate income tax and selected legal services Some of these services continue to be provided to AbbVie on a temporary basis after the separation pursuant to certain transition services agreements AbbVie's historical combined financial statements reflect an allocation of expenses related to these services These expenses were allocated to AbbVie based on direct usage or benefit where identifiable, with the remainder allocated on a pro rata basis of revenues, headcount, square footage, number of transactions or other measures AbbVie considers the expense allocation methodology and results to be reasonable for all periods presented However, the allocations may not be indicative of the actual expenses that would have been incurred had AbbVie operated as an independent, publicly-traded company for the periods presented These allocations totaled $838 million and $801 million for the years ended December 31, 2012 and 2011

Prior to the separation on January 1, 2013, AbbVie employees participated in various benefits and stock-based compensation programs maintained by Abbott A portion of the cost of those programs was

included in AbbVie's historical combined financial statements However, AbbVie's historical combined balance sheet as of December 31, 2012 does not include any equity related to stock-based compensation plans See Note 10 and Note 11 for a further description of the accounting for post-employment benefits and stock-based compensation, respectively

Note 2 Summary of Significant Accounting Policies

Use of Estimates

The financial statements have been prepared in accordance with U S GAAP and necessarily include amounts based on estimates and assumptions by management Actual results could differ from those amounts Significant estimates include amounts for sales rebates, pension and post-employment benefits, income taxes, litigation, valuation of intangible assets and goodwill, financial instruments, and inventory and accounts receivable exposures

Basis of Consolidation

The consolidated financial statements as of and for the year ended December 31, 2013 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, by majority exposure to expected losses, residual returns or both 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 (income) expense, net 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 combined 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 and sales incentives to customers and returns and other adjustments are provided for in the period the related sales are recorded Sales incentives to customers are not material Historical data is readily available and reliable, and is used for estimating the amount of the reduction in gross sales Revenue from the launch of a new product, from an improved version of an existing product, or for shipments in excess of a customer's normal requirements are recorded when the conditions noted above are met In those situations, management records a returns reserve for such revenue, if necessary Sales of product rights for marketable products are recorded as revenue upon disposition of the rights

Research and Development Costs

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 or are probable Payments made to third parties subsequent to regulatory approval are capitalized and amortized over the remaining useful life of the related product Amounts capitalized for such payments are included in intangible assets, net of accumulated amortization

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) Subsequent payments made to the partner for the achievement of milestones during the development stage are expensed to R&D 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 Royalty and sales based milestones are expensed as cost of products sold when incurred

Advertising

Costs associated with advertising are expensed as incurred and are included in selling, general and administrative expenses (SG&A) Advertising expenses were $626 million, $506 million and $375 million in 2013, 2012 and 2011, respectively

Pension and Post-Employment Benefits

AbbVie records annual expenses relating to its defined benefit pension and other post-employment plans based on calculations which include various actuarial assumptions, including discount rates, assumed asset rates of return, 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 losses and gains are amortized over the remaining service attribution periods of the employees under the corridor method, in accordance with the rules for accounting for post-employment benefits Differences between the expected long-term return on plan assets and the actual annual return are amortized to net period benefit cost over a five-year period

Prior to separation, AbbVie employees participated in certain defined benefit pension and other post-employment plans sponsored by Abbott, which included participants of Abbott's other businesses Such plans were accounted for as multiemployer plans in AbbVie's historical combined financial statements as of and for the years ended December 31, 2012 and 2011 As a result, no asset or liability was recorded by AbbVie in the historical combined balance sheets to recognize the funded status of these plans In 2013, subsequent to the separation from Abbott, AbbVie's portion of the defined benefit pension plans were separated from the Abbott defined benefit pension plans using a December 31, 2012 measurement date As a result, the funded status for each plan is reflected in AbbVie's consolidated balance sheet as of December 31, 2013 In addition to participation in defined benefit pension and other post-employment plans sponsored by Abbott, AbbVie is the sole sponsor for certain defined benefit pension and other post-employment plans The funded status of these plans was recorded in AbbVie's combined balance sheet at December 31, 2012 and the consolidated balance sheet at December 31, 2013

Refer to Note 10 for information regarding AbbVie's pension and post-employment plans

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 amount 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

In AbbVie's financial statements for periods prior to 2013, income tax expense and tax balances were calculated as if AbbVie was a separate taxpayer, although AbbVie's operations were historically included in tax returns filed by Abbott After separation, AbbVie's income tax expense and income tax balances represent AbbVie's federal, state and foreign income taxes as an independent company As a result, its effective tax rate and income tax balances are not necessarily comparable to those for periods prior to the separation

Prior to the separation, AbbVie did not maintain an income taxes payable to/from account with Abbott With the exception of certain entities outside the United States that transferred to AbbVie at separation, AbbVie is deemed to have settled current tax balances with the Abbott tax paying entities in the respective jurisdictions These settlements were reflected as changes in net parent company investment

Cash and Equivalents

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

Investments

Short-term investments consist primarily of time deposits and U S Treasury securities Investments in marketable equity securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in accumulated other comprehensive income (loss) Investments in equity securities that are not traded on public stock exchanges and held-to-maturity debt securities are recorded at cost

AbbVie reviews the carrying value of investments each quarter to determine whether an other than temporary decline in fair value exists AbbVie considers factors affecting the investee, factors affecting the industry the investee operates in and general equity market trends The company considers the length of time an investment's fair value has been below cost and the near-term prospects for recovery When AbbVie determines that an other than temporary decline has occurred, the cost basis investment is written down with a charge to other (income) expense and the available-for-sale securities' unrealized loss is recognized as a charge to income and removed from accumulated other comprehensive income (loss) (AOCI)

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 $88 million at December 31, 2013 and $83 million at December 31, 2012 The increase in 2013 was due to a higher level of past due receivables

Inventories

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

as of December 31 (in millions)	2013	2012
Finished goods	$ 485	$ 547
Work-in-process	404	286
Materials	261	258
Inventories, net	$1,150	$1,091

Property and Equipment

as of December 31 (in millions)	2013	2012
Land	$ 50	$ 48
Buildings	1,263	1,324
Equipment	5,214	4,865
Construction in progress	382	305
Property and equipment, gross	6,909	6,542
Less accumulated depreciation	(4,611)	(4,295)
Property and equipment, net	$ 2,298	$ 2,247

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 and five to 20 years for equipment Leasehold improvements are amortized over the life of the related facility lease (including any renewal periods, if appropriate) or the asset, whichever is shorter Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was $388 million, $525 million and $508 million, respectively Equipment includes certain computer software and software development costs incurred in connection with developing or obtaining software for internal use Assets under capital leases included in property and equipment in the consolidated balance sheets are not material

Litigation

Loss contingency provisions are recorded for probable losses 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

Product Liability

AbbVie accrues for product liability claims, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information The liabilities are adjusted quarterly as additional information becomes available Receivables for insurance recoveries, 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

Results of operations of acquired companies are included in AbbVie's results of operations beginning on the respective acquisition dates Assets acquired and liabilities assumed are recognized at the date of acquisition at their respective fair values Any excess of the fair value consideration transferred over the estimated fair values of the net assets acquired is recognized as goodwill Contingent consideration

is recognized at the estimated fair value on the acquisition date, which is determined by utilizing a probability weighted discounted cash flow model Subsequent changes to the fair value of contingent payments are recognized in other (income) expense, 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 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 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 of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount and a loss is recorded equal to the excess of the asset's net carrying value over 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 would occur if the carrying amount of a reporting unit exceeded the fair value of that reporting unit, calculated using a weighting of the income approach and the market approach The fair value under the income approach is calculated as the present value of estimated cash flows discounted using a risk-free market rate adjusted for a market participant's view of similar companies and perceived risks in cash flows The fair value under the market approach is calculated using market multiples for peer groups applied to the operating results of the reporting unit to determine fair value The implied fair value of goodwill is then determined by subtracting the fair value of all identifiable net assets other than goodwill from the fair value of the reporting unit, with an impairment charge recorded for the excess, if any, of the carrying amount of goodwill over the implied fair value Based on the company's most recent annual impairment test performed in the third quarter of 2013, the fair value of AbbVie's single reporting unit was substantially in excess of its carrying value

Indefinite-lived intangible assets, which consist of capitalized IPR&D, are tested for impairment by comparing the fair value of each intangible asset with its carrying value The fair value of indefinite-lived intangible assets is based on the present value of projected cash flows using an income approach If the carrying value exceeds fair value, the intangible asset is considered impaired and is reduced to fair value

Acquired In-Process Research and Development

The initial costs of rights to IPR&D projects acquired in an asset acquisition are expensed as IPR&D unless the project has an alternative future use These costs include initial payments incurred prior to regulatory approval in connection with research and development collaboration agreements that provide rights to develop, manufacture, market and/or sell pharmaceutical products The fair value of IPR&D projects acquired in a business combination are capitalized and accounted for as indefinite-lived intangible assets until 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 Development costs incurred after the acquisition are expensed as incurred Indefinite- and definite-lived assets are subject to impairment reviews as discussed previously

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 income (OCI) 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 earnings and is immaterial for all years presented

Derivatives

All derivative instruments are recognized as either assets or liabilities at fair value in AbbVie's balance sheets and are classified as current or long-term based on the scheduled maturity of the instrument The accounting for changes in the fair value of a derivative instrument depends on whether it has been formally designated and qualifies as part of a hedging relationship under the applicable accounting standards and, further, on the type of hedging relationship

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 hedge risk are recognized in earnings immediately Fair value hedges are used to hedge the interest rate risk associated with certain of the company's fixed-rate debt 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 Cash flow hedges are used to manage exposures from changes in foreign currency exchange rates

The derivatives that are not designated and do not qualify as hedges are adjusted to fair value through current earnings If it is determined that a derivative is no longer highly effective as a hedge, the company discontinues hedge accounting prospectively Gains or losses are immediately reclassified from AOCI to earnings relating to hedged forecasted transactions that are no longer probable of occurring Gains or losses relating to terminations of effective cash flow hedges in which the forecasted transactions are still probable of occurring are deferred and recognized consistent with the income or loss recognition of the underlying hedged items Terminations of a fair value hedge result in fair value adjustments to the hedged items until the date of termination with the new bases being accreted to par value on the date of maturity

Derivatives, including those that are not designated as a hedge, are principally classified in the operating section of the consolidated statements of cash flows, consistent with the underlying hedged item.

