

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-35565

**abbvie**  
AbbVie Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

32-0375147

(I.R.S. employer identification number)

1 North Waukegan Road  
North Chicago, Illinois 60064

Telephone: (847) 932-7900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ABBV	New York Stock Exchange Chicago Stock Exchange

As of July 29, 2019, AbbVie Inc. had 1,478,483,838 shares of common stock at \$0.01 par value outstanding.

**AbbVie Inc. and Subsidiaries**  
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AbbVie Inc. and Subsidiaries  
Condensed Consolidated Statements of Earnings (unaudited)

(in millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Net revenues</b>	\$ 8,255	\$ 8,278	\$ 16,083	\$ 16,212
Cost of products sold	1,819	1,934	3,513	3,861
Selling, general and administrative	1,654	1,760	3,334	3,551
Research and development	1,291	1,322	2,580	2,566
Acquired in-process research and development	91	—	246	69
Other expense	—	500	—	500
Total operating costs and expenses	4,855	5,516	9,673	10,547
Operating earnings	3,400	2,762	6,410	5,665
Interest expense, net	309	272	634	523
Net foreign exchange loss	6	8	12	16
Other expense, net	2,278	470	2,413	317
Earnings before income tax expense	807	2,012	3,351	4,809
Income tax expense	66	29	154	43
<b>Net earnings</b>	\$ 741	\$ 1,983	\$ 3,197	\$ 4,766
<b>Per share data</b>				
Basic earnings per share	\$ 0.49	\$ 1.26	\$ 2.15	\$ 3.00
Diluted earnings per share	\$ 0.49	\$ 1.26	\$ 2.14	\$ 2.99
Weighted-average basic shares outstanding	1,480	1,568	1,480	1,579
Weighted-average diluted shares outstanding	1,484	1,572	1,483	1,584

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

**AbbVie Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Comprehensive Income (unaudited)**

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Net earnings</b>	\$ 741	\$ 1,983	\$ 3,197	\$ 4,766
Foreign currency translation adjustments, net of tax expense (benefit) of \$5 for the three months and \$6 for the six months ended June 30, 2019 and \$(16) for the three months and \$(19) for the six months ended June 30, 2018	71	(469)	(32)	(280)
Net investment hedging activities, net of tax expense (benefit) of \$(11) for the three months and \$8 for the six months ended June 30, 2019 and \$61 for the three months and \$31 for the six months ended June 30, 2018	(37)	209	28	105
Pension and post-employment benefits, net of tax expense (benefit) of \$6 for the three months and \$12 for the six months ended June 30, 2019 and \$7 for the three months and \$16 for the six months ended June 30, 2018	20	49	45	71
Marketable security activities, net of tax expense (benefit) of \$— for the three months and \$— for the six months ended June 30, 2019 and \$— for the three months and \$— for the six months ended June 30, 2018	4	5	11	(2)
Cash flow hedging activities, net of tax expense (benefit) of \$(2) for the three months and \$(9) for the six months ended June 30, 2019 and \$18 for the three months and \$17 for the six months ended June 30, 2018	(33)	197	(63)	194
Other comprehensive income (loss)	25	(9)	(11)	88
<b>Comprehensive income</b>	\$ 766	\$ 1,974	\$ 3,186	\$ 4,854

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

**AbbVie Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**

(in millions, except share data)	June 30, 2019	December 31, 2018
	(unaudited)	
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 5,172	\$ 7,289
Short-term investments	244	772
Accounts receivable, net	5,482	5,384
Inventories	1,895	1,605
Prepaid expenses and other	2,307	1,895
<b>Total current assets</b>	<b>15,100</b>	<b>16,945</b>
Investments	1,473	1,420
Property and equipment, net	2,879	2,883
Intangible assets, net	20,459	21,233
Goodwill	15,642	15,663
Other assets	1,589	1,208
<b>Total assets</b>	<b>\$ 57,142</b>	<b>\$ 59,352</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Short-term borrowings	\$ 306	\$ 3,699
Current portion of long-term debt and finance lease obligations	5,335	1,609
Accounts payable and accrued liabilities	11,300	11,931
<b>Total current liabilities</b>	<b>16,941</b>	<b>17,239</b>
Long-term debt and finance lease obligations	31,619	35,002
Deferred income taxes	1,148	1,067
Other long-term liabilities	16,000	14,490
Commitments and contingencies		
<b>Stockholders' equity (deficit)</b>		
Common stock, \$0.01 par value, 4,000,000,000 shares authorized, 1,781,055,877 shares issued as of June 30, 2019 and 1,776,510,871 as of December 31, 2018	18	18
Common stock held in treasury, at cost, 302,685,326 shares as of June 30, 2019 and 297,686,473 as of December 31, 2018	(24,505)	(24,108)
Additional paid-in capital	15,028	14,756
Retained earnings	3,384	3,368
Accumulated other comprehensive loss	(2,491)	(2,480)
<b>Total stockholders' equity (deficit)</b>	<b>(8,566)</b>	<b>(8,446)</b>
<b>Total liabilities and equity</b>	<b>\$ 57,142</b>	<b>\$ 59,352</b>

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

**AbbVie Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Equity (unaudited)**

(in millions)	Common shares outstanding	Common stock	Treasury stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
<b>Balance at March 31, 2018</b>	1,587	\$ 18	\$ (13,331)	\$ 14,519	\$ 4,977	\$ (2,630)	\$ 3,553
Net earnings	—	—	—	—	1,983	—	1,983
Other comprehensive loss, net of tax	—	—	—	—	—	(9)	(9)
Dividends declared	—	—	—	—	(1,465)	—	(1,465)
Purchases of treasury stock	(73)	—	(7,516)	—	—	—	(7,516)
Stock-based compensation plans and other	—	—	2	77	—	—	79
<b>Balance at June 30, 2018</b>	1,514	\$ 18	\$ (20,845)	\$ 14,596	\$ 5,495	\$ (2,639)	\$ (3,375)
<b>Balance at March 31, 2019</b>	1,478	\$ 18	\$ (24,502)	\$ 14,940	\$ 4,234	\$ (2,516)	\$ (7,826)
Net earnings	—	—	—	—	741	—	741
Other comprehensive income, net of tax	—	—	—	—	—	25	25
Dividends declared	—	—	—	—	(1,591)	—	(1,591)
Purchases of treasury stock	—	—	(3)	—	—	—	(3)
Stock-based compensation plans and other	—	—	—	88	—	—	88
<b>Balance at June 30, 2019</b>	1,478	\$ 18	\$ (24,505)	\$ 15,028	\$ 3,384	\$ (2,491)	\$ (8,566)
<b>Balance at December 31, 2017</b>	1,592	\$ 18	\$ (11,923)	\$ 14,270	\$ 5,459	\$ (2,727)	\$ 5,097
Adoption of new accounting standards	—	—	—	—	(1,733)	—	(1,733)
Net earnings	—	—	—	—	4,766	—	4,766
Other comprehensive income, net of tax	—	—	—	—	—	88	88
Dividends declared	—	—	—	—	(2,997)	—	(2,997)
Purchases of treasury stock	(85)	—	(8,947)	—	—	—	(8,947)
Stock-based compensation plans and other	7	—	25	326	—	—	351
<b>Balance at June 30, 2018</b>	1,514	\$ 18	\$ (20,845)	\$ 14,596	\$ 5,495	\$ (2,639)	\$ (3,375)
<b>Balance at December 31, 2018</b>	1,479	\$ 18	\$ (24,108)	\$ 14,756	\$ 3,368	\$ (2,480)	\$ (8,446)
Net earnings	—	—	—	—	3,197	—	3,197
Other comprehensive loss, net of tax	—	—	—	—	—	(11)	(11)
Dividends declared	—	—	—	—	(3,181)	—	(3,181)
Purchases of treasury stock	(5)	—	(422)	—	—	—	(422)
Stock-based compensation plans and other	4	—	25	272	—	—	297
<b>Balance at June 30, 2019</b>	1,478	\$ 18	\$ (24,505)	\$ 15,028	\$ 3,384	\$ (2,491)	\$ (8,566)

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

**AbbVie Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (unaudited)**

(in millions) (brackets denote cash outflows)	Six months ended June 30,	
	2019	2018
<b>Cash flows from operating activities</b>		
Net earnings	\$ 3,197	\$ 4,766
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation	232	234
Amortization of intangible assets	773	654
Change in fair value of contingent consideration liabilities	2,473	337
Stock-based compensation	276	276
Upfront costs and milestones related to collaborations	321	656
Other, net	(10)	118
Changes in operating assets and liabilities:		
Accounts receivable	(96)	(805)
Inventories	(288)	(191)
Prepaid expenses and other assets	(97)	(546)
Accounts payable and other liabilities	(1,287)	12
<b>Cash flows from operating activities</b>	<b>5,494</b>	<b>5,511</b>
<b>Cash flows from investing activities</b>		
Acquisitions and investments	(440)	(401)
Acquisitions of property and equipment	(235)	(233)
Purchases of investment securities	(558)	(637)
Sales and maturities of investment securities	1,066	1,511
<b>Cash flows from investing activities</b>	<b>(167)</b>	<b>240</b>
<b>Cash flows from financing activities</b>		
Net change in commercial paper borrowings	(393)	111
Proceeds from issuance of other short-term borrowings	—	3,000
Repayments of other short-term borrowings	(3,000)	—
Repayments of long-term debt and finance lease obligations	(4)	(3,013)
Debt issuance costs	(171)	—
Dividends paid	(3,180)	(2,668)
Purchases of treasury stock	(623)	(8,947)
Proceeds from the exercise of stock options	5	64
Payments of contingent consideration liabilities	(108)	(39)
Other, net	21	5
<b>Cash flows from financing activities</b>	<b>(7,453)</b>	<b>(11,487)</b>
Effect of exchange rate changes on cash and equivalents	9	(20)
Net change in cash and equivalents	(2,117)	(5,756)
Cash and equivalents, beginning of period	7,289	9,303
<b>Cash and equivalents, end of period</b>	<b>\$ 5,172</b>	<b>\$ 3,547</b>

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

**AbbVie Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements (unaudited)**

**Note 1 Basis of Presentation**

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**Basis of Historical Presentation**

The unaudited interim condensed consolidated financial statements of AbbVie Inc. (AbbVie or the company) have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) have been omitted. These unaudited interim condensed consolidated financial statements should be read in conjunction with the company's audited consolidated financial statements and notes included in the company's Annual Report on Form 10-K for the year ended December 31, 2018.

It is management's opinion that these financial statements include all normal and recurring adjustments necessary for a fair presentation of the company's financial position and operating results. Net revenues and net earnings for any interim period are not necessarily indicative of future or annual results. Certain reclassifications were made to conform the prior period interim condensed consolidated financial statements to the current period presentation.

**Recent Accounting Pronouncements**

*Recently Adopted Accounting Pronouncements*

ASU No. 2016-02

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The standard outlined a comprehensive lease accounting model that superseded the previous lease guidance and required lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms greater than 12 months. The guidance also changed the definition of a lease and expanded the disclosure requirements of lease arrangements. AbbVie adopted the standard in the first quarter of 2019 using the modified retrospective method. Results for reporting periods beginning after December 31, 2018 have been presented in accordance with the standard, while results for prior periods have not been adjusted and continue to be reported in accordance with AbbVie's historical accounting. The cumulative effect of initially applying the new leases standard was recognized as an adjustment to the opening condensed consolidated balance sheet as of January 1, 2019.

The company elected a package of practical expedients for leases that commenced prior to January 1, 2019 and did not reassess historical conclusions on: (i) whether any expired or existing contracts are or contain leases; (ii) lease classification for any expired or existing leases; and (iii) initial direct costs capitalization for any existing leases.

Under the new standard, on January 1, 2019, the company recognized a cumulative-effect adjustment to its condensed consolidated balance sheet primarily related to the recognition of liabilities and corresponding right-of-use assets for operating leases. The adjustment to the condensed consolidated balance sheet included: (i) a \$405 million increase to other assets; (ii) a \$115 million increase to accounts payable and accrued liabilities; and (iii) a \$290 million increase to other long-term liabilities. Other cumulative-effect adjustments to the condensed consolidated balance sheet were insignificant.

Adoption of the standard did not have a significant impact on AbbVie's condensed consolidated statements of earnings for the three and six months ended June 30, 2019.

ASU No. 2018-02

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allowed a reclassification from accumulated other comprehensive income (AOCI) to retained earnings for stranded tax effects related to adjustments to deferred taxes resulting from the December 2017 enactment of the Tax Cuts and Jobs Act (the Act). AbbVie adopted the standard in the first quarter of 2019. Upon adoption, the company made an election to not reclassify the income tax effects of the Act from AOCI to retained earnings. Therefore, the adoption of the standard had no impact on AbbVie's consolidated financial statements.

## Recent Accounting Pronouncements Not Yet Adopted

### ASU No. 2016-13

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The standard changes how credit losses are measured for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other financial instruments, the standard requires the use of a new forward-looking "expected credit loss" model that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, the standard now requires allowances to be recorded instead of reducing the amortized cost of the investment. Additionally, the standard requires new disclosures and will be effective for AbbVie starting with the first quarter of 2020. With certain exceptions, adjustments are to be applied using a modified-retrospective approach by reflecting adjustments through a cumulative-effect impact to retained earnings as of the beginning of the fiscal year of adoption. AbbVie is currently assessing the impact of adopting this guidance on its consolidated financial statements.

## Note 2 Supplemental Financial Information

### Interest Expense, Net

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Interest expense	\$ 358	\$ 320	\$ 745	\$ 629
Interest income	(49)	(48)	(111)	(106)
Interest expense, net	\$ 309	\$ 272	\$ 634	\$ 523

### Inventories

(in millions)	June 30, 2019	December 31, 2018
Finished goods	\$ 638	\$ 473
Work-in-process	969	862
Raw materials	288	270
Inventories	\$ 1,895	\$ 1,605

### Property and Equipment

(in millions)	June 30, 2019	December 31, 2018
Property and equipment, gross	\$ 8,443	\$ 8,396
Accumulated depreciation	(5,564)	(5,513)
Property and equipment, net	\$ 2,879	\$ 2,883

Depreciation expense was \$114 million for the three months and \$232 million for the six months ended June 30, 2019 and \$119 million for the three months and \$234 million for the six months ended June 30, 2018.

## Note 3 Earnings Per Share

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

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

(in millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Basic EPS</b>				
Net earnings	\$ 741	\$ 1,983	\$ 3,197	\$ 4,766
Earnings allocated to participating securities	8	10	17	22
Earnings available to common shareholders	\$ 733	\$ 1,973	\$ 3,180	\$ 4,744
Weighted-average basic shares outstanding	1,480	1,568	1,480	1,579
Basic earnings per share	\$ 0.49	\$ 1.26	\$ 2.15	\$ 3.00
<b>Diluted EPS</b>				
Net earnings	\$ 741	\$ 1,983	\$ 3,197	\$ 4,766
Earnings allocated to participating securities	8	10	17	22
Earnings available to common shareholders	\$ 733	\$ 1,973	\$ 3,180	\$ 4,744
Weighted-average shares of common stock outstanding	1,480	1,568	1,480	1,579
Effect of dilutive securities	4	4	3	5
Weighted-average diluted shares outstanding	1,484	1,572	1,483	1,584
Diluted earnings per share	\$ 0.49	\$ 1.26	\$ 2.14	\$ 2.99

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

#### Note 4 Licensing, Acquisitions and Other Arrangements

##### Proposed Acquisition of Allergan plc

On June 25, 2019, AbbVie announced that it entered into a definitive transaction agreement under which AbbVie will acquire Allergan plc (Allergan) in a cash and stock transaction for a transaction equity value of approximately \$63 billion, based on the closing price of AbbVie's common stock of \$78.45 on June 24, 2019. Under the terms of the transaction agreement, Allergan shareholders will receive 0.8660 AbbVie shares and \$120.30 in cash for each Allergan share.

In connection with the proposed acquisition of Allergan, on June 25, 2019, AbbVie entered into a \$38.0 billion 364-day bridge credit agreement. On July 12, 2019, AbbVie entered into a term loan credit agreement with an aggregate principal amount of \$6.0 billion consisting of a \$1.5 billion 364-day term loan tranche, a \$2.5 billion three-year term loan tranche and a \$2.0 billion five-year term loan tranche, with the commitments under the bridge credit agreement to be reduced by such amount to \$32.0 billion. No amounts have been drawn under the bridge credit agreement or term loan credit agreement.

Allergan is a global pharmaceutical leader focused on developing, manufacturing and commercializing branded pharmaceutical, device, biologic, surgical and regenerative medicine products for patients around the world. Allergan markets a portfolio of brands and products primarily focused on key therapeutic areas including medical aesthetics, eye care, neuroscience, gastroenterology and women's health.

The transaction is expected to close in early 2020, subject to regulatory and Allergan shareholder approvals.

##### Other Licensing & Acquisitions Activity

Cash outflows related to other acquisitions and investments totaled \$440 million for the six months ended June 30, 2019 and \$401 million for the six months ended June 30, 2018. AbbVie recorded acquired in-process research and development (IPR&D) charges of \$91 million for the three months and \$246 million for the six months ended June 30, 2019. AbbVie recorded no acquired IPR&D charges for the three months ended June 30, 2018 and recorded acquired IPR&D charges of \$69 million for the six months ended June 30, 2018.

## Calico Life Sciences LLC

In June 2018, AbbVie and Calico Life Sciences LLC (Calico) entered into an extension of a collaboration to discover, develop and bring to market new therapies for patients with age-related diseases, including neurodegeneration and cancer. Under the terms of the agreement, AbbVie and Calico will each contribute an additional \$500 million to the collaboration and the term was extended for an additional three years. Calico will be responsible for research and early development until 2022 and will advance collaboration projects through Phase 2a through 2027. Following completion of Phase 2a, AbbVie will have the option to exclusively license collaboration compounds. AbbVie will support Calico in its early research and development efforts and, upon exercise, would be responsible for late-stage development and commercial activities. Collaboration costs and profits will be shared equally by both parties post option exercise. During the six months ended June 30, 2018, AbbVie recorded \$500 million in other expense in the condensed consolidated statement of earnings related to its commitments under the agreement.

## Note 5 Collaboration with Janssen Biotech, Inc.

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In December 2011, Pharmacocyclics, a wholly-owned subsidiary of AbbVie, entered into a worldwide collaboration and license agreement with Janssen Biotech, Inc. and its affiliates (Janssen), one of the Janssen Pharmaceutical companies of Johnson & Johnson, for the joint development and commercialization of IMBRUVICA, a novel, orally active, selective covalent inhibitor of Bruton's tyrosine kinase (BTK) and certain compounds structurally related to IMBRUVICA, for oncology and other indications, excluding all immune and inflammatory mediated diseases or conditions and all psychiatric or psychological diseases or conditions, in the United States and outside the United States.

The collaboration provides Janssen with an exclusive license to commercialize IMBRUVICA outside of the United States and co-exclusively with AbbVie in the United States. Both parties are responsible for the development, manufacturing and marketing of any products generated as a result of the collaboration. The collaboration has no set duration or specific expiration date and provides for potential future development, regulatory and approval milestone payments of up to \$200 million to AbbVie. The collaboration also includes a cost sharing arrangement for associated collaboration activities. Except in certain cases, Janssen is responsible for approximately 60% of collaboration development costs and AbbVie is responsible for the remaining 40% of collaboration development costs.

In the United States, both parties have co-exclusive rights to commercialize the products; however, AbbVie is the principal in the end-customer product sales. AbbVie and Janssen share pre-tax profits and losses equally from the commercialization of products. Sales of IMBRUVICA are included in AbbVie's net revenues. Janssen's share of profits is included in AbbVie's cost of products sold. Other costs incurred under the collaboration are reported in their respective expense line items, net of Janssen's share.

Outside the United States, Janssen is responsible for and has exclusive rights to commercialize IMBRUVICA. AbbVie and Janssen share pre-tax profits and losses equally from the commercialization of products. AbbVie's share of profits is included in AbbVie's net revenues. Other costs incurred under the collaboration are reported in their respective expense line items, net of Janssen's share.

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

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
United States - Janssen's share of profits (included in cost of products sold)	\$ 422	\$ 325	\$ 808	\$ 601
International - AbbVie's share of profits (included in net revenues)	213	157	406	295
Global - AbbVie's share of other costs (included in respective line items)	77	80	149	151

AbbVie's receivable from Janssen, included in accounts receivable, net, was \$230 million at June 30, 2019 and \$177 million at December 31, 2018. AbbVie's payable to Janssen, included in accounts payable and accrued liabilities, was \$405 million at June 30, 2019 and \$376 million at December 31, 2018.

## Note 6 Goodwill and Intangible Assets

### Goodwill

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

(in millions)	
Balance as of December 31, 2018	\$ 15,663
Foreign currency translation adjustments	(21)
Balance as of June 30, 2019	\$ 15,642

The company performs its annual goodwill impairment assessment in the third quarter, or earlier if impairment indicators exist. As of June 30, 2019, there were no accumulated goodwill impairment losses.

### Intangible Assets, Net

The following table summarizes intangible assets:

(in millions)	June 30, 2019			December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangible assets						
Developed product rights	\$ 19,611	\$ (5,963)	\$ 13,648	\$ 15,872	\$ (5,614)	\$ 10,258
License agreements	7,798	(2,017)	5,781	7,865	(1,810)	6,055
Total definite-lived intangible assets	27,409	(7,980)	19,429	23,737	(7,424)	16,313
Indefinite-lived research and development	1,030	—	1,030	4,920	—	4,920
Total intangible assets, net	\$ 28,439	\$ (7,980)	\$ 20,459	\$ 28,657	\$ (7,424)	\$ 21,233

### Indefinite-Lived Intangible Assets

Indefinite-lived intangible assets represent acquired IPR&D associated with products that have not yet received regulatory approval. The company performs its annual impairment assessment of indefinite-lived intangible assets in the third quarter, or earlier if impairment indicators exist. No indefinite-lived intangible asset impairment charges were recorded for the six months ended June 30, 2019 and 2018.

In April 2019, the U.S. Food and Drug Administration (FDA) and the European Commission approved SKYRIZI (risankizumab) for the treatment of moderate to severe plaque psoriasis. As a result, AbbVie reclassified \$3.9 billion of indefinite-lived intangible assets related to SKYRIZI to developed product rights definite-lived intangible assets. This amount will be amortized over its estimated useful life using the estimated pattern of economic benefit.

In the fourth quarter of 2018, the company recorded an impairment charge of \$5.1 billion related to IPR&D acquired as part of the 2016 Stemcentrx acquisition following the decision to stop enrollment in the TAHOE trial. AbbVie continues to evaluate information as it becomes available with respect to the Stemcentrx-related clinical development programs and will monitor the remaining \$1.0 billion of IPR&D assets for further impairment.

### Definite-Lived Intangible Assets

Amortization expense was \$388 million for the three months and \$773 million for the six months ended June 30, 2019 and \$324 million for the three months and \$654 million for the six months ended June 30, 2018. Amortization expense was included in cost of products sold in the condensed consolidated statements of earnings. No definite-lived intangible asset impairment charges were recorded for the six months ended June 30, 2019 and 2018.

## Note 7 Restructuring Plans

AbbVie recorded restructuring charges of \$19 million for the three months and \$186 million for the six months ended June 30, 2019 and \$1 million for the three months and \$23 million for the six months ended June 30, 2018. Restructuring charges for the three and six months ended June 30, 2019 primarily related to severance costs.

The following table summarizes the cash activity in the restructuring reserve for the six months ended June 30, 2019:

(in millions)	
Accrued balance as of December 31, 2018	\$ 99
Restructuring charges	172
Payments and other adjustments	(80)
Accrued balance as of June 30, 2019	\$ 191

## Note 8 Leases

AbbVie's lease portfolio primarily consists of real estate properties, vehicles and equipment. Short-term leases with a term of 12 months or less are not recorded on the balance sheet. For leases commencing or modified in 2019 or later, AbbVie does not separate lease components from non-lease components.

The company records lease liabilities based on the present value of lease payments over the lease term. AbbVie generally uses an incremental borrowing rate to discount its lease liabilities, as the rate implicit in the lease is typically not readily determinable. Certain lease agreements include renewal options that are under the company's control. AbbVie includes optional renewal periods in the lease term only when it is reasonably certain that AbbVie will exercise its option.

Variable lease payments include payments to lessors for taxes, maintenance, insurance and other operating costs as well as payments that are adjusted based on an index or rate. The company's lease agreements do not contain any significant residual value guarantees or restrictive covenants.