Refer to Note 9 for information regarding AbbVie's derivative and hedging activities

Note 3 Supplemental Financial Information

Interest Expense (Income), Net

years ended December 31 (in millions)	2013	2012	2011
Interest expense	$299	$104	$ —
Interest and dividend income	(21)	(20)	(20)
Interest expense (income), net	$278	$ 84	$(20)

Other (Income) Expense, Net

Other (income) expense, net, included expenses of $11 million in 2013, $29 million in 2012 and $56 million in 2011 of fair value adjustments to the contingent consideration related to an acquisition of a business in 2010. Other (income) expense, net, for 2013, 2012 and 2011 also included ongoing contractual payments associated with the conclusion of a preexisting joint venture arrangement dissolved in 2008. Other (income) expense, net, for 2012 included income of $21 million from the resolution of a contractual agreement and a loss of $52 million for the impairment of an equity security.

Accounts Payable and Accrued Liabilities

as of December 31 (in millions)	2013	2012
Sales rebates	$1,401	$1,616
Accounts payable	933	556
Due to Abbott Laboratories	876	923
Dividends payable	643	—
Salaries, wages and commissions	621	523
Royalty license arrangements	443	398
Other	1,531	1,718
Accounts payable and accrued liabilities	$6,448	$5,734

Long-Term Liabilities

as of December 31 (in millions)	2013	2012
Deferred income taxes	$ 570	$ 360
Pension and other post-employment benefits	1,628	979
Other	1,337	900
Long-term liabilities	$3,535	$2,239

Note 4 Earnings Per Share

For periods subsequent to the separation, AbbVie calculated basic earnings per share (EPS) pursuant to the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. In addition, participating securities may include certain performance-based awards that may otherwise have been excluded from the calculation of EPS under the treasury-stock method. AbbVie's forfeitable restricted stock units (RSUs) and restricted stock awards (RSAs), including most performance-based awards, participate in dividends on the same basis as common shares and such dividends are nonforfeitable to the holder once declared. As a result, these forfeitable RSUs and RSAs meet the definition of a participating security.

The dilutive effect of participating securities is calculated using the more dilutive of the treasury stock or the two-class method. For the year ended December 31, 2013, the two-class method was more dilutive. As such, the dilutive effect of outstanding RSUs and RSAs for the year ended December 31, 2013 of approximately 5 million was excluded from the denominator for the calculation of diluted EPS. These awards otherwise would have been included in the calculation of EPS under the treasury stock method. Additionally, all earnings (distributed and undistributed) allocable to participating securities,

including performance-based awards not otherwise included in the calculation of EPS under the treasury-stock method, was excluded from the numerator for the calculation of basic and diluted earnings per share under the two-class method Earnings allocable to participating securities for the year ended December 31, 2013 was $26 million

For the year ended December 31, 2013, approximately 1 million common shares issuable under stock-based compensation plans were excluded from the computation of earnings per common share assuming dilution because the effect would have been antidilutive

For periods prior to the separation, the numerator for both basic and diluted EPS was net earnings attributable to AbbVie The denominator for basic and diluted EPS was calculated using the 1,577 million AbbVie common shares outstanding immediately following the separation The same number of shares was used to calculate basic and diluted earnings per share since no AbbVie equity awards were outstanding prior to the separation

Note 5 Acquisitions, Collaborations and Other Arrangements

In 2013, 2012 and 2011, cash outflows related to collaborations, the acquisition of product rights and other arrangements totaled $405 million, $688 million and $273 million, respectively AbbVie recorded IPR&D charges of $338 million, $288 million and $673 million in 2013, 2012 and 2011, respectively Significant arrangements impacting 2013, 2012 and 2011, some of which require contingent milestone payments, include the following

Collaborations and Other Arrangements

Ablynx NV

In September 2013, AbbVie entered into a global collaboration agreement with Ablynx NV to develop and commercialize the anti-IL-6R Nanobody, ALX-0061, to treat inflammatory diseases including rheumatoid arthritis and systemic lupus erythematosus, resulting in a charge to IPR&D of $175 million Upon the achievement of certain development, regulatory and commercial milestones, AbbVie could make additional payments of up to $665 million, as well as royalties on net sales

Galapagos NV

In September 2013, AbbVie recorded a charge to IPR&D of $45 million as a result of entering into a global collaboration with Galapagos NV (Galapagos) to discover, develop and commercialize cystic fibrosis therapies Upon the achievement of certain development, regulatory and commercial milestones, AbbVie could make additional payments of up to $360 million, as well as royalties on net sales

In February 2012, AbbVie recorded a charge to IPR&D of $150 million as a result of entering into a global collaboration with Galapagos to develop and commercialize a next-generation, oral Janus Kinase 1 (JAK1) inhibitor in Phase II development with the potential to treat multiple autoimmune diseases Additional payments of approximately $1 3 billion could be required for the achievement of certain development, regulatory and commercial milestones under this agreement

Alvine Pharmaceuticals, Inc

In May 2013, AbbVie entered into a global collaboration with Alvine Pharmaceuticals, Inc to develop ALV003, a novel oral treatment for patients with celiac disease As part of the agreement, AbbVie made an initial upfront payment of $70 million, which was expensed to IPR&D in the second quarter of 2013 AbbVie could make additional payments totaling up to $275 million pursuant to this arrangement

In addition to the collaborations described above, in 2013, AbbVie entered several other arrangements resulting in charges to IPR&D of $48 million and upon the achievement of certain development, regulatory and commercial milestones, could make additional payments of up to $894 million It is not possible to predict with reasonable certainty whether these milestones will be achieved or the timing for achievement

Action Pharma A/S

In May 2012, AbbVie recorded a charge to IPR&D of $110 million as a result of the acquisition of ABT-719 (previously referred to as AP214), a drug under development for the prevention of acute kidney injury associated with major cardiac surgery in patients at increased risk

Reata Pharmaceuticals, Inc

In the fourth quarter of 2011, AbbVie entered into a collaboration with Reata Pharmaceuticals, Inc (Reata) for the joint development and commercialization of second-generation oral antioxidant inflammation modulators resulting in a charge to IPR&D of $400 million, which was paid in the first quarter of 2012

Pursuant to a series of transactions with Reata in 2010, AbbVie acquired licensing rights outside the United States, excluding certain Asian markets, to bardoxolone methyl In addition, AbbVie acquired equity interests in Reata of $62 million each in 2010 and 2011 The achievement of certain development milestones under the license agreement resulted in charges of $50 million in 2012 to R&D and $188 million in 2011 to IPR&D On October 17, 2012, Reata informed AbbVie that it was discontinuing a Phase III clinical study for bardoxolone methyl for chronic kidney disease As a result, AbbVie recorded an impairment charge of $52 million related to AbbVie's equity investment in Reata The charge was classified in in other (income) expense, net in the combined statement of earnings for 2012 Reata and AbbVie continue to evaluate the development of bardoxolone methyl in other indications

Biotest AG

In June 2011, AbbVie entered into a global agreement with Biotest AG to develop and commercialize an anit-CD4, a treatment for rheumatoid arthritis and psoriasis, resulting in an $85 million charge to IPR&D AbbVie could, in the future, be required to make additional payments totaling up to $395 million based on the achievement of certain development, regulatory and commercial milestones under this agreement

Note 6 Goodwill and Intangible Assets

Goodwill

The following table summarizes changes in the carrying amount of AbbVie's goodwill

(in millions)	
Balance at December 31, 2011	$6,100
Currency translation and other adjustments	30
Balance at December 31, 2012	6,130
Additions	25
Currency translation and other adjustments	122
Balance at December 31, 2013	$6,277

Goodwill additions in 2013 related to product rights acquired during the second quarter As of December 31, 2013, there were no accumulated goodwill impairment losses Future impairment tests for goodwill will be performed annually in the third quarter, or earlier if indicators of impairment exist

Intangible Assets, Net

The following table summarizes AbbVie's intangible assets

(in millions)	December 31, 2013 Gross carrying amount	Accumulated amortization	Net carrying amount	December 31, 2012 Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangible assets						
Developed product rights	$4,744	$(3,503)	$1,241	$4,699	$(3,031)	$1,668
License agreements	994	(792)	202	969	(734)	235
Total definite-lived intangible assets	5,738	(4,295)	1,443	5,668	(3,765)	1,903
Indefinite-lived research and development	447	—	447	420	—	420
Total intangible assets	$6,185	$(4,295)	$1,890	$6,088	$(3,765)	$2,323

Intangible assets with finite useful lives are amortized over their estimated useful lives, which range between 3 to 16 years with an average of 9 years for both developed product rights and license agreements Additions related to the acquisition of amortizable intangible assets in the second quarter of 2013 with an average amortization period of 5 years

Amortization expense for 2013, 2012 and 2011 was $509 million, $625 million and $764 million, respectively, and is included in cost of products sold in the consolidated statements of earnings At December 31, 2013, the anticipated annual amortization expense for intangible assets recorded as of December 31, 2013 was $352 million in 2014, $279 million in 2015, $137 million in 2016, $131 million in 2017 and $115 million in 2018

The indefinite-lived intangible assets as of December 31, 2012 relate to IPR&D acquired in a business combination Additions related to the acquisition of IPR&D in the second quarter of 2013 In 2012 and 2011, AbbVie recorded impairment charges of $13 million and $46 million, respectively, for certain projects under development These charges are included in R&D expenses In 2013, no material impairment charges were recorded

Note 7 Restructuring Plans

In 2013, AbbVie management approved plans to restructure certain commercial operations in conjunction with the loss and expected loss of exclusivity of certain products Restructuring charges recorded in 2013 were $83 million and were primarily recorded in SG&A and cost of products sold in the consolidated statements of earnings with the remainder recorded in R&D Included in the charges were cash costs of $76 million which mainly related to employee severance and contractual obligations

In 2012, AbbVie management approved plans to realign its worldwide manufacturing operations and selected domestic and international commercial and R&D operations in order to reduce costs In 2012, AbbVie incurred restructuring charges of approximately $191 million for employee severance and contractual obligations, primarily related to the exit from an R&D facility with $183 million recorded within R&D and $8 million within SG&A expenses in the consolidated statements of earnings In 2011, AbbVie recorded a charge of $163 million reflecting employee severance and other related charges, with $42 million classified as cost of products sold, $72 million as R&D and $49 million as SG&A expenses in the consolidated statements of earnings

The following summarizes the cash activity in the restructuring reserve for the years ended December 31, 2013, 2012 and 2011 Restructuring reserves as of December 31, 2010 principally relates to a restructuring plan approved by AbbVie management in 2010

(in millions)	
Accrued balance at December 31, 2010	$ 157
2011 restructuring charges	163
Payments and other adjustments	(171)
Accrued balance at December 31, 2011	149
2012 restructuring charges	191
Payments and other adjustments	(107)
Accrued balance at December 31, 2012	233
2013 restructuring charges	76
Payments and other adjustments	(118)
Accrued balance at December 31, 2013	$ 191