The following table summarizes the amounts and location of operating and finance leases on the condensed consolidated balance sheet:

(in millions)	Balance sheet caption	June 30, 2019
<b>Assets</b>		
Operating	Other assets	\$ 380
Finance	Property and equipment, net	27
Total lease assets		\$ 407
<b>Liabilities</b>		
Operating		
Current	Accounts payable and accrued liabilities	\$ 111
Noncurrent	Other long-term liabilities	290
Finance		
Current	Current portion of long-term debt and finance lease obligations	9
Noncurrent	Long-term debt and finance lease obligations	22
Total lease liabilities		\$ 432

The following table summarizes the lease costs recognized in the condensed consolidated statements of earnings:

(in millions)	Three months ended	Six months ended
	June 30, 2019	June 30, 2019
Operating lease cost	\$ 32	\$ 64
Finance lease cost		
Amortization of right-of-use assets	2	4
Interest on lease liabilities	—	—
Short-term lease cost	9	15
Variable lease cost	14	29
Total lease cost	\$ 57	\$ 112

Sublease income was insignificant for the three and six months ended June 30, 2019.

The following table presents the weighted-average remaining lease term and weighted-average discount rate for operating and finance leases:

	June 30, 2019
Weighted-average remaining lease term (in years)	
Operating	6
Finance	3
Weighted-average discount rate	
Operating	4.0%
Finance	4.4%

The following table presents supplementary cash flow information regarding the company's operating and finance leases:

(in millions)	Six months ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 58
Operating cash flows from finance leases	—
Financing cash flows from finance leases	4
Right-of-use assets obtained in exchange for new finance lease liabilities	—
Right-of-use assets obtained in exchange for new operating lease liabilities	15

The following table summarizes the future maturities of AbbVie's operating and finance lease liabilities as of June 30, 2019:

(in millions)	Operating leases		Finance leases		Total <sup>(a)(b)</sup>
2019	\$	65	\$	8	\$ 73
2020		121		11	132
2021		100		9	109
2022		55		3	58
2023		35		1	36
Thereafter		79		—	79
Total lease payments		455		32	487
Less: Interest		54		1	55
Present value of lease liabilities	\$	401	\$	31	\$ 432

(a) Total lease payments exclude approximately \$350 million of contractual minimum lease payments for leases executed but not yet commenced. These leases will commence between years 2019 and 2020 with lease terms of approximately 11 years.

(b) Lease payments recognized as part of lease liabilities for optional renewal periods are insignificant.

## Note 9 Financial Instruments and Fair Value Measures

### Risk Management Policy

See Note 10 to the company's Annual Report on Form 10-K for the year ended December 31, 2018 for a summary of AbbVie's risk management policy and use of derivative instruments.

### Financial Instruments

Various AbbVie foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany transactions denominated in a currency other than the functional currency of the local entity. These contracts, with notional amounts totaling \$503 million at June 30, 2019 and \$1.4 billion at December 31, 2018, are designated as cash flow hedges and are recorded at fair value. The durations of these forward exchange contracts were generally less than 18 months. Accumulated gains and losses as of June 30, 2019 will be reclassified from AOCI and included in cost of products sold at the time the products are sold, generally not exceeding six months from the date of settlement.

The company also enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated trade payables and receivables and intercompany loans. These contracts are not designated as hedges and are recorded at fair value. Resulting gains or losses are reflected in net foreign exchange gain or loss in the consolidated statements of earnings and are generally offset by losses or gains on the foreign currency exposure being managed. These contracts had notional amounts totaling \$7.9 billion at June 30, 2019 and \$8.6 billion at December 31, 2018.

The company also uses foreign currency forward exchange contracts or foreign currency denominated debt to hedge its net investments in certain foreign subsidiaries and affiliates. The company continued to designate €3.6 billion aggregate principal amount of senior Euro notes as net investment hedges at June 30, 2019 and December 31, 2018. In addition, in the second quarter of 2019, the company entered into foreign currency forward exchange contracts with notional amounts totaling €971 million, £204 million and CHF62 million and designated the instruments as net investment hedges. The company uses the spot method of assessing hedge effectiveness for derivative instruments designated as net investment hedges. Realized and unrealized gains and losses from these hedges are included in AOCI and the initial fair value of hedge components excluded from the assessment of effectiveness is recognized in interest expense, net over the life of the hedging instrument.

AbbVie is a party to interest rate hedge contracts designated as fair value hedges with notional amounts totaling \$10.8 billion at June 30, 2019 and December 31, 2018. The effect of the hedge contracts is to change a fixed-rate interest obligation to a floating rate for that portion of the debt. AbbVie records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount.

No amounts are excluded from the assessment of effectiveness for cash flow hedges or fair value hedges.

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

(in millions)	Balance sheet caption	Fair value – Derivatives in asset position		Fair value – Derivatives in liability position	
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Foreign currency forward exchange contracts					
Designated as cash flow hedges	Prepaid expenses and other	\$ 22	\$ 113	Accounts payable and accrued liabilities	\$ —
Designated as net investment hedges	Prepaid expenses and other	11	—	Accounts payable and accrued liabilities	1
Not designated as hedges	Prepaid expenses and other	40	19	Accounts payable and accrued liabilities	38
Interest rate swaps designated as fair value hedges	Prepaid expenses and other	—	—	Accounts payable and accrued liabilities	8
Interest rate swaps designated as fair value hedges	Other assets	24	—	Other long-term liabilities	117
Total derivatives		\$ 97	\$ 132		\$ 164

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

The following table presents the pre-tax amounts of gains (losses) from derivative instruments recognized in other comprehensive income (loss):

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Foreign currency forward exchange contracts				
Designated as cash flow hedges	\$ 2	\$ 169	\$ 5	\$ 121
Designated as net investment hedges	10	—	10	—

Assuming market rates remain constant through contract maturities, the company expects to reclass pre-tax gains of \$90 million into cost of products sold for foreign currency cash flow hedges during the next 12 months.

Related to AbbVie's non-derivative, foreign currency denominated debt designated as net investment hedges, the company recognized in other comprehensive income (loss) a pre-tax loss of \$49 million for the three months and a pre-tax gain of \$35 million for the six months ended June 30, 2019 and recognized pre-tax gains of \$270 million for the three months and \$136 million for the six months ended June 30, 2018.

The following table summarizes the pre-tax amounts and location of derivative instrument net gains (losses) recognized in the condensed consolidated statements of earnings, including the net gains (losses) reclassified out of AOCI into net earnings. See Note 11 for the amount of net gains (losses) reclassified out of AOCI.

(in millions)	Statement of earnings caption	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Foreign currency forward exchange contracts					
Designated as cash flow hedges	Cost of products sold	\$ 37	\$ (46)	\$ 77	\$ (90)
Designated as net investment hedges	Interest expense, net	9	—	9	—
Not designated as hedges	Net foreign exchange loss	(25)	128	(40)	69
Interest rate swaps designated as fair value hedges	Interest expense, net	253	(59)	365	(243)
Debt designated as hedged item in fair value hedges	Interest expense, net	(253)	59	(365)	243

## Fair Value Measures

The fair value hierarchy consists of the following three levels:

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

The following table summarizes the bases used to measure certain assets and liabilities carried at fair value on a recurring basis on the condensed consolidated balance sheet as of June 30, 2019:

(in millions)	Total	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)
<b>Assets</b>				
Cash and equivalents	\$ 5,172	\$ 1,388	\$ 3,784	\$ —
Debt securities	1,573	—	1,573	—
Equity securities	79	79	—	—
Interest rate hedges	24	—	24	—
Foreign currency contracts	73	—	73	—
Total assets	\$ 6,921	\$ 1,467	\$ 5,454	\$ —
<b>Liabilities</b>				
Interest rate hedges	\$ 125	\$ —	\$ 125	\$ —
Foreign currency contracts	39	—	39	—
Contingent consideration	6,789	—	—	6,789
Total liabilities	\$ 6,953	\$ —	\$ 164	\$ 6,789

The following table summarizes the bases used to measure certain assets and liabilities carried at fair value on a recurring basis on the condensed consolidated balance sheet as of December 31, 2018:

(in millions)	Total	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)
<b>Assets</b>				
Cash and equivalents	\$ 7,289	\$ 1,209	\$ 6,080	\$ —
Time deposits	568	—	568	—
Debt securities	1,536	—	1,536	—
Equity securities	4	4	—	—
Foreign currency contracts	132	—	132	—
Total assets	\$ 9,529	\$ 1,213	\$ 8,316	\$ —
<b>Liabilities</b>				
Interest rate hedges	\$ 466	\$ —	\$ 466	\$ —
Foreign currency contracts	26	—	26	—
Contingent consideration	4,483	—	—	4,483
Total liabilities	\$ 4,975	\$ —	\$ 492	\$ 4,483

The fair values of time deposits approximate their amortized cost due to the short maturities of these instruments. The fair values of available-for-sale debt securities were determined based on prices obtained from commercial pricing services. Equity securities consist of investments for which the fair values were determined by using the published market price per unit multiplied by the number of units held, without consideration of transaction costs. The derivatives entered into by the company were valued using published spot curves for interest rate hedges and published forward curves for foreign currency contracts. The fair value measurements of the contingent consideration liabilities were determined based on significant unobservable inputs, including the discount rate, estimated probabilities and timing of achieving specified development, regulatory and commercial milestones and the estimated amount of future sales of the acquired products. Changes to the fair value of the contingent consideration liabilities can result from changes to one or a number of inputs, including discount rates, the probabilities of achieving the milestones, the time required to achieve the milestones and estimated future sales. Significant judgment is employed in determining the appropriateness of these inputs. Changes to the inputs described above could have a material impact on the company's financial position and results of operations in any given period. At June 30, 2019, a 50 basis point increase/decrease in the assumed discount rate would have decreased/increased the value of the contingent consideration liabilities by approximately \$270 million. Additionally, at June 30, 2019, a five percentage point increase/decrease in the assumed probability of success across all potential indications still in development would have increased/decreased the value of the contingent consideration liabilities by approximately \$210 million.

There have been no transfers of assets or liabilities between the fair value measurement levels. The following table presents the changes in fair value of contingent consideration liabilities which are measured using Level 3 inputs:

(in millions)	Six months ended June 30,	
	2019	2018
Beginning balance	\$ 4,483	\$ 4,534
Change in fair value recognized in net earnings	2,473	337
Milestone payments	(167)	(50)
Ending balance	\$ 6,789	\$ 4,821

The change in fair value recognized in net earnings is recorded in other expense, net in the condensed consolidated statements of earnings. During the second quarter of 2019, the company recorded a \$2.3 billion increase in the SKYRIZI contingent consideration liability due to higher probabilities of success, higher estimated future sales and declining interest rates. The higher probabilities of success resulted from the April 2019 regulatory approvals of SKYRIZI for the treatment of moderate to severe plaque psoriasis.

Certain financial instruments are carried at historical cost or some basis other than fair value. The book values, approximate fair values and bases used to measure the approximate fair values of certain financial instruments as of June 30, 2019 are shown in the table below:

(in millions)	Book value	Approximate fair value	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)
<b>Liabilities</b>					
Short-term borrowings	\$ 306	\$ 306	\$ —	\$ 306	\$ —
Current portion of long-term debt and finance lease obligations, excluding fair value hedges	5,343	5,357	5,348	9	—
Long-term debt and finance lease obligations, excluding fair value hedges	31,712	32,753	32,731	22	—
<b>Total liabilities</b>	<b>\$ 37,361</b>	<b>\$ 38,416</b>	<b>\$ 38,079</b>	<b>\$ 337</b>	<b>\$ —</b>

The book values, approximate fair values and bases used to measure the approximate fair values of certain financial instruments as of December 31, 2018 are shown in the table below:

(in millions)	Book value	Approximate fair value	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)
<b>Liabilities</b>					
Short-term borrowings	\$ 3,699	\$ 3,693	\$ —	\$ 3,693	\$ —
Current portion of long-term debt and finance lease obligations, excluding fair value hedges	1,609	1,617	1,609	8	—
Long-term debt and finance lease obligations, excluding fair value hedges	35,468	34,052	34,024	28	—
<b>Total liabilities</b>	<b>\$ 40,776</b>	<b>\$ 39,362</b>	<b>\$ 35,633</b>	<b>\$ 3,729</b>	<b>\$ —</b>

AbbVie also holds investments in equity securities that do not have readily determinable fair values. The company records these investments at cost and remeasures them to fair value based on certain observable price changes or impairment events as they occur. The carrying amount of these investments was \$65 million as of June 30, 2019 and \$84 million as of December 31, 2018. No significant cumulative upward or downward adjustments have been recorded for these investments as of June 30, 2019.

#### Available-for-sale Securities

Substantially all of the company's investments in debt securities were classified as available-for-sale with changes in fair value recognized in other comprehensive income. Debt securities classified as short-term were \$244 million as of June 30, 2019 and \$204 million as of December 31, 2018. Long-term debt securities mature primarily within five years. Estimated fair values of available-for-sale debt securities were generally determined based on prices obtained from commercial pricing services.

The following table summarizes available-for-sale securities by type as of June 30, 2019:

(in millions)	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
Asset backed securities	\$ 375	\$ —	\$ (1)	\$ 374
Corporate debt securities	1,095	4	(2)	1,097
Other debt securities	102	—	—	102
<b>Total</b>	<b>\$ 1,572</b>	<b>\$ 4</b>	<b>\$ (3)</b>	<b>\$ 1,573</b>

The following table summarizes available-for-sale securities by type as of December 31, 2018:

(in millions)	Amortized cost	Gross unrealized		Fair value
		Gains	Losses	
Asset backed securities	\$ 423	\$ —	\$ (2)	\$ 421
Corporate debt securities	1,042	1	(9)	1,034
Other debt securities	81	—	—	81
Total	\$ 1,546	\$ 1	\$ (11)	\$ 1,536

AbbVie had no other-than-temporary impairments as of June 30, 2019. Net realized gains and losses were insignificant for both the three and six months ended June 30, 2019 and 2018.

#### Concentrations of Risk

Of total net accounts receivable, three U.S. wholesalers accounted for 66% as of June 30, 2019 and 63% as of December 31, 2018, and substantially all of AbbVie's net revenues in the United States were to these three wholesalers.

HUMIRA (adalimumab) is AbbVie's single largest product and accounted for approximately 58% of AbbVie's total net revenues for the six months ended June 30, 2019 and 61% for the six months ended June 30, 2018.

#### Debt and Credit Facilities

##### Short-Term Borrowings

Short-term borrowings included commercial paper borrowings of \$306 million as of June 30, 2019 and \$699 million as of December 31, 2018. The weighted-average interest rate on commercial paper borrowings was 2.7% for the six months ended June 30, 2019 and 1.9% for the six months ended June 30, 2018.

In March 2019, AbbVie repaid its \$3.0 billion 364-day term loan credit agreement that was scheduled to mature in June 2019.

In connection with the proposed acquisition of Allergan, on June 25, 2019, AbbVie entered into a 364-day bridge credit agreement and on July 12, 2019, AbbVie entered into a term loan credit agreement. See Note 4 for additional information.

## Note 10 Post-Employment Benefits

The following table summarizes net periodic benefit cost relating to the company's defined benefit and other post-employment plans:

(in millions)	Defined benefit plans				Other post-employment plans			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018	2019	2018	2019	2018
Service cost	\$ 68	\$ 72	\$ 135	\$ 144	\$ 7	\$ 5	\$ 13	\$ 13
Interest cost	66	57	130	114	9	4	15	12
Expected return on plan assets	(119)	(110)	(238)	(221)	—	—	—	—
Amortization of actuarial losses and prior service cost (credit)	29	39	55	76	1	(3)	—	1
Net periodic benefit cost	\$ 44	\$ 58	\$ 82	\$ 113	\$ 17	\$ 6	\$ 28	\$ 26

The components of net periodic benefit cost other than service cost are included in other expense, net in the condensed consolidated statements of earnings.

## Note 11 Equity

### Stock-Based Compensation

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

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Cost of products sold	\$ 5	\$ 12	\$ 20	\$ 16
Research and development	33	35	105	107
Selling, general and administrative	49	38	151	153
Pre-tax compensation expense	87	85	276	276
Tax benefit	16	19	49	48
After-tax compensation expense	\$ 71	\$ 66	\$ 227	\$ 228

### Stock Options

During the six months ended June 30, 2019, primarily in connection with the company's annual grant, AbbVie granted 1.0 million stock options with a weighted-average grant-date fair value of \$12.54. As of June 30, 2019, \$8.5 million of unrecognized compensation cost related to stock options is expected to be recognized as expense over approximately the next two years.

### RSUs and Performance Shares

During the six months ended June 30, 2019, primarily in connection with the company's annual grant, AbbVie granted 5.4 million RSUs and performance shares with a weighted-average grant-date fair value of \$78.68. As of June 30, 2019, \$434 million of unrecognized compensation cost related to RSUs and performance shares is expected to be recognized as expense over approximately the next two years.

### Cash Dividends

The following table summarizes quarterly cash dividends declared during 2019 and 2018:

2019			2018		
Date Declared	Payment Date	Dividend Per Share	Date Declared	Payment Date	Dividend Per Share
06/20/19	08/15/19	\$ 1.07	11/02/18	02/15/19	\$ 1.07
02/21/19	05/15/19	\$ 1.07	09/07/18	11/15/18	\$ 0.96
			06/14/18	08/15/18	\$ 0.96
			02/15/18	05/15/18	\$ 0.96

## Stock Repurchase Program

The company's stock repurchase authorization permits purchases of AbbVie shares from time to time in open-market or private transactions at management's discretion. The program has no time limit and can be discontinued at any time. Shares repurchased under these programs are recorded at acquisition cost, including related expenses, and are available for general corporate purposes.

AbbVie repurchased 4 million shares for \$300 million during the six months ended June 30, 2019 and 84 million shares for \$8.8 billion during the six months ended June 30, 2018. AbbVie's remaining stock repurchase authorization was approximately \$4.0 billion as of June 30, 2019.

## Accumulated Other Comprehensive Loss

The following table summarizes the changes in each component of accumulated other comprehensive loss, net of tax, for the six months ended June 30, 2019:

(in millions)	Foreign currency translation adjustments	Net investment hedging activities	Pension and post- employment benefits	Marketable security activities	Cash flow hedging activities	Total
Balance as of December 31, 2018	\$ (830)	\$ (65)	\$ (1,722)	\$ (10)	\$ 147	\$ (2,480)
Other comprehensive income (loss) before reclassifications	(32)	35	2	10	7	22
Net losses (gains) reclassified from accumulated other comprehensive loss	—	(7)	43	1	(70)	(33)
Net current-period other comprehensive income (loss)	(32)	28	45	11	(63)	(11)
Balance as of June 30, 2019	\$ (862)	\$ (37)	\$ (1,677)	\$ 1	\$ 84	\$ (2,491)

Other comprehensive loss for the six months ended June 30, 2019 included foreign currency translation adjustments totaling a loss of \$32 million, which was principally due to the weakening of the Euro in the six months ended June 30, 2019 on the translation of the company's assets denominated in the Euro.

The following table summarizes the changes in each component of accumulated other comprehensive loss, net of tax, for the six months ended June 30, 2018:

(in millions)	Foreign currency translation adjustments	Net investment hedging activities	Pension and post- employment benefits	Marketable security activities	Cash flow hedging activities	Total
Balance as of December 31, 2017	\$ (439)	\$ (203)	\$ (1,919)	\$ —	\$ (166)	\$ (2,727)
Other comprehensive income (loss) before reclassifications	(280)	105	9	(6)	110	(62)
Net losses reclassified from accumulated other comprehensive loss	—	—	62	4	84	150
Net current-period other comprehensive income (loss)	(280)	105	71	(2)	194	88
Balance as of June 30, 2018	\$ (719)	\$ (98)	\$ (1,848)	\$ (2)	\$ 28	\$ (2,639)

Other comprehensive income for the six months ended June 30, 2018 included foreign currency translation adjustments totaling a loss of \$280 million, which was principally due to the weakening of the Euro in the six months ended June 30, 2018 on the translation of the company's assets denominated in the Euro.

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

(in millions) (brackets denote gains)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b>Pension and post-employment benefits</b>				
Amortization of actuarial losses and other <sup>(a)</sup>	\$ 30	\$ 36	\$ 55	\$ 77
Tax benefit	(7)	(7)	(12)	(15)
Total reclassifications, net of tax	\$ 23	\$ 29	\$ 43	\$ 62
<b>Cash flow hedging activities</b>				
Losses (gains) on designated cash flow hedges <sup>(b)</sup>	\$ (37)	\$ 46	\$ (77)	\$ 90
Tax expense (benefit)	2	(4)	7	(6)
Total reclassifications, net of tax	\$ (35)	\$ 42	\$ (70)	\$ 84
<b>Net investment hedging activities</b>				
Gains on derivative amount excluded from effectiveness testing <sup>(c)</sup>	\$ (9)	\$ —	\$ (9)	\$ —
Tax expense	2	—	2	—
Total reclassifications, net of tax	\$ (7)	\$ —	\$ (7)	\$ —

(a) Amounts are included in the computation of net periodic benefit cost (see Note 10).

(b) Amounts are included in cost of products sold (see Note 9).

(c) Amounts are included in interest expense, net (see Note 9).

## Note 12 Income Taxes

The effective tax rate was 8% for the three months and 5% for the six months ended June 30, 2019 and 2% for the three months and 1% for the six months ended June 30, 2018. The effective tax rate in each period differed from the U.S. statutory tax rate of 21% principally due to the benefit from foreign operations which reflects the impact of lower income tax rates in locations outside the United States, tax incentives in Puerto Rico and other foreign tax jurisdictions and business development activities. The increase in the effective tax rate for the three and six months ended June 30, 2019 over the prior year was principally due to the beneficial impact of the timing of provisions of the Act related to earnings from certain foreign subsidiaries in prior year and changes in the jurisdictional mix of earnings, including a change in fair value of contingent consideration liabilities. These increases were partially offset by the favorable resolution of various tax positions in the current year.

Due to the potential for resolution of federal, state and foreign examinations and the expiration of various statutes of limitations, it is reasonably possible that the company's gross unrecognized tax benefits balance may change within the next twelve months by up to \$41 million.

## Note 13 Legal Proceedings and Contingencies

AbbVie is subject to contingencies, such as various claims, legal proceedings and investigations regarding product liability, intellectual property, commercial, securities and other matters that arise in the normal course of business. Loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount within a probable range is recorded. The recorded accrual balance for litigation was approximately \$330 million as of June 30, 2019 and \$350 million as of December 31, 2018. Initiation of new legal proceedings or a change in the status of existing proceedings may result in a change in the estimated loss accrued by AbbVie. While it is not feasible to predict the outcome of all proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on AbbVie's consolidated financial position, results of operations or cash flows.

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

Four lawsuits against Unimed Pharmaceuticals, Inc., Solvay Pharmaceuticals, Inc. (a company Abbott acquired in February 2010 and now known as AbbVie Products LLC) and others are consolidated for pre-trial purposes in the United States District Court for the Northern District of Georgia under the Multi-District Litigation (MDL) Rules as *In re: AndroGel Antitrust Litigation*, MDL No. 2084. These cases, brought by direct AndroGel purchasers, generally allege Solvay's 2006 patent litigation settlement agreements and related agreements with three generic companies violate federal antitrust laws. Plaintiffs seek monetary damages and attorneys' fees.

Lawsuits are pending against AbbVie and others generally alleging that the 2005 patent litigation settlement involving Niaspan entered into between Kos Pharmaceuticals, Inc. (a company acquired by Abbott in 2006 and presently a subsidiary of AbbVie) and a generic company violates federal and state antitrust laws and state unfair and deceptive trade practices and unjust enrichment laws. Plaintiffs generally seek monetary damages and/or injunctive relief and attorneys' fees. The lawsuits consist of four individual plaintiff lawsuits and two consolidated purported class actions: one brought by Niaspan direct purchasers and one brought by Niaspan end-payers. The cases are pending in the United States District Court for the Eastern District of Pennsylvania for coordinated or consolidated pre-trial proceedings under the MDL Rules as *In re: Niaspan Antitrust Litigation*, MDL No. 2460. In October 2016, the Orange County, California District Attorney's Office filed a lawsuit on behalf of the State of California regarding the Niaspan patent litigation settlement in Orange County Superior Court, asserting a claim under the unfair competition provision of the California Business and Professions Code seeking injunctive relief, restitution, civil penalties and attorneys' fees. In May 2018, the California Court of Appeal ruled that the District Attorney's Office may not bring monetary claims beyond the scope of Orange County, which the District Attorney's Office is appealing.

In September 2014, the FTC filed a lawsuit against AbbVie and others in the United States District Court for the Eastern District of Pennsylvania, alleging that the 2011 patent litigation with two generic companies regarding AndroGel was sham litigation and the settlements of that litigation violated federal antitrust law. In May 2015, the court dismissed the FTC's settlement-related claim. In June 2018, following a bench trial, the court found for the FTC on its sham litigation claim and ordered a disgorgement remedy of \$448 million, plus prejudgment interest. The court denied the FTC's request for injunctive relief. AbbVie is appealing the court's liability and disgorgement rulings and, based on an assessment of the merits of that appeal, no liability has been accrued for this matter. The FTC is also appealing aspects of the court's trial ruling and the dismissal of its settlement-related claim. One purported class action on behalf of direct AndroGel purchasers based on the trial court's ruling in the FTC's case is also pending in the United States District Court for the Eastern District of Pennsylvania and is stayed pending the appeals in the FTC's case.