Payments and other adjustments for 2013 includes a $23 million reversal of a previously recorded restructuring reserve due to the company's re-evaluation of a prior year decision to exit a manufacturing facility In 2012 and 2011, AbbVie recorded additional restructuring charges of $69 million and $53 million, respectively, primarily for accelerated depreciation and, for 2011 only, asset impairments

Note 8 Debt, Credit Facilities, and Commitments and Contingencies

The following is a summary of long-term debt as of December 31, 2013 and 2012

(in millions)	Effective interest rate in 2013(a)	2013	Effective interest rate in 2012(a)	2012
Floating rate notes due 2015	1 14%	$ 500	1 13%	$ 500
1 2% notes due 2015	1 31%	3,500	1 24%	3,500
1 75% notes due 2017	1 86%	4,000	1 82%	4,000
2 0% notes due 2018	2 15%	1,000	2 12%	1,000
2 9% notes due 2022	2 97%	3,100	3 01%	3,100
4 4% notes due 2042	4 46%	2,600	4 50%	2,600
Other	—	98	—	104
Fair value hedges	—	(432)	—	(81)
Unamortized bond discounts	—	(56)	—	(71)
Total long-term debt and lease obligations		14,310		14,652
Current portion		18		22
Noncurrent portion		$14,292		$14,630

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

In November 2012, AbbVie issued $14 7 billion aggregate principal amount of senior notes Approximately $3 0 billion of these senior notes were issued to Abbott as partial consideration for the transfer of assets from Abbott to AbbVie AbbVie used part of the net proceeds from the sale of senior notes (other than the senior notes issued to Abbott) to finance the payment made in November 2012 of a $10 2 billion distribution to Abbott, as provided by the terms of the separation agreement The debt was guaranteed by Abbott until AbbVie separated from Abbott on January 1, 2013

AbbVie may redeem all of the senior notes of each series, other than the floating notes due in 2015, at any time, and some of the senior notes of each series, other than the floating notes due in 2015, from time to time, at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium AbbVie may not redeem the floating notes due in 2015 prior to maturity

At December 31, 2013, the company was in compliance with its senior note covenants

Short-Term Borrowings

At December 31, 2013 and 2012, short-term borrowings included $400 million and $1 0 billion, respectively, of commercial paper borrowings The weighted-average interest rate on short-term borrowings was 0 2% and 0 4% for 2013 and 2012, respectively AbbVie has a $2 0 billion unsecured bank credit facility agreement, which backs the commercial paper program, and matures in July 2017 Abbott was relieved of its obligations under the credit facility upon separation of AbbVie from Abbott on January 1, 2013, and AbbVie became the sole obligor of this facility The credit facility enables the company to borrow funds on an unsecured basis at floating interest rates At December 31, 2013, the company was in compliance with its credit facility covenants Compensating balances and commitment fees are not material

Maturities of Long-Term Debt and Capital Lease Obligations

As part of the separation, AbbVie entered into agreements to lease certain facilities, including office, laboratory, and factory and warehouse space, under principally non-cancelable operating leases with Abbott The leases generally include renewal options and provide for the company to pay taxes, maintenance, insurance and other operating costs of the leased property AbbVie also leases office space on a short-term basis typically under cancelable operating leases Lease expense for 2013 was $107 million and was not material for both 2012 and 2011 Capital lease obligations relate to automobiles and certain facilities As of December 31, 2013, annual future minimum lease payments for capital lease obligations are not material 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, 2013

as of and for the years ended December 31 (in millions)	Operating leases	Debt maturities and capital leases
2014	$ 87	$ 18
2015	79	4,012
2016	71	11
2017	62	4,008
2018	46	1,006
Thereafter	530	5,743
Total obligations and commitments	875	14,798
Fair value hedges and unamortized bond discounts	n/a	(488)
Total debt and lease obligations	$875	$14,310

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, no special-purpose entities and no activities that included non-exchange-traded contracts accounted for at fair value 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 Since AbbVie no longer maintains a business relationship with the other parties, AbbVie is unable to develop an estimate of the maximum potential amount of future payments, if any, under these obligations Based upon past experience, the likelihood of payments under these agreements is remote 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 events

Note 9 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 The company'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 instruments to reduce its exposure to foreign currency exchange rates The company is also exposed to the risk that its earnings and cash flows could be adversely impacted by fluctuations in interest rates The company periodically enters into interest rate swaps, based on judgment, to manage interest costs 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 transactions denominated in a currency other than the functional currency of the local entity These contracts, with notional amounts totaling $1 5 billion and $1 0 billion at December 31, 2013 and 2012, respectively, are designated as cash flow hedges and are recorded at fair value Accumulated gains and losses as of December 31, 2013 will be included in cost of products sold at the time the products are sold, generally through the next twelve months

The company enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated trade payables and receivables and intercompany loans The contracts are marked-to-market, and resulting gains or losses are reflected in income and are generally offset by losses or gains on the foreign currency exposure being managed At December 31, 2013 and 2012, AbbVie held notional amounts of $5 3 billion and $4 3 billion, respectively, of such foreign currency forward exchange contracts

AbbVie was a party to interest rate hedge contracts, designated as fair value hedges, totaling $8 0 billion at both December 31, 2013 and 2012 The effect of the hedge is to change a fixed-rate interest obligation to a floating rate for that portion of the debt AbbVie recorded the contracts at fair value and adjusted 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 as of December 31

(in millions)	Fair value—Derivatives in asset position 2013	2012	Balance sheet caption	Fair value—Derivatives in liability position 2013	2012	Balance sheet caption
Interest rate swaps designated as fair value hedges	$—	$—	n/a	$432	$ 81	Long-term liabilities
Foreign currency forward exchange contracts—						
Hedging instruments	—	1	Prepaid expenses and other	61	10	Accounts payable and accrued liabilities
Others not designated as hedges	17	14	Prepaid expenses and other	12	15	Accounts payable and accrued liabilities
Total	$17	$15		$505	$106	

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 presented herein

The following table summarizes the activity for derivative instruments and the amounts and location of income (expense) and gain (loss) reclassified into income and for certain other derivative instruments for the years ended December 31 The amount of hedge ineffectiveness was not significant in 2013, 2012 and 2011

(in millions)	(Loss) gain recognized in other comprehensive (loss) income 2013	2012	2011	Income (expense) and gain (loss) reclassified into income 2013	2012	2011	Income statement caption
Foreign currency forward exchange contracts—							
Designated as cash flow hedges	$(77)	$(11)	$ (2)	$ —	$ 24	$18	Cost of products sold
Not designated as hedges	n/a	n/a	n/a	81	(23)	30	Net foreign exchange loss (gain)
Interest rate swaps designated as fair value hedges	n/a	n/a	n/a	(351)	(81)	—	Interest expense (income), net

The losses of $351 million and $81 million related to fair value hedges recognized in net interest expense in 2013 and 2012, respectively, were offset equally by $351 million and $81 million, respectively, in gains on the underlying hedged item, the fixed-rate debt

Fair Value Measures

The fair value hierarchy under the accounting standard for fair value measurements 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 are carried at fair value on a recurring basis in the consolidated balance sheet as of December 31, 2013

(in millions)	Balance at December 31, 2013	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				
Cash and equivalents	$9,595	$684	$8,911	$ —
Time deposits	300	—	300	—
Equity securities	10	10	—	—
Foreign currency contracts	17	—	17	—
Total assets	$9,922	$694	$9,228	$ —
Liabilities				
Interest rate hedges	$ 432	$ —	$ 432	$ —
Foreign currency contracts	73	—	73	—
Contingent consideration	165	—	—	165
Total liabilities	$ 670	$ —	$ 505	$165

The following table summarizes the bases used to measure certain assets and liabilities that are carried at fair value on a recurring basis in the combined balance sheet as of December 31, 2012

(in millions)	Balance at December 31, 2012	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				
Cash and equivalents	$5,901	$675	$5,226	$ —
Time deposits	1,775	—	1,775	—
U S Treasury securities	300	300	—	—
Equity securities	12	12	—	—
Foreign currency contracts	15	—	15	—
Total assets	$8,003	$987	$7,016	$ —
Liabilities				
Interest rate hedges	$ 81	$ —	$ 81	$ —
Foreign currency contracts	25	—	25	—
Contingent consideration	251	—	—	251
Total liabilities	$ 357	$ —	$ 106	$251

The fair value for time deposits included in cash and equivalents and short-term investments is determined based on a discounted cash flow analysis reflecting quoted market rates for the same or similar instruments The fair values of time deposits approximate their amortized cost due to the short maturities of these instruments Available-for-sale equity securities consist of investments for which the fair value is 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 are valued using publicized spot and forward prices for foreign currency hedges and publicized swap curves for interest rate hedges The contingent payments are valued using a discounted cash flow technique that reflects management's expectations about probability of payment

Cumulative unrealized holding gains on available-for-sale equity securities totaled $2 million and $1 million at December 31, 2013 and 2012, respectively

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 payments related to acquisitions and investments

(in millions)	
Fair value as of December 31, 2011	349
Payments	(134)
Other	7
Change in fair value recognized in earnings	29
Fair value as of December 31, 2012	251
Payments	(131)
Additions	28
Change in fair value recognized in earnings	17
Fair value as of December 31, 2013	$165

In connection with an acquisition of a business in 2010, the achievement of a certain sales milestone resulted in a payment of approximately $131 million in 2013 and $134 million in 2012 for which a liability was previously established Additions of $28 million related to the acquisition of product rights during the second quarter of 2013 The change in fair value recognized in earnings for both years was recognized in net foreign exchange loss (gain) and other (income) expense, net in the consolidated statements of earnings

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 are recognized at historical cost or some basis other than fair value The carrying values and fair values of certain financial instruments as of December 31 are shown in the table below

	Book values		Approximate fair values	
(in millions)	2013	2012	2013	2012
Assets				
Investments	$ 108	$ 107	$ 129	$ 104
Liabilities				
Short-term borrowings	413	1,020	413	1,020
Current portion of long-term debt and lease obligations	18	22	18	22
Long-term debt and lease obligations, excluding fair value hedges	14,724	14,711	14,493	15,066

The following table summarizes the bases used to measure the approximate fair values of the financial instruments as of December 31, 2013

(in millions)	Fair value at December 31, 2013	Basis of fair value measurement: Quoted prices in active markets for identical assets (Level 1)	Basis of fair value measurement: Significant other observable inputs (Level 2)	Basis of fair value measurement: Significant unobservable inputs (Level 3)
Assets				
Investments	$ 129	$ 39	$ 30	$60
Total assets	$ 129	$ 39	$ 30	$60
Liabilities				
Short-term borrowings	$ 413	$ —	$413	$—
Current portion of long-term debt and lease obligations	18	—	18	—
Long-term debt and lease obligations, excluding fair value hedges	14,493	14,413	80	—
Total liabilities	$14,924	$14,413	$511	$—