In January and February 2019, two shareholder derivative lawsuits, *Brown v. Gonzalez, et al.*, and *Elfers v. Gonzalez, et al.*, were filed in the United States District Court for the Northern District of Illinois, alleging that certain AbbVie directors and officers breached their fiduciary duties in connection with HUMIRA patient and reimbursement support services and other services and items of value, as alleged in the *State of California* case discussed below.

Between March and May 2019, 12 putative class action lawsuits were filed in the United States District Court for the Northern District of Illinois by indirect HUMIRA purchasers, alleging that AbbVie's settlements with biosimilar manufacturers and AbbVie's HUMIRA patent portfolio violate state and federal antitrust laws.

In November 2014, a putative class action lawsuit, *Medical Mutual of Ohio v. AbbVie Inc., et al.*, was filed against several manufacturers of testosterone replacement therapies (TRTs), including AbbVie, in the United States District Court for the Northern District of Illinois on behalf of all insurance companies, health benefit providers, and other third party payers who paid for TRTs, including AndroGel. The claims asserted include violations of the federal RICO Act and state consumer fraud and deceptive trade practices laws. The complaint seeks monetary damages and injunctive relief. In July 2018, the court denied the plaintiff's motion for class certification. In February 2019, the court granted the defendants' summary judgment motion.

In September 2018, the Commissioner of the California Department of Insurance intervened in a *qui tam* lawsuit, *State of California and Lazaro Suarez v. AbbVie Inc., et al.*, brought under the California Insurance Frauds Prevention Act, in California Superior Court for Alameda County. The Department of Insurance's complaint alleges that, through patient and reimbursement support services and other services and items of value provided in connection with HUMIRA, AbbVie caused the submission of fraudulent commercial insurance claims for HUMIRA in violation of the California statute. The complaint seeks injunctive relief, an assessment of up to three times the amount of the claims at issue, and civil penalties. In addition, a federal securities lawsuit (*Holwill v. AbbVie Inc., et al.*) is

pending in the United States District Court for the Northern District of Illinois) against AbbVie, its chief executive officer and former chief financial officer, alleging that reasons stated for HUMIRA sales growth in financial filings between 2013 and 2017 were misleading because they omitted the conduct alleged in the Department of Insurance's complaint.

In November 2014, five individuals filed a putative class action lawsuit, *Rubinstein, et al. v Gonzalez, et al.*, on behalf of purchasers and sellers of certain Shire plc (Shire) securities between June 20 and October 14, 2014, against AbbVie and its chief executive officer in the United States District Court for the Northern District of Illinois alleging that the defendants made and/or are responsible for material misstatements in violation of federal securities laws in connection with AbbVie's proposed transaction with Shire. In July 2019, the court granted preliminary approval to the parties' settlement agreement.

In June 2016, a lawsuit, *Elliott Associates, L.P., et al. v. AbbVie Inc.*, was filed by five investment funds against AbbVie in the Cook County, Illinois Circuit Court alleging that AbbVie made misrepresentations and omissions in connection with its proposed transaction with Shire. Similar lawsuits were filed between July 2017 and October 2018 against AbbVie and in some instances its chief executive officer in the same court by additional investment funds. Plaintiffs seek compensatory and punitive damages.

Product liability cases were filed in which plaintiffs generally allege that AbbVie and other manufacturers of TRTs did not adequately warn about risks of certain injuries, primarily heart attacks, strokes and blood clots. Approximately 3,900 claims against AbbVie are consolidated for pre-trial purposes in the United States District Court for the Northern District of Illinois under the MDL Rules as *In re: Testosterone Replacement Therapy Products Liability Litigation*, MDL No. 2545. Approximately 200 claims against AbbVie are pending in various state courts. Plaintiffs generally seek compensatory and punitive damages. In November 2018, AbbVie entered into a Master Settlement Agreement with the Plaintiffs' Steering Committee in the MDL encompassing existing claims in all courts. All proceedings in pending cases are effectively stayed during the settlement administration process.

Product liability cases are pending in which plaintiffs generally allege that AbbVie did not adequately warn about risk of certain injuries, primarily various birth defects, arising from use of Depakote. Approximately 150 cases are pending in the United States District Court for the Southern District of Illinois, and approximately six others are pending in various state courts. Plaintiffs generally seek compensatory and punitive damages. Approximately ninety percent of these pending cases, plus other unfiled claims, are subject to confidential settlement agreements and are expected to be dismissed with prejudice.

Beginning in May 2016, the Patent Trial & Appeal Board of the U.S. Patent & Trademark Office (PTO) instituted five inter partes review proceedings brought by Coherus Biosciences and Boehringer Ingelheim related to three AbbVie patents covering methods of treatment of rheumatoid arthritis using adalimumab. In these proceedings, the PTO reviewed the validity of the patents and issued decisions of invalidity in May, June and July of 2017. AbbVie's appeal of the decisions is pending in the Court of Appeals for the Federal Circuit.

In March 2017, AbbVie filed a lawsuit, *AbbVie Inc. v. Novartis Vaccines and Diagnostics, Inc. and Grifols Worldwide Operations Ltd.*, in the United States District Court for the Northern District of California against Novartis Vaccines and Grifols Worldwide seeking a declaratory judgment that 11 HCV-related patents licensed to AbbVie in 2002 are invalid.

AbbVie is seeking to enforce certain patent rights related to adalimumab (a drug AbbVie sells under the trademark HUMIRA®). In a case filed in United States District Court for the District of Delaware in August 2017, AbbVie alleges that Boehringer Ingelheim International GmbH's, Boehringer Ingelheim Pharmaceutical, Inc.'s, and Boehringer Ingelheim Fremont, Inc.'s proposed biosimilar adalimumab product infringes certain AbbVie patents. AbbVie seeks declaratory and injunctive relief. In May 2019, the parties settled this case and it was dismissed without prejudice.

Pharmacyclics LLC, a wholly owned subsidiary of AbbVie, is seeking to enforce its patent rights relating to ibrutinib capsules (a drug Pharmacyclics sells under the trademark IMBRUVICA®). In February 2018, cases were filed in the United States District Court for the District of Delaware against the following defendants: Fresenius Kabi USA, LLC, Fresenius Kabi USA, Inc., and Fresenius Kabi Oncology Limited; Sun Pharma Global FZE and Sun Pharmaceutical Industries Ltd.; Cipla Limited and Cipla USA Inc.; and Zydus Worldwide DMCC, Cadila Healthcare Limited, Sandoz Inc., and Lek Pharmaceuticals D.D. In each case, Pharmacyclics alleges the defendant's proposed generic ibrutinib product infringes certain Pharmacyclics patents and seeks declaratory and injunctive relief. Janssen Biotech, Inc. which is in a global collaboration with Pharmacyclics concerning the development and marketing of IMBRUVICA, is the co-plaintiff in these suits.

Pharmacyclics LLC, a wholly owned subsidiary of AbbVie, is seeking to enforce its patent rights relating to ibrutinib tablets (a drug Pharmacyclics sells under the trademark IMBRUVICA®). In a case filed in the United States District Court for the District of Delaware in March 2019, Pharmacyclics alleges that Alvogen Pine Brook LLC's and Natco Pharma Ltd.'s proposed generic ibrutinib tablet

product infringes certain Pharmacyclics patents. Pharmacyclics seeks declaratory and injunctive relief. Janssen Biotech, Inc. which is in a global collaboration with Pharmacyclics concerning the development and marketing of IMBRUVICA, is the co-plaintiff in this suit.

## Note 14 Segment Information

AbbVie operates in one business segment—pharmaceutical products. The following table details AbbVie’s worldwide net revenues:

(in millions)		Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
<b>Immunology</b>					
HUMIRA	United States	\$ 3,793	\$ 3,521	\$ 7,008	\$ 6,524
	International	1,077	1,664	2,308	3,370
	Total	\$ 4,870	\$ 5,185	\$ 9,316	\$ 9,894
SKYRIZI	United States	\$ 42	\$ —	\$ 42	\$ —
	International	6	—	6	—
	Total	\$ 48	\$ —	\$ 48	\$ —
<b>Hematologic Oncology</b>					
IMBRUVICA	United States	\$ 886	\$ 693	\$ 1,715	\$ 1,317
	Collaboration revenues	213	157	406	295
	Total	\$ 1,099	\$ 850	\$ 2,121	\$ 1,612
VENCLEXTA	United States	\$ 117	\$ 47	\$ 222	\$ 88
	International	52	18	98	36
	Total	\$ 169	\$ 65	\$ 320	\$ 124
<b>HCV</b>					
MAVYRET	United States	\$ 396	\$ 422	\$ 799	\$ 762
	International	384	510	771	1,018
	Total	\$ 780	\$ 932	\$ 1,570	\$ 1,780
VIEKIRA	United States	\$ —	\$ —	\$ —	\$ 3
	International	4	41	29	109
	Total	\$ 4	\$ 41	\$ 29	\$ 112
<b>Other Key Products</b>					
Creon	United States	\$ 257	\$ 219	\$ 484	\$ 428
Lupron	United States	\$ 168	\$ 180	\$ 359	\$ 357
	International	41	43	79	85
	Total	\$ 209	\$ 223	\$ 438	\$ 442
Synthroid	United States	\$ 203	\$ 193	\$ 385	\$ 375
Synagis	International	\$ 38	\$ 44	\$ 325	\$ 365
Duodopa	United States	\$ 24	\$ 20	\$ 46	\$ 38
	International	91	88	180	173
	Total	\$ 115	\$ 108	\$ 226	\$ 211
Sevoflurane	United States	\$ 18	\$ 19	\$ 35	\$ 36
	International	73	94	148	183
	Total	\$ 91	\$ 113	\$ 183	\$ 219
Kaletra	United States	\$ 10	\$ 13	\$ 23	\$ 26
	International	67	78	132	138
	Total	\$ 77	\$ 91	\$ 155	\$ 164
AndroGel	United States	\$ 22	\$ 128	\$ 96	\$ 258
ORILISSA	United States	\$ 18	\$ —	\$ 31	\$ —
	International	1	—	1	—
	Total	\$ 19	\$ —	\$ 32	\$ —
All other		\$ 254	\$ 86	\$ 355	\$ 228
Total net revenues		\$ 8,255	\$ 8,278	\$ 16,083	\$ 16,212



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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The following is a discussion and analysis of the financial condition of AbbVie Inc. (AbbVie or the company) as of June 30, 2019 and December 31, 2018 and the results of operations for the three and six months ended June 30, 2019 and 2018. This commentary should be read in conjunction with the condensed consolidated financial statements and accompanying notes appearing in Item 1, "Financial Statements and Supplementary Data."

### EXECUTIVE OVERVIEW

#### Company Overview

AbbVie is a global, research-based biopharmaceutical company formed in 2013 following separation from Abbott Laboratories (Abbott). AbbVie uses its expertise, dedicated people and unique approach to innovation to develop and market advanced therapies that address some of the world's most complex and serious diseases. AbbVie's products are focused on treating conditions such as chronic autoimmune diseases in rheumatology, gastroenterology and dermatology; oncology, including blood cancers; virology, including hepatitis C virus (HCV) and human immunodeficiency virus (HIV); neurological disorders, such as Parkinson's disease; metabolic diseases, including thyroid disease and complications associated with cystic fibrosis; pain associated with endometriosis; as well as other serious health conditions. AbbVie also has a pipeline of promising new medicines in clinical development across such important medical specialties as immunology, oncology and neuroscience, with additional targeted investment in cystic fibrosis and women's health.

AbbVie's products are generally sold worldwide directly to wholesalers, distributors, government agencies, health care facilities, specialty pharmacies and independent retailers from AbbVie-owned distribution centers and public warehouses. In the United States, AbbVie distributes pharmaceutical products principally through independent wholesale distributors, with some sales directly to pharmacies and patients. Outside the United States, AbbVie sells products primarily to customers or through distributors, depending on the market served. Certain products are co-marketed or co-promoted with other companies. AbbVie has approximately 30,000 employees. AbbVie operates in one business segment—pharmaceutical products.

On June 25, 2019, AbbVie announced that it entered into a definitive transaction agreement under which AbbVie will acquire Allergan plc (Allergan). See Note 4 to the condensed consolidated financial statements for additional information on the proposed acquisition.

#### 2019 Strategic Objectives

AbbVie's mission is to be an innovation-driven, patient-focused specialty biopharmaceutical company capable of achieving top-tier financial performance through outstanding execution and a consistent stream of innovative new medicines. AbbVie intends to continue to advance its mission in a number of ways, including: (i) growing revenues by diversifying revenue streams, driving late-stage pipeline assets to the market and ensuring strong commercial execution of new product launches; (ii) continued investment and expansion in its pipeline in support of opportunities in immunology, oncology and neuroscience, with additional targeted investment in cystic fibrosis and women's health as well as continued investment in key on-market products; (iii) expanding operating margins; and (iv) returning cash to shareholders via dividends and share repurchases. In addition, AbbVie anticipates several regulatory submissions and key data readouts from key clinical trials in the next twelve months.

#### Financial Results

The company's financial performance for the six months ended June 30, 2019 included delivering worldwide net revenues of \$16.1 billion, operating earnings of \$6.4 billion, diluted earnings per share of \$2.14 and cash flows from operations of \$5.5 billion. Worldwide net revenues decreased by 0.8% and increased 0.9% on a constant currency basis, primarily driven by revenue growth related to IMBRUVICA and VENCLEXTA as well as the continued strength of U.S. HUMIRA revenues, offset by international HUMIRA biosimilar competition.

Diluted earnings per share was \$2.14 for the six months ended June 30, 2019 and included the following after-tax costs: (i) \$2.5 billion for the change in fair value of contingent consideration liabilities; (ii) \$639 million related to the amortization of intangible assets; (iii) \$241 million for acquired in-process research and development (IPR&D); (iv) \$139 million of restructuring charges; (v) \$75 million for milestone payments; and (vi) \$27 million of expenses related to the proposed Allergan acquisition. These costs were partially offset by an after-tax benefit of \$267 million due to the favorable resolution of various tax positions. Additionally,

financial results reflected continued funding to support all stages of AbbVie's emerging pipeline assets and continued investment in AbbVie's on-market brands.

In addition to these financial results, AbbVie continued to advance and augment its pipeline as further described below under the heading "Research and Development."

### Research and Development

Research and innovation are the cornerstones of AbbVie's business as a global biopharmaceutical company. AbbVie's long-term success depends to a great extent on its ability to continue to discover and develop innovative pharmaceutical products and acquire or collaborate on compounds currently in development by other biotechnology or pharmaceutical companies.

AbbVie's pipeline currently includes more than 50 compounds or indications in clinical development individually or under collaboration or license agreements and is focused on such important medical specialties as immunology, oncology and neuroscience along with targeted investments in cystic fibrosis and women's health. Of these programs, approximately 30 are in mid- and late-stage development.

The following sections summarize transitions of significant programs from Phase 2 development to Phase 3 development as well as developments in significant Phase 3 and registration programs. AbbVie expects multiple Phase 2 programs to transition into Phase 3 programs in the next twelve months.

### Significant Programs and Developments

#### Immunology

##### Upadacitinib

- In February 2019, the U.S. Food and Drug Administration (FDA) accepted for priority review AbbVie's New Drug Application (NDA) for upadacitinib, an investigational oral JAK1-selective inhibitor, for the treatment of adult patients with moderate to severe rheumatoid arthritis (RA).
- In February 2019, AbbVie initiated a Phase 3 clinical trial to evaluate the efficacy and safety of upadacitinib in subjects with giant cell arteritis.

##### SKYRIZI

- In March 2019, AbbVie initiated two Phase 3 clinical trials to evaluate the efficacy and safety of risankizumab, an investigational interleukin-23 (IL-23) inhibitor, in subjects with psoriatic arthritis.
- In April 2019, the FDA approved SKYRIZI (risankizumab) for the treatment of moderate to severe plaque psoriasis in adults who are candidates for systemic therapy or phototherapy.
- In April 2019, the European Commission granted marketing authorization for SKYRIZI for the treatment of moderate to severe plaque psoriasis in adult patients who are candidates for systemic therapy.

#### Oncology

##### IMBRUVICA

- In January 2019, the FDA approved IMBRUVICA, in combination with GAZYVA (obinutuzumab), for adult patients with previously untreated chronic lymphocytic leukemia (CLL)/small lymphocytic lymphoma (SLL).
- In June 2019, AbbVie announced results from the Phase 3 CLL12 trial, evaluating IMBRUVICA in patients with previously untreated CLL, which demonstrated that IMBRUVICA significantly improved event- and progression-free survival.

##### VENCLEXTA

- In March 2019, AbbVie announced that the FDA placed a partial clinical hold on all clinical trials evaluating VENCLEXTA for the investigational treatment of multiple myeloma (MM). The partial clinical hold followed a review of data from the ongoing Phase 3 BELLINI trial, a study in relapsed/refractory MM, in which a higher proportion of deaths was observed in the VENCLEXTA arm compared to the control arm of the trial. In June 2019, AbbVie announced that the FDA lifted the partial clinical hold placed on the Phase 3 CANOVA trial, evaluating VENCLEXTA for the investigational treatment of relapsed/refractory MM positive for the translocation (11;14) abnormality, based upon agreement on revisions to the

CANOVA study protocol, including new risk mitigation measures, protocol-specified guidelines and updated futility criteria. All other clinical trials evaluating VENCLEXTA in patients with MM remain on partial clinical hold while next steps continue to be evaluated with the FDA. This action does not impact any of the approved indications for VENCLEXTA, such as CLL or acute myeloid leukemia (AML).

- In May 2019, the FDA approved VENCLEXTA, in combination with obinutuzumab, for adult patients with previously untreated CLL/SLL.
- In June 2019, AbbVie announced results from the Phase 3 CLL14 trial, evaluating efficacy and safety of VENCLEXTA plus obinutuzumab versus obinutuzumab plus chlorambucil in previously untreated patients with CLL, which demonstrated that VENCLEXTA plus obinutuzumab prolonged progression-free survival and achieved higher rates of complete response and minimal residual disease-negativity compared to commonly used standard of care obinutuzumab plus chlorambucil.

#### Depatux-M

- In May 2019, AbbVie announced the decision to discontinue the Phase 3 INTELLANCE-1 study of depatuxizumab mafodotin (Depatux-M, previously known as ABT-414) in patients with newly diagnosed glioblastoma, whose tumors have EGFR (epidermal growth factor receptor) amplification, at an interim analysis. An Independent Data Monitoring Committee recommended stopping enrollment in INTELLANCE-1 due to lack of survival benefit for patients receiving Depatux-M compared with placebo when added to the standard regimen of radiation and temozolomide. Enrollment has been halted in all ongoing Depatux-M studies.

#### Veliparib

- In July 2019, AbbVie announced that top-line results from the Phase 3 BROCADE3 study evaluating veliparib, an investigational, oral poly (adenosine diphosphate-ribose) polymerase (PARP) inhibitor, in combination with carboplatin and paclitaxel met its primary endpoint of progression-free survival in patients with HER2 negative germline BRCA-mutated advanced breast cancer.
- In July 2019, AbbVie announced that top-line results from the Phase 3 VELIA study, conducted in collaboration with the GOG Foundation, Inc., evaluating veliparib with carboplatin and paclitaxel followed by veliparib maintenance therapy met its primary endpoint of progression-free survival in patients with newly diagnosed ovarian cancer, regardless of biomarker status.

#### *Neuroscience*

- In May 2019, AbbVie initiated a Phase 3 clinical trial to evaluate the safety and tolerability of ABBV-951, a subcutaneous levodopa/carbidopa delivery system, in subjects with Parkinson's disease.
- In July 2019, AbbVie announced the decision to discontinue the Phase 2 ARISE study evaluating ABBV-8E12, an investigational anti-tau antibody, in patients with progressive supranuclear palsy, after an Independent Data Monitoring Committee recommended stopping the trial for futility after the trial showed that ABBV-8E12 did not provide efficacy.

#### *Other*

- In July 2019, AbbVie submitted an NDA to the FDA for elagolix in combination with estradiol/norethindrone acetate (E2/NETA) daily add-back therapy for the management of heavy menstrual bleeding associated with uterine fibroids.

For a more comprehensive discussion of AbbVie's products and pipeline, see the company's Annual Report on Form 10-K for the year ended December 31, 2018.

## RESULTS OF OPERATIONS

### Net Revenues

The comparisons presented at constant currency rates reflect comparative local currency net revenues at the prior year's foreign exchange rates. This measure provides information on the change in net revenues assuming that foreign currency exchange rates had not changed between the prior and current periods. AbbVie believes that the non-GAAP measure of change in net revenues at constant currency rates, when used in conjunction with the GAAP measure of change in net revenues at actual currency rates, may provide a more complete understanding of the company's operations and can facilitate analysis of the company's results of operations, particularly in evaluating performance from one period to another.

(dollars in millions)	Three months ended June 30,		Percent change		Six months ended June 30,		Percent change	
	2019	2018	At actual currency rates	At constant currency rates	2019	2018	At actual currency rates	At constant currency rates
United States	\$ 5,964	\$ 5,449	9.5 %	9.5 %	\$ 11,234	\$ 10,239	9.7 %	9.7 %
International	2,291	2,829	(19.0)%	(14.4)%	4,849	5,973	(18.8)%	(14.3)%
Net revenues	\$ 8,255	\$ 8,278	(0.3)%	1.3 %	\$ 16,083	\$ 16,212	(0.8)%	0.9 %

The following table details AbbVie's worldwide net revenues:

(dollars in millions)		Three months ended		Percent change		Six months ended		Percent change		
		June 30,		At actual currency rates	At constant currency rates	June 30,		At actual currency rates	At constant currency rates	
		2019	2018			2019	2018			
<b>Immunology</b>										
HUMIRA	United States	\$ 3,793	\$ 3,521	7.7 %	7.7 %	\$ 7,008	\$ 6,524	7.4 %	7.4 %	
	International	1,077	1,664	(35.2)%	(31.0)%	2,308	3,370	(31.5)%	(27.0)%	
	Total	\$ 4,870	\$ 5,185	(6.1)%	(4.8)%	\$ 9,316	\$ 9,894	(5.8)%	(4.3)%	
SKYRIZI	United States	\$ 42	\$ —	n/m	n/m	\$ 42	\$ —	n/m	n/m	
	International	6	—	n/m	n/m	6	—	n/m	n/m	
	Total	\$ 48	\$ —	n/m	n/m	\$ 48	\$ —	n/m	n/m	
<b>Hematologic Oncology</b>										
IMBRUVICA	United States	\$ 886	\$ 693	27.9 %	27.9 %	\$ 1,715	\$ 1,317	30.2 %	30.2 %	
	Collaboration revenues	213	157	35.9 %	35.9 %	406	295	37.6 %	37.6 %	
	Total	\$ 1,099	\$ 850	29.3 %	29.3 %	\$ 2,121	\$ 1,612	31.6 %	31.6 %	
VENCLEXTA	United States	\$ 117	\$ 47	>100.0%	>100.0%	\$ 222	\$ 88	>100.0%	>100.0%	
	International	52	18	>100.0%	>100.0%	98	36	>100.0%	>100.0%	
	Total	\$ 169	\$ 65	>100.0%	>100.0%	\$ 320	\$ 124	>100.0%	>100.0%	
<b>HCV</b>										
MAVYRET	United States	\$ 396	\$ 422	(6.0)%	(6.0)%	\$ 799	\$ 762	4.8 %	4.8 %	
	International	384	510	(24.7)%	(20.4)%	771	1,018	(24.3)%	(20.5)%	
	Total	\$ 780	\$ 932	(16.3)%	(14.0)%	\$ 1,570	\$ 1,780	(11.8)%	(9.6)%	
VIEKIRA	United States	\$ —	\$ —	n/m	n/m	\$ —	\$ 3	(100.0)%	(100.0)%	
	International	4	41	(88.8)%	(86.4)%	29	109	(72.7)%	(69.1)%	
	Total	\$ 4	\$ 41	(90.3)%	(87.9)%	\$ 29	\$ 112	(74.2)%	(70.6)%	
<b>Other Key Products</b>										
Creon	United States	\$ 257	\$ 219	17.5 %	17.5 %	\$ 484	\$ 428	13.1 %	13.1 %	
	Lupron	United States	\$ 168	\$ 180	(6.4)%	(6.4)%	\$ 359	\$ 357	0.5 %	0.5 %
		International	41	43	(4.5)%	3.2 %	79	85	(6.7)%	1.0 %
	Total	\$ 209	\$ 223	(6.0)%	(4.5)%	\$ 438	\$ 442	(0.9)%	0.6 %	
Synthroid	United States	\$ 203	\$ 193	4.9 %	4.9 %	\$ 385	\$ 375	2.7 %	2.7 %	
Synagis	International	\$ 38	\$ 44	(11.9)%	(3.9)%	\$ 325	\$ 365	(10.9)%	(6.6)%	
Duodopa	United States	\$ 24	\$ 20	12.8 %	12.8 %	\$ 46	\$ 38	20.1 %	20.1 %	
	International	91	88	3.6 %	11.0 %	180	173	3.9 %	11.3 %	
	Total	\$ 115	\$ 108	5.3 %	11.3 %	\$ 226	\$ 211	6.8 %	12.8 %	
Sevoflurane	United States	\$ 18	\$ 19	(3.3)%	(3.3)%	\$ 35	\$ 36	(2.0)%	(2.0)%	
	International	73	94	(21.9)%	(16.3)%	148	183	(19.1)%	(13.2)%	
	Total	\$ 91	\$ 113	(18.8)%	(14.1)%	\$ 183	\$ 219	(16.3)%	(11.4)%	
Kaletra	United States	\$ 10	\$ 13	(33.9)%	(33.9)%	\$ 23	\$ 26	(15.0)%	(15.0)%	
	International	67	78	(12.9)%	(6.8)%	132	138	(3.9)%	1.7 %	
	Total	\$ 77	\$ 91	(16.0)%	(10.8)%	\$ 155	\$ 164	(5.7)%	(1.0)%	
AndroGel	United States	\$ 22	\$ 128	(83.0)%	(83.0)%	\$ 96	\$ 258	(62.8)%	(62.8)%	
ORILISSA	United States	\$ 18	\$ —	n/m	n/m	\$ 31	\$ —	n/m	n/m	
	International	1	—	n/m	n/m	1	—	n/m	n/m	
	Total	\$ 19	\$ —	n/m	n/m	\$ 32	\$ —	n/m	n/m	
All other		\$ 254	\$ 86	>100.0%	>100.0%	\$ 355	\$ 228	55.2 %	61.3 %	
Total net revenues		\$ 8,255	\$ 8,278	(0.3)%	1.3 %	\$ 16,083	\$ 16,212	(0.8)%	0.9 %	