The following table summarizes the bases used to measure the approximate fair values of the financial instruments as of December 31, 2012

(in millions)	Fair value at December 31, 2012	Basis of fair value measurement: Quoted prices in active markets for identical assets (Level 1)	Basis of fair value measurement: Significant other observable inputs (Level 2)	Basis of fair value measurement: Significant unobservable inputs (Level 3)
Assets				
Investments	$ 104	$—	$ 32	$72
Total assets	$ 104	$—	$ 32	$72
Liabilities				
Short-term borrowings	$ 1,020	$—	$ 1,020	$—
Current portion of long-term debt and lease obligations	22	—	22	—
Long-term debt and lease obligations, excluding fair value hedges	15,066	—	15,066	—
Total liabilities	$16,108	$—	$16,108	$—

Investments consist of cost method investments and held-to-maturity debt securities Cost method investments include certain investments for which the fair value is determined by using the published market price per unit multiplied by the number of units held, without consideration of transaction costs To determine the fair value 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 value of held-to-maturity debt securities was estimated based upon the quoted market prices for the same or similar debt instruments The fair values of short-term and current borrowings approximate the carrying values due to the short maturities of these instruments For 2013, the fair value of long-term debt, excluding fair value hedges, was 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 For 2012, the fair value of long-term debt, excluding fair value hedges, was estimated based upon the quoted market prices for the same or similar debt instruments For 2013 and 2012, the fair value of other debt and lease obligations was estimated based on a discounted cash flow analysis reflecting quoted market prices for the same or similar debt instruments There were no material adjustments to fair value during the years ended December 31, 2013 and 2012 of assets and liabilities that are not measured at fair value on a recurring basis, except as discussed in Note 5 regarding the impairment of the company's investment in Reata The counterparties to financial instruments consist of select major international financial institutions

Concentrations of Risk

The company invests excess cash in time deposits, money market funds and U S Treasury securities and diversifies the concentration of cash among different financial institutions The company monitors concentrations of credit risk associated with deposits with financial institutions Credit exposure limits have been established to limit a concentration with any single issuer or institution

Three U S wholesalers accounted for 38 percent and 48 percent of total net accounts receivables as of December 31, 2013 and 2012, respectively, and substantially all of AbbVie's U S sales are to these three wholesalers In addition, substantially all of AbbVie's trade receivables in Greece, Portugal, Italy and Spain are with governmental health systems Global economic conditions and liquidity issues in these countries have resulted, and may continue to result, in delays in the collection of receivables and credit losses While the company continues to receive payments on these receivables, these conditions have resulted in an increase in the average length of time it takes to collect accounts receivable outstanding Net governmental receivables outstanding in Greece, Portugal, Italy and Spain totaled $781 million and $725 million as of December 31, 2013 and 2012, respectively

HUMIRA is AbbVie's single largest product and accounted for approximately 57 percent, 50 percent and 45 percent of AbbVie's total sales in 2013, 2012 and 2011, respectively Any significant event that adversely affects HUMIRA's revenues could have a material adverse impact on AbbVie's results of operations, financial position and cash flows Because HUMIRA is a biologic and biologics cannot be readily substituted, it is uncertain what impact the loss of patent protection would have on the sales of HUMIRA

Note 10 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 U S retirees, through other post-retirement benefit plans

Abbott Sponsored Plans

Prior to separation, AbbVie employees participated in certain U S and international defined benefit pension and other post-employment (OPEB) plans sponsored by Abbott These plans included participants of Abbott's other businesses and were accounted for as multiemployer benefit plans in AbbVie's combined financial statements as of and for the years ended December 31, 2012 and 2011 As a result, no asset or liability was recorded by AbbVie in the historical combined balance sheets through December 31, 2012 to recognize the funded status of these plans Effective January 1, 2013, in connection with the separation of AbbVie from Abbott, these plans were separated and AbbVie assumed net benefit plan obligations that were previously provided by Abbott For Abbott-sponsored defined benefit and post-employment benefit plans, AbbVie recorded expenses of $200 million in 2012 and $150 million in 2011 Abbott made voluntary contributions to its defined benefit pension plans that AbbVie accounted for as multiemployer benefit plans totaling $310 million and $289 million in 2012 and 2011, respectively The multiemployer benefit pension plans were approximately 94 percent funded as of December 31, 2012

AbbVie Sponsored Plans

AbbVie is the sole sponsor of certain other defined benefit pension and other post-employment plans, which have been reflected in the consolidated balance sheet as of December 31, 2013 and the combined balance sheet as of December 31, 2012 During 2012, in preparation for the separation from Abbott, certain defined benefit pension and other post-employment benefit plans were assumed by AbbVie and were reflected in the December 31, 2012 combined balance sheet AbbVie made voluntary contributions to the AbbVie sponsored pension plans of $46 million and $64 million in 2012 and 2011, respectively

Prior to the separation, AbbVie employees participated in the Abbott Laboratories Annuity Retirement Plan, which was Abbott's principal domestic defined benefit pension plan In connection with the separation, AbbVie established the AbbVie Pension Plan, which is AbbVie's principal domestic defined benefit pension plan, with substantially the same terms as the Abbott Laboratories Annuity Retirement Plan AbbVie employees who were eligible to participate in the Abbott Laboratories Annuity Retirement Plan on December 31, 2012 automatically became eligible for the AbbVie Pension Plan During the first quarter of 2013, the AbbVie Pension Plan assumed the obligations and related assets for its employees from the Abbott Laboratories Annuity Retirement Plan In the first quarter of 2013, AbbVie made a voluntary contribution of $145 million this plan AbbVie also made a voluntary contribution of $370 million to this plan subsequent to December 31, 2013

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

as of and for the years ended December 31 (in millions)	Defined benefit plans 2013	Defined benefit plans 2012	Other post-employment plans 2013	Other post-employment plans 2012
Projected benefit obligations				
Beginning of period	$ 1,669	$ 649	$ 231	$ —
Service cost	184	21	23	—
Interest cost	196	38	19	—
Employee contributions	1	—	—	—
Plan amendments	(1)	—	—	—
Assumption of plan liabilities	3,009	797	209	231
Removal of plans	—	—	(12)	—
Actuarial (gain) loss	(455)	182	(55)	—
Benefits paid	(146)	(40)	(12)	—
Other, primarily foreign currency translation loss	27	22	—	—
End of period	$ 4,484	$1,669	$ 403	$ 231
Fair value of plan assets				
Beginning of period	$ 898	$ 230	$ —	$ —
Actual return on plan assets	491	42	—	—
Company contributions	198	46	12	—
Employee contributions	1	—	—	—
Assumption of plan assets	2,221	620	—	—
Benefits paid	(146)	(40)	(12)	—
Other, primarily foreign currency translation gain	3	—	—	—
End of period	$ 3,666	$ 898	—	—
Funded status at December 31	$ (818)	$ (771)	$(403)	$(231)
Amounts recognized in consolidated balance sheets				
Other assets	$ 442	$ 11	$ —	$ —
Current liabilities	(27)	(27)	(8)	(7)
Long-term liabilities	(1,233)	(755)	(395)	(224)
Net liability at December 31	$ (818)	$ (771)	$(403)	$(231)
Actuarial losses, net	$ 1,194	$ 526	$ 74	$ 69
Prior service cost	22	10	(47)	(1)
AOCI at December 31	$ 1,216	$ 536	$ 27	$ 68

The projected benefit obligations (PBO) in the table above included $1 2 billion and $1 1 billion at December 31, 2013 and 2012, respectively, related to international defined benefit pension plans, a number of which generally are not funded, in accordance with local regulations Benefit payments under those plans are funded from company assets

For plans reflected in the table above, the accumulated benefit obligations (ABO) were $3 9 billion and $1 5 billion at December 31, 2013 and 2012, respectively For those plans reflected in the table above in which the ABO exceeded plan assets at December 31, 2013, the ABO, PBO and aggregate plan assets were $1 8 billion, $2 4 billion and $1 1 billion, respectively

Amounts Recognized in AOCI and OCI

The defined benefit pension and other post-employment plans' actuarial gains or losses and prior service costs or credits not yet recognized in net periodic benefit cost are recognized on a net-of-tax basis in AOCI and will be amortized to net periodic benefit cost in the future The following is a summary of the pretax gains and losses included in OCI

years ended December 31 (in millions)	2013	2012	2011
Defined benefit plans			
Actuarial (gain) loss	$(715)	$ 98	19
Prior service cost	15	9	—
Amortization of actuarial losses and prior service costs	(114)	(7)	(2)
Foreign exchange loss	2	5	2
Total pretax (gain) loss recognized in OCI	$(812)	$105	$19
Other post-employment plans			
Actuarial (gain) loss	$ (42)	$ 69	$—
Prior service cost	(53)	—	—
Total pretax (gain) loss recognized in OCI	$ (95)	$ 69	$—

The pretax amount of actuarial (gain) loss and prior service cost included in AOCI at December 31, 2013 that is expected to be recognized in the net periodic benefit cost in 2014 is $69 million for defined benefit plans and $(4) million for other post-employment plans

Net Periodic Benefit Cost

years ended December 31 (in millions)	2013	2012	2011
Defined benefit plans			
Service cost	$ 184	$ 21	$ 18
Interest cost	196	38	32
Expected return on plan assets	(259)	(29)	(21)
Amortization of actuarial losses and prior service costs	114	7	2
Net periodic pension benefit cost	$ 235	$ 37	$ 31
Other post-employment plans			
Service cost	$ 23	—	—
Interest cost	19	—	—
Amortization of actuarial gain and prior service costs	(1)	—	—
Net periodic OPEB cost	$ 41	$ —	$ —

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

	2013	2012
Defined benefit plans		
Discount rate	4 9%	4 0%
Rate of compensation increases	5 0%	3 9%
Other post-employment plans		
Discount rate	5 3%	4 3%
Rate of compensation increases	6 0%	3 5%

The assumptions above, which were used in calculating the December 31, 2013 measurement date benefit obligations, will be used in the calculation of net periodic benefit cost in 2014

Weighted-Average Assumptions Used in Determining Net Periodic Benefit Cost

	2013	2012	2011
Defined benefit plans			
Discount rate	4 3%	5 1%	5 0%
Expected long-term rate of return on plan assets	8 2%	8 5%	8 5%
Expected rate of change in compensation	5 0%	4 2%	4 1%
Other post-employment plans			
Discount rate	4 5%	N/A	N/A

For purposes of measuring post-retirement health care obligations as of the measurement date, the Company assumed a 7 9% pre-65 (7 6% post-65) annual rate of increase in the per capita cost of covered health care benefits The rate was assumed to decrease gradually to 5% in 2051 and remain at that level thereafter For purposes of measuring post-retirement health care costs for 2013, the company assumed a 7 9% pre-65 (7 6% post-65) annual rate of increase in the per capita cost of covered health care benefits The rate was assumed to decrease gradually to 5% for 2051 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, 2013, a 1% change in assumed health care cost trend rates would have the following effects