n/m – Not meaningful

The following discussion and analysis of AbbVie's net revenues by product is presented on a constant currency basis.

Global HUMIRA sales decreased 5% for the three months and 4% for the six months ended June 30, 2019 primarily as a result of direct biosimilar competition in certain international markets, partially offset by market growth across therapeutic categories. In the United States, HUMIRA sales increased 8% for the three months and 7% for the six months ended June 30, 2019 driven by market growth across all indications. Internationally, HUMIRA sales decreased 31% for the three months and 27% for the six months ended



June 30, 2019 primarily driven by direct biosimilar competition in certain international markets following the expiration of the European Union composition of matter patent for adalimumab in October 2018. Biosimilar competition for HUMIRA is not expected in the United States until 2023. AbbVie continues to pursue strategies intended to further differentiate HUMIRA from competing products and add to the sustainability of HUMIRA.

Net revenues for SKYRIZI were \$48 million for the three and six months ended June 30, 2019 following the April 2019 regulatory approvals for the treatment of moderate to severe plaque psoriasis.

Net revenues for IMBRUVICA represent product sales in the United States and collaboration revenues outside of the United States related to AbbVie's 50% share of IMBRUVICA profit. AbbVie's global IMBRUVICA revenues increased 29% for the three months and 32% for the six months ended June 30, 2019 as a result of continued penetration of IMBRUVICA for patients with CLL as well as favorable pricing.

Net revenues for VENCLEXTA increased by more than 100% for the three and six months ended June 30, 2019 primarily due to market share gains following additional regulatory approvals of VENCLEXTA for the treatment of patients with relapsed/refractory CLL and AML in 2018.

Global MAVYRET sales decreased by 14% for the three months and 10% for the six months ended June 30, 2019 primarily driven by lower patient volumes in certain international markets.

Net revenues for Creon increased 18% for the three months and 13% for the six months ended June 30, 2019 primarily driven by continued market growth and favorable pricing. Creon maintains market leadership in the pancreatic enzyme market.

Net revenues for Duodopa increased 11% for the three months and 13% for the six months ended June 30, 2019 primarily driven by increased market penetration.

### Gross Margin

(dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% change	2019	2018	% change
Gross margin	\$ 6,436	\$ 6,344	1%	\$ 12,570	\$ 12,351	2%
as a % of net revenues	78%	77%		78%	76%	

Gross margin as a percentage of net revenues increased for the three and six months ended June 30, 2019 compared to the prior year. Gross margin percentage for the three and six months ended June 30, 2019 was favorably impacted primarily by the expiration of HUMIRA royalties, partially offset by higher intangible asset amortization and the IMBRUVICA profit sharing arrangement.

### Selling, General and Administrative

(dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% change	2019	2018	% change
Selling, general and administrative	\$ 1,654	\$ 1,760	(6)%	\$ 3,334	\$ 3,551	(6)%
as a % of net revenues	20%	21%		21%	22%	

Selling, general and administrative (SG&A) expenses as a percentage of net revenues decreased for the three and six months ended June 30, 2019 compared to the prior year. SG&A expense percentage for the three and six months ended June 30, 2019 was favorably impacted by lower charitable contributions, as \$120 million of prior year contributions to certain U.S. not-for-profit organizations did not recur, and by international HUMIRA expense reductions, partially offset by new product launch expenses and \$24 million of transaction costs associated with the proposed Allergan acquisition. In addition, for the six months ended June 30, 2019, SG&A expense percentage was unfavorably impacted by restructuring charges, offset by a \$98 million decrease in litigation reserve charges.

## Research and Development and Acquired In-Process Research and Development

(dollars in millions)	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% change	2019	2018	% change
Research and development	\$ 1,291	\$ 1,322	(2)%	\$ 2,580	\$ 2,566	1%
as a % of net revenues	16%	16%		16%	16%	
Acquired in-process research and development	\$ 91	\$ —	n/m	\$ 246	\$ 69	>100%

Research and development (R&D) expenses as a percentage of net revenues were flat for the three and six months ended June 30, 2019 compared to the prior year. R&D expenses included continued funding to support all stages of the company's emerging pipeline assets.

Acquired IPR&D expenses reflect upfront payments related to various collaborations. There were no individually significant transactions during both the three and six months ended June 30, 2019 and 2018.

### Other Operating Expenses

There were no other operating expenses for the three and six months ended June 30, 2019. Other operating expenses for the six months ended June 30, 2018 included a \$500 million charge related to the extension of the previously announced collaboration with Calico Life Sciences LLC (Calico) to discover, develop and bring to market new therapies for patients with age-related diseases, including neurodegeneration and cancer.

### Other Non-Operating Expenses

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Interest expense	\$ 358	\$ 320	\$ 745	\$ 629
Interest income	(49)	(48)	(111)	(106)
Interest expense, net	\$ 309	\$ 272	\$ 634	\$ 523
Net foreign exchange loss	\$ 6	\$ 8	\$ 12	\$ 16
Other expense, net	2,278	470	2,413	317

Interest expense, net increased for the three and six months ended June 30, 2019 compared to the prior year primarily due to the unfavorable impact of higher interest rates on the company's debt obligations and higher average outstanding debt balances.

Other expense, net included charges related to changes in fair value of contingent consideration liabilities of \$2.3 billion for the three months and \$2.5 billion for the six months ended June 30, 2019 compared to charges of \$485 million for the three months and \$337 million for the six months ended June 30, 2018. The fair value of contingent consideration liabilities is impacted by the passage of time and multiple other inputs, including the probability of success of achieving regulatory/commercial milestones, discount rates, the estimated amount of future sales of the acquired products and other market-based factors. For the three and six months ended June 30, 2019, the change in fair value represented higher probabilities of success, higher estimated future sales and declining interest rates. The higher probabilities of success resulted from the April 2019 regulatory approvals of SKYRIZI for the treatment of moderate to severe plaque psoriasis. For the three and six months ended June 30, 2018, the change in fair value represented higher estimated future sales and the passage of time partially offset by the effect of rising interest rates.

## Income Tax Expense

The effective tax rate was 8% for the three months and 5% for the six months ended June 30, 2019 and 2% for the three months and 1% for the six months ended June 30, 2018. The effective tax rate in each period differed from the U.S. statutory tax rate of 21% principally due to the benefit from foreign operations which reflects the impact of lower income tax rates in locations outside the United States, tax incentives in Puerto Rico and other foreign tax jurisdictions and business development activities. The increase in the effective tax rate for the three and six months ended June 30, 2019 over the prior year was principally due to the beneficial impact of the timing of provisions of the Tax Cuts and Jobs Act (the Act) related to earnings from certain foreign subsidiaries in prior year and changes in the jurisdictional mix of earnings, including a change in fair value of contingent consideration liabilities. These increases were partially offset by the favorable resolution of various tax positions in the current year.

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

(in millions)	Six months ended June 30,	
	2019	2018
Cash flows provided by (used in):		
Operating activities	\$ 5,494	\$ 5,511
Investing activities	(167)	240
Financing activities	(7,453)	(11,487)

Operating cash flows for the six months ended June 30, 2019 were flat compared to the prior year due to improved results of operations resulting from an increase in operating earnings and lower defined benefit plan contributions, offset by higher payments for income taxes and interest. AbbVie's contributions to its defined benefit plans were \$203 million for the six months ended June 30, 2019 and \$822 million for the six months ended June 30, 2018.

Investing cash flows for the six months ended June 30, 2019 included net sales and maturities of investment securities totaling \$508 million, payments made for acquisitions and investments of \$440 million and capital expenditures of \$235 million. Investing cash flows for the six months ended June 30, 2018 included net sales and maturities of investment securities totaling \$874 million, payments made for acquisitions and investments of \$401 million and capital expenditures of \$233 million.

Financing cash flows for the six months ended June 30, 2019 included the repayment of AbbVie's \$3.0 billion 364-day term loan credit agreement that was scheduled to mature in June 2019.

The company made cash dividend payments of \$3.2 billion for the six months ended June 30, 2019 and \$2.7 billion for the six months ended June 30, 2018. The increase in cash dividend payments was driven by an increase in the quarterly dividend rate. On June 20, 2019, the board of directors declared a quarterly cash dividend of \$1.07 per share for stockholders of record at the close of business on July 15, 2019, payable on August 15, 2019. The timing, declaration, amount of and payment of any dividends by AbbVie in the future is within the discretion of its board of directors and will depend upon many factors, including AbbVie's financial condition, earnings, capital requirements of its operating subsidiaries, covenants associated with certain of AbbVie's debt service obligations, legal requirements, regulatory constraints, industry practice, ability to access capital markets and other factors deemed relevant by its board of directors.

The company's stock repurchase authorization permits purchases of AbbVie shares from time to time in open-market or private transactions at management's discretion. The program has no time limit and can be discontinued at any time. AbbVie repurchased 4 million shares for \$300 million during the six months ended June 30, 2019 and 84 million shares for \$8.8 billion during the six months ended June 30, 2018. AbbVie cash-settled \$201 million of its December 2018 open-market purchases in January 2019.

During the six months ended June 30, 2019, AbbVie made \$167 million of contingent consideration payments related to the commercial launch of SKYRIZI in certain geographies. \$108 million of these payments were included in financing cash flows and \$59 million of the payments were included in operating cash flows.

During the six months ended June 30, 2019 and 2018, the company issued and redeemed commercial paper. The balance of commercial paper outstanding was \$306 million as of June 30, 2019 and \$699 million as of December 31, 2018. AbbVie may issue additional commercial paper or retire commercial paper to meet liquidity requirements as needed.

In connection with the proposed acquisition of Allergan, on June 25, 2019, AbbVie entered into a 364-day bridge credit agreement and on July 12, 2019, AbbVie entered into a term loan credit agreement. See Note 4 to the condensed consolidated financial statements for additional information. During the six months ended June 30, 2019, AbbVie paid debt issuance costs of \$171 million related to the bridge credit agreement.

#### **Credit Risk**

AbbVie monitors economic conditions, the creditworthiness of customers and government regulations and funding, both domestically and abroad. AbbVie regularly communicates with its customers regarding the status of receivable balances, including their payment plans and obtains positive confirmation of the validity of the receivables. AbbVie establishes an allowance against accounts receivable when it is probable they will not be collected. AbbVie may also utilize factoring arrangements to mitigate credit risk, although the receivables included in such arrangements have historically not been a significant amount of total outstanding receivables.