	One percentage point	
year ended December 31, 2013 (in millions)	Increase	Decrease
Service cost and interest cost	$ 8	$ (6)
Projected benefit obligation	71	(56)

Defined Benefit Pension Plan Assets

		Basis of fair value measurement		
(in millions)	Balance at December 31, 2013	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)	$1,197	$ 576	$ 621	$ —
U S mid cap(b)	244	62	182	—
International(c)	614	225	389	—
Fixed income securities				
U S government securities(d)	292	35	257	—
Corporate debt instruments(e)	212	57	155	—
Government Securities International	216	159	57	—
Other	52	45	7	—
Absolute return funds(f)	704	3	290	411
Real assets	70	8	62	—
Other(g)	65	62	3	—
Fair value of plan assets	$3,666	$1,232	$2,023	$411

(in millions)	Balance at December 31, 2012	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)	$232	$232	$ —	$—
U S mid cap(b)	45	31	14	—
International(c)	276	234	42	—
Fixed income securities				
U S government securities(d)	73	24	49	—
Corporate debt instruments(e)	109	93	16	—
Government Securities International	26	26	—	—
Other	2	1	1	—
Absolute return funds(f)	90	22	37	31
Real assets	18	9	7	2
Other(g)	27	27	—	—
Fair value of plan assets	$898	$699	$166	$33

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

(b) A mix of pooled index funds and actively managed equity accounts that are benchmarked to various mid cap indices

(c) A mix of pooled 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 pooled index funds and mutual funds

(e) Securities held by actively managed accounts, pooled index funds, and mutual funds

(f) 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

(g) Investments in cash and cash equivalents

Equities that are valued using quoted prices are valued at the published market prices Equities in a common collective trust or a registered investment company that are valued using significant other observable inputs are valued at the net asset value (NAV) provided by the fund administrator The NAV is based on the value of the underlying assets owned by the fund minus its liabilities Fixed income securities that are valued using significant other observable inputs are valued at prices obtained from independent financial service industry-recognized vendors Absolute return funds and commodities are valued at the NAV provided by the fund administrator

The following table summarizes the change in the value of plan assets that are measured using significant unobservable inputs (Level 3)

(in millions)	2013	2012
Balance as of January 1	$ 33	$27
Transfers in from other categories	—	—
Actual return on plan assets on hand at year end	4	3
Assumption of level 3 assets	372	—
Purchases, sales and settlements, net	2	3
Balance as of December 31	$411	$33

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 50% in equity securities, 20% in fixed income securities and 30% 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 assets, as shown above, is based on management's expectations of long-term average rates of return to be achieved by the underlying investment portfolios In establishing this assumption, management considers historical and expected returns for the asset classes in which the plans are invested, as well as current economic and capital market conditions

Expected Pension and Other Post-Employment Payments

(in millions)	Defined benefit plans	Other post-employment plans
2014	$ 154	$ 9
2015	162	11
2016	170	13
2017	180	15
2018	192	18
2019 to 2023	1,164	129

The above table reflects total benefit payments expected to be paid to participants, which includes payments funded from company assets as well as paid from the plans

Other

Prior to the separation, AbbVie employees also participated in the Abbott Laboratories Stock Retirement Plan, which was Abbott's principal defined contribution plan AbbVie recorded expense of $67 million and $68 million in 2012 and 2011, respectively, related to this plan In connection with the separation, AbbVie established the AbbVie Savings Plan, which is AbbVie's principal defined contribution plan, with substantially the same terms as the Abbott Laboratories Stock Retirement Plan AbbVie employees who were eligible to participate in the Abbott Laboratories Stock Retirement Plan on January 1, 2013 automatically became eligible for the AbbVie Savings Plan AbbVie recorded expense of $62 million in 2013 related to this plan

AbbVie provides certain other post-employment benefits, primarily salary continuation plans, to qualifying employees and accrues for the related cost over the service lives of the employees

Note 11 Equity

Stock-Based Compensation

Stock-based compensation expense was $212 million, $187 million and $163 million in 2013, 2012 and 2011, respectively The related tax benefit recognized was $68 million, $56 million and $48 million in 2013, 2012 and 2011, respectively In 2013, realized excess tax benefits associated with stock-based compensation totaled $38 million and was presented in the consolidated statements of cash flows as an outflow within the operating section and an inflow within the financing section For 2013, $134 million of stock-compensation expense was classified in SG&A, $58 million in R&D and $20 million in cost of products sold Stock-based compensation expense for both 2012 and 2011 was allocated to AbbVie based on the portion of Abbott's incentive stock program in which AbbVie employees participated For both 2012 and 2011, more than half of stock-based compensation expense was classified in SG&A, with the remainder classified in R&D and cost of products sold Compensation cost capitalized as part of inventory at December 31, 2013 and 2012 was not significant

Compensation expense for stock-based awards is measured based on the fair value of the awards, as of the date the stock-based awards are granted and adjusted to 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 are amortized over their service period, which could be shorter than the vesting period if an employee is retirement eligible, with a charge to compensation expense For stock-based awards granted to retirement-eligible employees, compensation expense is recognized immediately at the grant date because the employee is able to retain the award without continuing to provide service

Prior to separation, AbbVie employees participated in Abbott's incentive stock program The AbbVie 2013 Incentive Stock Program, adopted at the time of separation, facilitated the assumption of certain awards granted under Abbott's incentive stock program and authorizes the post-separation grant of several different forms of benefits, including nonqualified stock options, RSAs, RSUs and performance-based RSAs and RSUs Under the AbbVie 2013 Incentive Stock Program, 100 million shares of common stock were reserved for issuance with respect to post-separation awards for participants

In connection with the separation, outstanding Abbott employee stock options, RSAs and RSUs previously issued under Abbott's incentive stock program were adjusted and converted into new Abbott and AbbVie stock-based awards using a formula designed to preserve the intrinsic value and fair value of the awards immediately prior to the separation Upon the separation on January 1, 2013, holders of Abbott stock options, RSAs and RSUs generally received one AbbVie stock-based award for each Abbott stock-based award outstanding These adjusted awards retained the vesting schedule and expiration date of the original awards No awards have been granted to Abbott employees other than in connection with the separation

Stock Options

The exercise price for options granted is at least equal to 100 percent of the market value on the date of grant Stock options typically have a contractual term of 10 years and generally vest in one-third increments over a three-year period except for stock options with a replacement feature Pre-2005 options were granted with a replacement option feature The terms and conditions of the replacement option are the same in all material respects as those applicable to the original grant When the exercise price of an option with a replacement option feature is paid with common shares held by the employee, a replacement option is granted for the number of shares used to make that payment The closing price of the common share on the business day before the exercise is used to determine the number of shares required to exercise the related option and the exercise price of the replacement option The replacement option is exercisable in full six months after the date of grant, and has a term expiring on the expiration date of the original option

The fair value of stock options is determined using the Black-Scholes model The weighted-average assumptions used in estimating the fair value of stock options granted during each year, along with weighted-average grant-date fair values, were as follows

years ended December 31	2013	2012	2011
Risk-free interest rate	1 10%	1 20%	2 70%
Average life of options (years)	6 0	6 0	6 0
Volatility	32 63%	21 00%	21 00%
Dividend yield	4 30%	3 60%	4 10%
Fair value per stock option	$ 6 87	$ 6 80	$ 6 23

The risk-free interest rate is based on the rates available at the time of the grant for zero-coupon U S government issues with a remaining term equal to the option's expected life The average life of an option for 2013 is based on the simplified method Prior to 2013, the average life of an option was based on both historical and projected exercise and lapsing data For 2013, the expected volatility is based on an average peer historical volatility over the expected life of the option Prior to 2013, the expected volatility was based on the historical volatility of Abbott's stock over the expected life of the option Dividend yield is based on the option's exercise price and annual dividend rate at the time of grant

The following table summarizes AbbVie stock option activity for both AbbVie and Abbott employees for the year ended December 31, 2013

(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, 2012	—	$ —		
Options converted on January 1, 2013	47,718	27 00		
Granted	3,128	37 91		
Exercised	(14,620)	28 14		
Lapsed	(232)	28 21		
Outstanding at December 31, 2013	35,994	27 48	3 6	$912
Exercisable at December 31, 2013	32,564	$27 04	3 1	$840

The aggregate intrinsic value in the table above represents the difference between the exercise price and the company's closing stock price on the last day of trading for the year ended December 31, 2013 The total intrinsic value of options exercised in 2013 was $229 million For options issued under Abbott's incentive stock programs to AbbVie employees prior to the separation, the total intrinsic value of options exercises in 2012 and 2011 was $170 million and $31 million, respectively The total fair value of options vested during 2013 was $17 million

The tax benefit realized from option exercises totaled $21 million for 2013 As of December 31, 2013, $2 million of unrecognized compensation cost related to stock options is expected to be recognized as expense over approximately the next two years

RSAs & RSUs

RSAs generally vest over three and five years For RSAs that vest over five years, no more than one-third of the award vests in any one year RSUs vest over three years and, upon vesting, the recipient receives one share of common stock for each vested RSU In addition, AbbVie grants selected executives and other key employees performance-based RSAs and RSUs with vesting contingent upon meeting various departmental and company-wide performance goals, including AbbVie achieving a

minimum return on equity The fair value of RSAs and RSUs (including performance-based awards) is determined based on the number of shares granted and the quoted price of the common stock on the date of grant AbbVie assumes that the performance goals will be achieved If such goals are not met, no compensation cost is recognized and any previously recognized compensation cost is reversed

The following table summarizes AbbVie RSA and RSU activity (including performance-based awards) for both AbbVie and Abbott employees for the year ended December 31, 2013

(share units in thousands)	Share units	Weighted-average grant date fair value
Outstanding at December 31, 2012	—	$ —
Awards converted on January 1, 2013	15,394	27 55
Granted	7,615	36 39
Vested	(7,553)	27 33
Lapsed	(546)	30 65
Outstanding at December 31, 2013	14,910	$32 07
Unvested shares at December 31, 2013	14,804	$32 08

The fair market value of RSAs and RSUs vested in 2013 was $285 million For RSAs and RSUs issued under Abbott's incentive stock programs prior to the separation, the fair market value of RSAs and RSUs vested in 2012 and 2011 was $123 million and $74 million, respectively The weighted-average grant-date fair value per share of RSAs and RSUs granted during 2012 and 2011 was $56 07 and $46 85, respectively Such amounts have not been adjusted to reflect the separation from Abbott

As of December 31, 2013, $177 million of unrecognized compensation cost related to RSAs and RSUs is expected to be recognized as expense over approximately the next two years

Cash Dividends

On January 4, February 15, June 20, and September 19, 2013, the board of directors declared quarterly cash dividends of $0 40 per share of common stock, which were paid on February 15, May 15, August 15 and November 15, 2013, respectively Additionally, on December 12, 2013, the board of directors declared a quarterly cash dividend of $0 40 per share of common stock for stockholders of record on January 15, 2014, which was paid on February 14, 2014

The cash dividend of $0 40 per share of common stock declared on January 4, 2013 was declared from pre-separation earnings and was recorded as a reduction of additional paid-in capital

Stock Repurchase Program

On February 15, 2013, AbbVie's board of directors authorized a $1 5 billion stock repurchase program Purchases of AbbVie shares may be made from time to time at management's discretion depending on the company's cash flows, net debt level and market conditions The plan has no time limit and can be discontinued at any time During 2013, AbbVie repurchased approximately 4 million shares for $223 million in the open market Shares repurchased under this program are recorded at acquisition cost, including related expenses, and are available for general corporate purposes AbbVie's remaining share repurchase authorization is $1 3 billion as of December 31, 2013

Accumulated Other Comprehensive Loss

The following table summarizes the changes in balances of each component of AOCI, net of tax for the three year period ended December 31, 2013

(in millions) (brackets denote losses)	Foreign currency translation adjustments	Pension and post-employment benefits	Unrealized gains (losses) on marketable equity securities	Gains (losses) on hedging activities	Total
Balance as of December 31, 2010	$ 303	$ (58)	$ 9	$ 34	$ 288
Other comprehensive income before reclassifications	(295)	(8)	17	(14)	$(300)
Amounts reclassified from accumulated other comprehensive income	—	1	—	(14)	$ (13)
Net current-period other comprehensive income	(295)	(7)	17	(28)	$(313)
Balance as of December 31, 2011	$ 8	$ (65)	$ 26	$ 6	$ (25)
Other comprehensive income before reclassifications	173	(157)	(25)	(9)	$ (18)
Amounts reclassified from accumulated other comprehensive income	—	7	—	(18)	$ (11)
Net current-period other comprehensive income	173	(150)	(25)	(27)	$ (29)
Separation-related adjustments	—	(296)	—	—	$(296)
Balance as of December 31, 2012	$ 181	$(511)	$ 1	$(21)	$(350)
Other comprehensive income before reclassifications	48	519	1	(77)	$ 491
Amounts reclassified from accumulated other comprehensive income	—	79	—	—	$ 79
Net current-period other comprehensive income	48	598	1	(77)	$ 570
Separation-related adjustments	241	(914)	—	11	$(662)
Balance as of December 31, 2013	$ 470	$(827)	$ 2	$(87)	$(442)

The table below presents the significant amounts reclassified out of each component of accumulated other comprehensive loss for the three year period ended December 31, 2013

Years ended December 31 (in millions)	2013	2012	2011
Pension and post-employee benefits			
Amortization of actuarial losses and other	$114	$ 7	$ 2
Less tax expense	(35)	(—)	(1)
Total reclassification, net of tax	$ 79	$ 7	$ 1

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, 2013, no shares of preferred stock were issued or outstanding

Note 12 Income Taxes

Earnings Before Income Taxes

years ended December 31 (in millions)	2013	2012	2011
Domestic	$ (581)	$ 625	$ 626
Foreign	5,913	5,100	3,042
Total earnings before income taxes	$5,332	$5,725	$3,668

Income Taxes

years ended December 31 (in millions)	2013	2012	2011
Current			
Domestic	$ 226	$ 94	$ 177
Foreign	354	252	390
Total current taxes	$ 580	$346	$ 567
Deferred			
Domestic	$ 678	$ 89	$(198)
Foreign	(54)	15	(134)
Total deferred taxes	624	104	(332)
Total income taxes	$1,204	$450	$ 235

Effective Tax Rate Reconciliation

years ended December 31 (in millions)	2013	2012	2011
Statutory tax rate	35 0%	35 0%	35 0%
Effect of foreign operations	(11 5)	(23 5)	(25 4)
Resolution of uncertain tax positions	—	(3 4)	(11 2)
Non-deductible litigation loss	—	0 6	12 9
Puerto Rico excise tax credit	(1 9)	(1 2)	(3 2)
State taxes, net of federal benefit	0 4	0 1	0 3
All other, net	0 6	0 3	(2 0)
Effective tax rate	22 6%	7 9%	6 4%

The benefit from foreign operations reflected 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, together with the cost of repatriation decisions As further discussed in the "Deferred Tax Assets and Liabilities" section following, income tax expense in 2013 included income tax expense relating to 2013 earnings outside the United States that are not deemed indefinitely reinvested Income taxes in 2012 and 2011 included the recognition of tax benefits totaling approximately $195 million and $410 million, respectively, as a result of favorable resolutions of various tax positions pertaining to prior years Income taxes in 2011 also reflected the non-deductibility of a litigation reserve

Puerto Rico enacted legislation that assesses an excise tax beginning in 2011 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

Deferred Tax Assets and Liabilities

as of December 31 (in millions)	2013	2012
Deferred tax assets		
Compensation and employee benefits	$ 279	$ 190
Accruals and reserves	252	173
Chargebacks and rebates	333	403
Deferred revenue	348	283
Depreciation	64	42
State income taxes	67	87
Other	122	274
Net operating losses and other credit carryforwards	115	92
Total deferred tax assets	1,580	1,544
Valuation allowances	(43)	(7)
Total net deferred tax assets	$ 1,537	$1,537
Deferred tax liabilities		
Excess of book basis over tax basis of intangible assets	$ (508)	$ (500)
Repatriation of foreign earnings	(606)	—
Total deferred tax liabilities	$(1,114)	$ (500)
Net deferred tax asset	$ 423	$1,037

In 2013, certain prior period amounts were reclassified to conform with the current period presentation, primarily in connection with reclassifying prepaid taxes of $777 million associated with deferred intercompany profit in inventory from current deferred income taxes to prepaid expenses and other in the combined balance sheet as of December 31, 2012

As of December 31, 2013 and 2012, the company has loss carryforwards for U S tax purposes totaling approximately $585 million and $419 million, respectively, which are available for use by the company between 2014 and 2033 As of December 31, 2013, the company has state tax credit carryforwards of $53 million As of December 31, 2013 and 2012, the company has loss carryforwards for foreign tax purposes totaling approximately $95 million and $114 million, respectively The majority of the foreign loss carryforwards do not have an expiration period As of December 31, 2013 and 2012, the company has recorded valuation allowances of $43 million and $7 million, respectively, related to certain state net operating losses and credit carryforwards that are not expected to be realized

Deferred income taxes have not been provided on approximately $21 billion of the undistributed earnings of foreign subsidiaries as these earnings have been indefinitely reinvested for continued use in foreign operations It is not practicable to determine the tax effect of a distribution of these earnings

Unrecognized Tax Benefits

years ended December 31 (in millions)	2013	2012	2011
Balance as of January 1	$ 1,140	$1,039	$1,645
Increase due to current year tax positions	195	370	294
Increase due to prior year tax positions	—	1	149
Decrease due to current year tax positions	—	—	(15)
Decrease due to prior year tax positions	—	(220)	(604)
Settlements	—	(50)	(430)
Separation-related adjustments	(1,088)	—	—
Balance as of December 31	$ 247	$1,140	$1,039

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 if the tax positions are settled for amounts in excess of recorded liabilities AbbVie will not benefit if prior tax positions are resolved more favorably than recorded amounts As a result, no liability for uncertain tax positions was recorded in the combined financial statements as of December 31, 2012 and 2011

The table above reflects a reduction of $1 1 billion relating to tax periods prior to the separation for which Abbott is the primary obligor However, under U S. Treasury Regulations, each member of a consolidated group is severally liable for the U S federal income tax liability of each other member of the consolidated group Accordingly, with respect to periods in which AbbVie was included in Abbott's consolidated group, AbbVie could be liable to the U S government for any U S federal income tax liability incurred by the consolidated group, to the extent not discharged by any other member However, if any such liability were imposed, AbbVie would be entitled to be indemnified by Abbott pursuant to the tax sharing agreement

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 As a result, AbbVie has continued to account for these tax uncertainties To the extent that these obligations relate to periods prior to the separation, a reimbursement receivable of approximately $41 million has been recorded within other assets at December 31, 2013

If recognized, the net amount of potential tax benefits that would impact the company's effective tax rate is $218 million The company is routinely audited by the tax authorities in these 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 $22 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

AbbVie recognizes accrued interest and penalties related to uncertain tax positions in income tax expense The amounts expensed and the liabilities accrued are immaterial as of and for the years ended December 31, 2013, 2012 and 2011 Uncertain tax positions are included as a long-term liability on the balance sheet

Note 13 Legal Proceedings and Contingencies

Subject to certain exceptions specified in the separation agreement, 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 AbbVie is involved in various claims, legal proceedings and investigations, including those described below The recorded accrual balance for litigation at December 31, 2013 was not significant Within the next year, other legal proceedings may occur that may result in a change in the estimated loss accrued by AbbVie While it is not feasible to predict the outcome of all other proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on AbbVie's consolidated financial position, cash flows, or results of operations, except as described below

The U S Department of Justice, through the U S Attorney for the Western District of Virginia, and various state Attorneys General investigated AbbVie's sales and marketing activities for Depakote The government sought to determine whether any of these activities violated civil and/or criminal laws,

including the Federal False Claims Act, the Food, Drug and Cosmetic Act, and the Anti-Kickback Statute in connection with Medicare and/or Medicaid reimbursement to third parties The state Attorneys General offices sought to determine whether any of these activities violated various state laws, including state consumer fraud/protection statutes AbbVie recorded charges of $1 5 billion in the third quarter of 2011 and $100 million in the first quarter of 2012 related to civil and criminal claims arising from this matter In May 2012, AbbVie reached resolution of all Depakote-related federal claims, Medicaid-related claims with 49 states and the District of Columbia, and consumer protection claims with 45 states and the District of Columbia In 2012, AbbVie paid approximately $1 6 billion for the settlement The payments were material to AbbVie's combined statement of cash flows for the year ended December 31, 2012

Two cases are pending in state courts against AbbVie that generally allege Abbott and numerous other pharmaceutical companies reported false pricing information in connection with certain drugs that are reimbursable under Medicare and Medicaid These cases, *State of Wisconsin*, filed in June 2004 in the Circuit Court of Dane County, Wisconsin, and *State of Illinois*, filed in February 2005 in the Circuit Court of Cook County, Illinois, were brought by state Attorneys General and generally seek monetary damages and/or injunctive relief and attorney's fees This litigation is no longer material to AbbVie and AbbVie will no longer report on such cases All other previously-reported cases that were pending against AbbVie in state courts have been settled

Lawsuits have been filed 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 Laboratories 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 In September 2013, all of these pending putative class action lawsuits were centralized for consolidated or coordinated pre-trial proceedings in the United States District Court for the Eastern District of Pennsylvania under the Multi-District Litigation Rules as *In re Niaspan Antitrust Litigation*, MDL No 2460

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 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

Several pending lawsuits filed against Unimed Pharmaceuticals, Inc, Solvay Pharmaceuticals, Inc (a company Abbott acquired in February 2010) and others were consolidated for pre-trial purposes in the United States District Court for the Northern District of Georgia under the Multi District Litigation 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 2006 patent litigation involving AndroGel was sham litigation and the patent litigation settlement agreement and related agreements with three generic companies violate federal and state antitrust laws and state consumer protection and unjust enrichment laws Plaintiffs generally seek monetary damages and/or injunctive relief and attorneys' fees MDL 2084 includes (a) three individual plaintiff lawsuits, (b) seven purported class actions, and (c) *Federal Trade Commission v Watson Pharmaceuticals, Inc et al*, filed in May 2009 in the United States District Court for the Northern District of Georgia In February 2010, Solvay's motion to dismiss the cases was partially granted and all of the FTC's claims and all of the plaintiffs' claims except those alleging sham litigation were dismissed The FTC appealed and in May 2012 the district court's decision was affirmed by the United States Court of Appeals for the Eleventh Circuit In June 2013, the United States Supreme Court reversed the Eleventh Circuit's decision affirming dismissal of the FTC's claims and remanded the case brought by the FTC, ruling that the patent

litigation settlement agreement with three generic companies should be examined under a "rule of reason" analysis In September 2012, the district court dismissed the remaining sham litigation claims and the plaintiffs' appeal of that dismissal is pending in the Eleventh Circuit

AbbVie is seeking to enforce its patent rights relating to testosterone gel (a drug AbbVie sells under the trademark AndroGel® 1 62%) In a case filed in the United States District Court for the District of Delaware in February 2013, AbbVie alleges that Perrigo Company's and Perrigo Israel Pharmaceutical Ltd 's proposed generic product infringes an AbbVie patent and seeks declaratory and injunctive relief In a second case filed in the United States District Court for the District of Delaware in March 2013, AbbVie alleges that Watson Laboratories Inc 's and Actavis Inc 's proposed generic product infringes AbbVie's patent and seeks declaratory and injunctive relief

AbbVie is seeking to enforce its patent rights relating to ritonavir/lopinavir tablets (a drug AbbVie sells under the trademark Kaletra®) In a case filed in the United States District Court for the Northern District of Illinois in March 2009, AbbVie alleges that Matrix Laboratories, Inc 's, Matrix Laboratories, Ltd 's, and Mylan, Inc 's proposed generic products infringe AbbVie's patents and seeks declaratory and injunctive relief Upon Matrix's motion in November 2009, the court granted a five-year stay of the litigation unless good cause to lift the stay is shown

AbbVie is seeking to enforce its patent rights relating to ritonavir tablets (a drug AbbVie sells under the trademark Norvir®) In a case pending in the United States District Court for the Southern District of Ohio since April 2012, AbbVie alleges that Roxane Laboratories, Inc 's (Roxane) proposed generic product infringes AbbVie's patents and seeks declaratory and injunctive relief In another case filed in the United States District Court for the Southern District of Ohio in July 2013, AbbVie alleges that Roxane's proposed generic ritonavir product infringes additional AbbVie patents and seeks declaratory and injunctive relief on these additional patents In a separate case filed in the United States District Court for the District of Delaware in May 2013, AbbVie alleges that Hetero USA Inc 's and Hetero Labs Limited's proposed generic ritonavir tablets product infringes AbbVie's patents and seeks declaratory and injunctive relief

AbbVie is seeking to enforce certain patent rights that cover the use of fully human anti-TNF alpha antibodies with methotrexate to treat rheumatoid arthritis In a case filed in the United States District Court for the District of Massachusetts in May 2009, AbbVie alleges Centocor Ortho Biotech, Inc 's (now Janssen Biotech, Inc 's) product Simponi® infringes AbbVie's patents and seeks damages and injunctive relief

AbbVie previously reported that it was seeking to enforce its patent rights relating to fenofibric acid capsules (a drug AbbVie sells in the U S under the trademark TRILIPIX®) In a case filed in the United States District Court for the District of New Jersey in March 2011, AbbVie and its subsidiary Fournier Laboratories Ireland Ltd alleged that Sandoz Inc 's proposed generic product infringes AbbVie's patent and seek injunctive relief In January 2014, the parties settled this case and it was dismissed without prejudice

Note 14 Segment and Geographic Area Information

AbbVie operates in one business segment—pharmaceutical products Substantially all of AbbVie's U S sales are to three wholesalers Outside the United States, products are sold primarily to health care providers or through distributors, depending on the market served Worldwide net sales of key products were as follows

years ended December 31 (in millions)	2013	2012	2011
HUMIRA	$10,659	$ 9,265	$ 7,932
AndroGel	1,035	1,152	874
Kaletra	962	1,013	1,170
Synagis	827	825	775
Lupron	785	800	810
Synthroid	622	551	522
Sevoflurane	568	602	665
Creon	412	353	332
Duodopa	178	149	125
Dyslipidemia products	1,076	2,145	2,504
All other	1,666	1,525	1,735
Net sales	$18,790	$18,380	$17,444

Net sales to external customers, based on the country that sold the product, were as follows

years ended December 31 (in millions)	2013	2012	2011
United States	$10,181	$10,435	$ 9,712
Germany	911	756	701
The Netherlands	858	776	904
Japan	625	718	616
United Kingdom	606	552	496
Spain	543	525	569
France	540	500	516
Canada	538	500	446
Brazil	439	434	382
Italy	404	408	428
All other countries	3,145	2,776	2,674
Net sales	$18,790	$18,380	$17,444

Long-lived assets include net property and equipment of $2 3 billion and $2 2 billion as of December 31, 2013 and 2012, of which $1 6 billion and $1 6 billion, respectively, was located in the United States and Puerto Rico and $591 million and $536 million, respectively, was located in Europe

Note 15 Quarterly Financial Data (unaudited)

(in millions except per share data)	2013	2012
First Quarter		
Net sales	$4,329	$4,173
Gross margin	3,176	3,017
Net earnings	968	883
Basic earnings per share	0 61	0 56
Diluted earnings per share	0 60	0 56
Cash dividends declared per common share(a)	0 80	—
Second Quarter		
Net sales	$4,692	$4,493
Gross margin	3,638	3,420
Net earnings	1,068	1,267
Basic earnings per share	0 67	0 80
Diluted earnings per share	0 66	0 80
Cash dividends declared per common share	0 40	—
Third Quarter		
Net sales	$4,658	$4,508
Gross margin	3,566	3,494
Net earnings	964	1,585
Basic earnings per share	0 60	1 01
Diluted earnings per share	0 60	1 01
Cash dividends declared per common share	0 40	—
Fourth Quarter		
Net sales	$5,111	$5,206
Gross margin	3,829	3,941
Net earnings	1,128	1,540
Basic earnings per share	0 70	0 98
Diluted earnings per share	0 70	0 98
Cash dividends declared per common share	0 40	—

(a) On January 4, 2013, the board of directors declared a cash dividend of $0 40 per share of common stock This dividend was declared from pre-separation earnings and was recorded as a reduction of additional paid-in capital In addition, AbbVie declared regular quarterly cash dividends in 2013 aggregating $1 60 per share of common stock Refer to Note 11 for information regarding cash dividends declared in 2013

For periods prior to the separation, the weighted-average basic and diluted shares outstanding was based on the number of shares of AbbVie common stock outstanding on the distribution date Refer to Note 4 for information regarding the calculation of basic and diluted earnings per common share for the year ended December 31, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of AbbVie Inc

We have audited the accompanying consolidated balance sheet of AbbVie Inc and subsidiaries as of December 31, 2013, and the related consolidated statements of earnings, comprehensive income, equity and cash flows for the year ended December 31, 2013 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 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 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 audit provides 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, 2013, and the consolidated results of their operations and their cash flows for the year ended December 31, 2013, 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, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 21, 2014 expressed an unqualified opinion thereon

/s/ Ernst & Young LLP

Chicago, Illinois
February 21, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of AbbVie Inc

We have audited the accompanying combined balance sheet of AbbVie Inc and subsidiaries (the "Company") as of December 31, 2012 and the related combined statements of earnings, comprehensive income, equity and cash flows for each of the two years in the period ended December 31, 2012 These combined 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 combined financial statements are free of material misstatement The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such combined financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America

As described in Note 1, the accompanying combined financial statements have been derived from the consolidated financial statements and accounting records of Abbott Laboratories The combined financial statements also include expense allocations for certain corporate functions historically provided by Abbott Laboratories These allocations may not be reflective of the actual expense which would have been incurred had the Company operated as a separate entity apart from Abbott Laboratories

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 15, 2013

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

None

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of disclosure controls and procedures The Chief Executive Officer, 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 Exchange Act 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

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting Management's report on internal control over financial reporting is included on page 102 hereof 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 on page 103 hereof

Changes in internal control over financial reporting During the quarter ended December 31, 2013, there were no changes in AbbVie's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, AbbVie's internal control over financial reporting

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

ITEM 9B. OTHER INFORMATION

None

Management's 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, 2013. 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* (1992 framework). Based on that assessment, management concluded that AbbVie maintained effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

The effectiveness of AbbVie's internal control over financial reporting as of December 31, 2013 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report appearing on page 103 hereof, which expresses an unqualified opinion on the effectiveness of AbbVie's internal control over financial reporting as of December 31, 2013.

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, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 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 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, 2013, 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 sheet as of December 31, 2013, and the related consolidated statements of earnings, comprehensive income, equity and cash flows for the year ended December 31, 2013 of AbbVie Inc and subsidiaries and our report dated February 21, 2014 expressed an unqualified opinion thereon

/s/ Ernst & Young LLP

Chicago, Illinois
February 21, 2014

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 2014 AbbVie Inc Proxy Statement The 2014 Proxy Statement will be filed on or about March 24, 2014 Also incorporated herein by reference is the text found under the caption, "Executive Officers of the Registrant" on pages 29 and 30 hereof

AbbVie's code of business conduct requires all its business activities to be conducted in compliance with 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 2014 Proxy Statement under the headings "Director Compensation," "Executive Compensation," and "Compensation Committee Report" is incorporated herein by reference The 2014 Proxy Statement will be filed on or about March 24, 2014

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, 2013 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	48,862,326	$27 48	99,307,279
Equity compensation plans not approved by security holders	—	$ —	—
Total	48,862,326	$27 48	99,307,279

(1) Includes 40,024,559 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 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 2014 Proxy Statement The 2014 Proxy Statement will be filed on or about March 24, 2014

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The material to be included in the 2014 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 2014 Proxy Statement will be filed on or about March 24, 2014

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The material to be included in the 2014 Proxy Statement under the headings "Audit Information—Audit Fees and Non-Audit Fees" and "Audit Information—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 2014 Proxy Statement will be filed on or about March 24, 2014

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 56 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 108 through 110 of this Form 10-K

(b) *Exhibits filed (see Exhibit Index on pages 108 through 110)*

(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 21, 2014

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 21, 2014 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/ EDWARD M LIDDY
Edward M Liddy
Director of AbbVie Inc

/s/ EDWARD J RAPP
Edward J Rapp
Director of AbbVie Inc

/s/ ROY S ROBERTS
Roy S Roberts
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
2013

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	*Separation and Distribution Agreement dated as of November 28, 2012 by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 2 1 of Amendment No 6 to the Company's Registration Statement on Form 10 filed on November 30, 2012)
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 2 of the Company's Current Report on Form 8-K filed on January 2, 2013)
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 (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)
10 1	*U S Transition Services Agreement dated as of December 31, 2012 by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 1 of the Company's Current Report on Form 8-K filed on January 2, 2013)
10 2	*Ex-U S Transition Services Agreement dated as of December 31, 2012 by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 2 of the Company's Current Report on Form 8-K filed on January 2, 2013)
10 3	*Tax Sharing Agreement entered into as of December 31, 2012 by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 3 of the Company's Current Report on Form 8-K filed on January 2, 2013)
10 4	*Special Products Master Agreement dated as of December 31, 2012 by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 4 of the Company's Current Report on Form 8-K filed on January 2, 2013)
10 5	*Employee Matters Agreement dated as of December 31, 2012 by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 5 of the Company's Current Report on Form 8-K filed on January 2, 2013)
10 6	*International Commercial Operations Agreement dated as of December 31, 2012 by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 6 of the Company's Current Report on Form 8-K filed on January 2, 2013)
10 7	First Amendment to International Commercial Operations Agreement effective as of December 31, 2012 by and between Abbott Laboratories and AbbVie Inc

Exhibit Number	Exhibit Description
10 8	*Luxembourg International Commercial Operations Agreement dated as of December 31, 2012 by and between Abbott Investments Luxembourg S àr l and AbbVie Investments S àr l (incorporated by reference to Exhibit 10 7 of the Company's Current Report on Form 8-K filed on January 2, 2013)
10 9	First Amendment to Luxembourg International Commercial Operations Agreement effective as of December 31, 2012 by and between Abbott Investments Luxembourg S àr l and AbbVie Investments S àr l
10 10	*Information Technology Agreement dated as of December 31, 2012 by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 8 of the Company's Current Report on Form 8-K filed on January 2, 2013)
10 11	*Transitional Trademark License Agreement dated as of December 31, 2012 by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 9 of the Company's Current Report on Form 8-K filed on January 2, 2013)
10 12	*Form of Finished Goods Supply Agreements by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 11 of Amendment No 2 to the Company's Registration Statement on Form 10 filed on September 4, 2012)
10 13	*Form of Contract Manufacturing Agreements by and between Abbott Laboratories and AbbVie Inc (incorporated by reference to Exhibit 10 12 of Amendment No 2 to the Company's Registration Statement on Form 10 filed on September 4, 2012)
10 14	*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 15	*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) **
10 16	*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 17	*AbbVie 2013 Performance Incentive Plan (incorporated by reference to Exhibit 10 15 of the Company's Annual Report on Form 10-K filed on March 15, 2013) **
10 18	*AbbVie Deferred Compensation Plan (incorporated by reference to Exhibit 10 16 of the Company's Annual Report on Form 10-K filed on March 15, 2013) **
10 19	*AbbVie Non-Employee Directors' Fee Plan (incorporated by reference to Exhibit 10 17 of the Company's Annual Report on Form 10-K filed on March 15, 2013) **
10 20	*AbbVie Supplemental Pension Plan (incorporated by reference to Exhibit 10 18 of the Company's Annual Report on Form 10-K filed on March 15, 2013) **
10 21	*AbbVie Supplemental Savings Plan (incorporated by reference to Exhibit 10 19 of the Company's Annual Report on Form 10-K filed on March 15, 2013) **
10 22	*Purchase Agreement dated November 5, 2012 between AbbVie Inc , Abbott Laboratories, as guarantor, and Morgan Stanley & Co LLC, Barclays Capital Inc , J P Morgan Securities LLC, and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference to Exhibit 10 21 of Amendment No 6 to the Company's Registration Statement on Form 10 filed on November 30, 2012)
10 23	*Form of AbbVie Inc Non-Employee Director Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10 2 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013) **

Exhibit Number	Exhibit Description
10 24	*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 25	*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 26	*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 27	*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 28	*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 29	*Form of AbbVie Inc Non-Qualified Replacement Stock Option Agreement (incorporated by reference to Exhibit 10 8 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013) **
12	Computation of Ratio of Earnings to Fixed Charges
21	Subsidiaries of AbbVie Inc
23 1	Consent of Independent Registered Public Accounting Firm
23 2	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, 2013 filed on February 21, 2014, formatted in XBRL (i) Consolidated Statements of Earnings, (ii) Consolidated Statements of Cash Flows, (iii) Consolidated Balance Sheets, and (iv) the notes to the consolidated financial statements
	The AbbVie Inc 2014 Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 24, 2014

* 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

Exhibit 12

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth AbbVie's historical ratios of earnings to fixed charges for the periods indicated This information should be read in conjunction with the financial statements and accompanying notes included under Item 8, "Financial Statements and Supplementary Data" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations "

	Fiscal Year Ended December 31,				
	2013	2012	2011	2010	2009
Ratio of Earnings to Fixed Charges	16 6	41 3	132 0	180 1	248 9

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements

(1) Registration Statement (Form S-8 No 333-185561) pertaining to AbbVie 2013 Incentive Stock Program,

(2) Registration Statement (Form S-8 No 333-185562) pertaining to AbbVie 2013 Employee Stock Purchase Plan for Non-U S Employees,

(3) Registration Statement (Form S-8 No 333-185563) pertaining to AbbVie Deferred Compensation Plan, and

(4) Registration Statement (Form S-8 No 333-185564) pertaining to AbbVie Savings Program,

of our reports dated February 21, 2014, with respect to the consolidated financial statements of AbbVie Inc and subsidiaries and the effectiveness of internal control over financial reporting of AbbVie Inc and subsidiaries included in this Annual Report (Form 10-K) of AbbVie Inc and subsidiaries for the year ended December 31, 2013

/s/ Ernst & Young LLP

Chicago, Illinois
February 21, 2014

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No 333-185564 on Form S-8 for the AbbVie Savings Program, Registration Statement No 333-185563 on Form S-8 for the AbbVie Deferred Compensation Plan, Registration Statement No 333-185562 on Form S-8 for the AbbVie 2013 Employee Stock Purchase Plan for Non-U S Employees, and Registration Statement No 333-185561 on Form S-8 for the AbbVie 2013 Incentive Stock Program of our report dated March 15, 2013, relating to the combined financial statements of AbbVie Inc as of and for the two years ended December 31, 2012 (which reports an unqualified opinion and includes an emphasis of matter paragraph regarding the fact that the Company's financial statements have been derived from the accounting records of Abbott Laboratories and include expense allocations for certain corporate functions historically provided by Abbott Laboratories) appearing in this Annual Report on Form 10-K of AbbVie Inc for the year ended December 31, 2013

/s/ Deloitte & Touche LLP

Chicago, Illinois
February 21, 2014

Exhibit 31.1

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

I, Richard A Gonzalez, certify that

1 I have reviewed this annual report on Form 10-K of AbbVie Inc ,

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of AbbVie as of, and for, the periods presented in this report,

4 AbbVie's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for AbbVie and have

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to AbbVie, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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,

(c) Evaluated the effectiveness of AbbVie's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and

(d) Disclosed in this report any change in AbbVie's internal control over financial reporting that occurred during AbbVie's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, AbbVie's internal control over financial reporting, and

5 AbbVie's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to AbbVie's auditors and the audit committee of AbbVie's board of directors

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect AbbVie's ability to record, process, summarize and report financial information, and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in AbbVie's internal control over financial reporting

Date February 21, 2014

/s/ RICHARD A GONZALEZ

Richard A Gonzalez, Chairman of the Board
and Chief Executive Officer

Exhibit 31 2

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

I, William J Chase, certify that

1 I have reviewed this annual report on Form 10-K of AbbVie Inc ,

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of AbbVie as of, and for, the periods presented in this report,

4 AbbVie's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for AbbVie and have

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to AbbVie, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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,

(c) Evaluated the effectiveness of AbbVie's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and

(d) Disclosed in this report any change in AbbVie's internal control over financial reporting that occurred during AbbVie's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, AbbVie's internal control over financial reporting, and

5 AbbVie's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to AbbVie's auditors and the audit committee of AbbVie's board of directors

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect AbbVie's ability to record, process, summarize and report financial information, and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in AbbVie's internal control over financial reporting

Date February 21, 2014

/s/ WILLIAM J CHASE

William J Chase, Executive Vice President,
Chief Financial Officer

Exhibit 32.1

Certification Pursuant To
18 U.S.C. Section 1350
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of AbbVie Inc (the "Company") on Form 10-K for the period ended December 31, 2013 as filed with the Securities and Exchange Commission (the "Report"), I, Richard A Gonzalez, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U S C § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

/s/ RICHARD A GONZALEZ

Richard A Gonzalez
Chairman of the Board and
Chief Executive Officer
February 21, 2014

A signed original of this written statement required by Section 906 has been provided to AbbVie Inc and will be retained by AbbVie Inc and furnished to the Securities and Exchange Commission or its staff upon request

Exhibit 32.2

Certification Pursuant To
18 U.S.C. Section 1350
As Adopted Pursuant To
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of AbbVie Inc (the "Company") on Form 10-K for the period ended December 31, 2013 as filed with the Securities and Exchange Commission (the "Report"), I, William J Chase, Executive Vice President, Chief Financial Officer of the Company, certify, pursuant to 18 U S C § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

/s/ WILLIAM J CHASE

William J Chase
Executive Vice President, Chief Financial Officer
February 21, 2014

A signed original of this written statement required by Section 906 has been provided to AbbVie Inc and will be retained by AbbVie Inc and furnished to the Securities and Exchange Commission or its staff upon request