#### **Credit Facility, Access to Capital and Credit Ratings**

##### *Credit Facility*

AbbVie currently has a \$3.0 billion five-year revolving credit facility which matures in August 2023. The revolving credit facility enables the company to borrow funds on an unsecured basis at variable interest rates and contains various covenants. At June 30, 2019, the company was in compliance with all its credit facility covenants. Commitment fees under the credit facility were insignificant. No amounts were outstanding under the credit facility as of June 30, 2019 and December 31, 2018.

##### *Access to Capital*

The company intends to fund short-term and long-term financial obligations as they mature through cash on hand, future cash flows from operations or by issuing additional debt. The company's ability to generate cash flows from operations, issue debt or enter into financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for the company's products or in the solvency of its customers or suppliers, deterioration in the company's key financial ratios or credit ratings or other material unfavorable changes in business conditions. At the current time, the company believes it has sufficient financial flexibility to issue debt, enter into other financing arrangements and attract long-term capital on acceptable terms to support the company's growth objectives.

##### *Credit Ratings*

On June 25, 2019, following the announcement of the proposed acquisition of Allergan, Moody's Investor Service affirmed its Baa2 senior unsecured long-term rating and Prime-2 short-term rating with a stable outlook. S&P Global Ratings revised its ratings outlook to negative from stable and expects to lower the issuer credit rating by one notch to BBB+ from A- and the short-term rating to A-2 from A-1 when the acquisition is complete.

Unfavorable changes to the ratings may have an adverse impact on future financing arrangements; however, they would not affect the company's ability to draw on its credit facility and would not result in an acceleration of scheduled maturities of any of the company's outstanding debt.

#### **CRITICAL ACCOUNTING POLICIES**

A summary of the company's significant accounting policies is included in Note 2, "Summary of Significant Accounting Policies" in AbbVie's Annual Report on Form 10-K for the year ended December 31, 2018. Significant changes in the company's application of its critical accounting policies include the adoption of a new accounting standard that establishes a new lease accounting framework. See Notes 1 and 8 to the condensed consolidated financial statements for additional information.

## FORWARD-LOOKING STATEMENTS

Some statements in this quarterly report on Form 10-Q may be forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. The words “believe,” “expect,” “anticipate,” “project,” and similar expressions, among others, generally identify forward-looking statements. AbbVie cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, challenges to intellectual property, competition from other products, difficulties inherent in the research and development process, adverse litigation or government action, and changes to laws and regulations applicable to our industry. Additional information about the economic, competitive, governmental, technological and other factors that may affect AbbVie’s operations is set forth in Item 1A, “Risk Factors,” in AbbVie’s Annual Report on Form 10-K for the year ended December 31, 2018, which has been filed with the Securities and Exchange Commission. AbbVie notes these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. AbbVie undertakes no obligation to release publicly any revisions to forward-looking statements as a result of subsequent events or developments, except as required by law.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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For a discussion of the company's market risk, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in AbbVie's Annual Report on Form 10-K for the year ended December 31, 2018.

## ITEM 4. CONTROLS AND PROCEDURES

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### DISCLOSURE CONTROLS AND PROCEDURES

**Evaluation of disclosure controls and procedures.** The Chief Executive Officer, Richard A. Gonzalez, and the Chief Financial Officer, Robert A. Michael, 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

**Changes in internal control over financial reporting.** There were no changes in AbbVie's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, AbbVie's internal control over financial reporting during the quarter ended June 30, 2019.

**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.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Information pertaining to legal proceedings is provided in Note 13 to the condensed consolidated financial statements and is incorporated by reference herein.

#### ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in AbbVie's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, except for the following:

***The proposed acquisition of Allergan plc ("Allergan") may not be completed on the currently contemplated timeline or terms, or at all, and may not achieve the intended benefits.***

Consummation of the acquisition of Allergan by AbbVie is conditioned on, among other things, obtaining necessary governmental, regulatory and Allergan shareholder approvals. If any of the conditions to the acquisition is not satisfied, it could delay or prevent the proposed acquisition from occurring, which could negatively impact AbbVie's share price and future business and financial results. Further, as a condition to their approval of the acquisition, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of AbbVie's business after the closing. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of the acquisition or may reduce the anticipated benefits of the transaction. AbbVie will incur increased indebtedness to fund the cash consideration for the acquisition and such indebtedness could adversely affect AbbVie's business, financial condition, or results of operations. Following the proposed acquisition, AbbVie may not realize the proposed acquisition's intended benefits within the expected timeframe or at all.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

#### (c) Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1, 2019 – April 30, 2019	1,204 <sup>(1)</sup>	\$83.93 <sup>(1)</sup>	—	\$3,950,021,071
May 1, 2019 – May 31, 2019	1,371 <sup>(1)</sup>	\$77.84 <sup>(1)</sup>	—	\$3,950,021,071
June 1, 2019 – June 30, 2019	1,138 <sup>(1)</sup>	\$77.58 <sup>(1)</sup>	—	\$3,950,021,071
Total	3,713 <sup>(1)</sup>	\$79.74 <sup>(1)</sup>	—	\$3,950,021,071

1. In addition to AbbVie shares repurchased on the open market under a publicly announced program, if any, these shares also included the shares purchased on the open market for the benefit of participants in the AbbVie Employee Stock Purchase Plan – 1,204 in April; 1,371 in May; and 1,138 in June.

These shares do not include the shares surrendered to AbbVie to satisfy minimum tax withholding obligations in connection with the vesting or exercise of stock-based awards.

## ITEM 6. EXHIBITS

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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 No.	Exhibit Description
2.1	*Transaction Agreement, dated as of June 25, 2019, between AbbVie, Allergan and Acquirer Sub (incorporated by reference to Exhibit 2.1 of AbbVie’s Current Report on Form 8-K filed on June 25, 2019).
2.2	*Appendix III to the Rule 2.5 Announcement, dated as of June 25, 2019 (Conditions Appendix) (incorporated by reference to Exhibit 2.2 of AbbVie’s Current Report on Form 8-K filed on June 25, 2019).
2.3	*Expenses Reimbursement Agreement, dated as of June 25, 2019, between AbbVie and Allergan (incorporated by reference to Exhibit 2.3 of AbbVie’s Current Report on Form 8-K filed on June 25, 2019).
10.1	*364-Day Bridge Credit Agreement, dated as of June 25, 2019, among AbbVie, Morgan Stanley Senior Funding, Inc. and the lenders party thereto (incorporated by reference to Exhibit 10.1 of AbbVie’s Current Report on Form 8-K filed on June 25, 2019).
10.2	AbbVie Supplemental Pension Plan, as amended and restated.**
10.3	*Term Loan Credit Agreement, dated as of July 12, 2019, among AbbVie, certain lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated by reference to Exhibit 10.1 of AbbVie’s Current Report on Form 8-K filed on July 16, 2019).
10.4	*First Amendment to Revolving Credit Agreement, dated as of July 12, 2019, among AbbVie, the lenders and other parties party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 of AbbVie’s Current Report on Form 8-K filed on July 16, 2019).
10.5	AbbVie 2013 Incentive Stock Program Second Amendment.**
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. Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, filed on August 5, 2019, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Earnings; (ii) Condensed Consolidated Statements of Comprehensive Income; (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Equity; (v) Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to Condensed Consolidated Financial Statements.

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\* 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.

## SIGNATURE

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

### ABBVIE INC.

By: /s/ Robert A. Michael  
Robert A. Michael  
Executive Vice President,  
Chief Financial Officer

Date: August 5, 2019

**ABBVIE SUPPLEMENTAL PENSION PLAN**

(Amended and Restated Effective as of January 1, 2019)

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**ABBVIE  
SUPPLEMENTAL PENSION PLAN**

**SECTION 1  
INTRODUCTION**

1-1. The Board of Directors of AbbVie Inc. (“AbbVie”) adopted this AbbVie Supplemental Pension Plan (the “Supplemental Plan” or “Plan”) effective as of January 1, 2013. The Plan provides for payment of (a) pension benefits calculated under the AbbVie Pension Plan (the “Pension Plan”) in excess of those which may be paid under that plan under the limits imposed by Section 415 of the U.S. Internal Revenue Code, as amended (the “Code”), and the Employee Retirement Income Security Act, as amended (“ERISA”), and (b) the additional pension benefits that would be payable under the Pension Plan if deferred awards under certain AbbVie non-qualified deferred compensation plans were included in “final earnings” as defined in the Pension Plan. The Plan is hereby amended and restated effective as of January 1, 2019.

1-2. The Supplemental Plan shall apply to employees of AbbVie and its subsidiaries and affiliates existing as of the date of adoption of the Supplemental Plan or thereafter created or acquired. AbbVie and each of such subsidiaries and affiliates are hereinafter referred to as an “employer” and collectively as the “employers.”

1-3. All benefits provided under the Supplemental Plan shall be provided from the general assets of the employers and not from any trust fund or other designated asset. All participants in the Supplemental Plan shall be general creditors of the employers with no priority over other creditors.

1-4. The Supplemental Plan shall be administered by the AbbVie Employee Benefit Board of Review appointed and acting under the Pension Plan (the “Board of Review”). Except as stated below, the Board of Review shall perform all powers and duties with respect to the Supplemental Plan, including the power to direct payment of benefits, allocate costs among employers, adopt amendments and determine questions of interpretation. The Board of Directors of AbbVie (the “Board of Directors”) shall have the sole authority to terminate the Supplemental Plan.

1-5. As part of the Separation and Distribution Agreement by and between Abbott Laboratories and AbbVie Inc. dated as of November 28, 2012, Abbott Laboratories (“Abbott”) and AbbVie entered into the Employee Matters Agreement dated as of December 31, 2012 (the “EMA”). In accordance with the EMA, all liabilities for AbbVie Employees (as defined in the EMA) under the Abbott Laboratories Supplemental Pension Plan were transferred to the Plan and the Plan became liable to pay all such benefits to such participants. Supplement A to the Plan sets forth the additional rules applicable to the transferred benefits and transferred participants.

SECTION 2  
ERISA PENSION PLAN SUPPLEMENTAL BENEFIT

2-1. The benefits described in this Section 2 shall apply to all participants in the Pension Plan who retire, or terminate with a vested pension, under that plan on or after January 1, 2013.

2-2. Each Pension Plan participant whose retirement or vested pension under that plan would otherwise be limited by Code Section 415 shall receive a supplemental pension under this Supplemental Plan in an amount which, when added to his or her Pension Plan benefit (calculated as if such benefit had been payable based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4), will equal the amount the participant would be entitled to under the Pension Plan as in effect from time to time, calculated as if such benefit had been payable based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4, without regard to the limitations imposed by Code Section 415.

SECTION 3  
1986 TAX REFORM ACT SUPPLEMENTAL BENEFIT

3-1. The benefits described in this Section 3 shall apply to all participants in the Pension Plan who retire or terminate on or after January 1, 2013 with a vested pension under that plan.

3-2. Each Pension Plan participant shall receive a supplemental pension under this Supplemental Plan in an amount determined as follows:

(a) The supplemental pension shall be the difference, if any, between:

(i) the hypothetical monthly benefit that would have been payable under the Pension Plan based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4 plus any supplement provided by Section 2; and

(ii) the hypothetical monthly benefit that would have been payable under the Pension Plan, calculated based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4 (without regard to the limits imposed by Code Section 415) if the participant's "final earnings," as defined in the Pension Plan, had included compensation in excess of the limits imposed by Code Section 401(a)(17), and any "pre-tax contributions" made by the participant under the AbbVie Supplemental Savings Plan.

SECTION 4  
DEFERRED COMPENSATION PLAN PENSION PLAN SUPPLEMENTAL BENEFIT

4-1. The benefits described in this Section 4 shall apply to all participants in the Pension Plan who retire or terminate on or after January 1, 2013 with a vested pension under that plan, and who made a Deferral Election under the AbbVie Deferred Compensation Plan (the “Deferred Compensation Plan”) with respect to any calendar month during the one hundred twenty consecutive calendar months immediately preceding retirement or termination of employment.

4-2. Each Pension Plan participant shall receive a supplemental pension under this Supplemental Plan in an amount determined as follows:

(a) The supplemental pension shall be the difference, if any, between:

(i) the hypothetical monthly benefit that would have been payable under the Pension Plan based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4 plus any supplement provided by Section 2 and Section 3; and

(ii) the hypothetical monthly benefit that would have been payable under the Pension Plan, calculated based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4 (without regard to the limits imposed by Code Section 415) if the participant’s “base earnings,” as defined in the Pension Plan, included deferrals made under the Deferred Compensation Plan and any compensation in excess of the limits imposed by Code Section 401(a)(17).

SECTION 5  
DEFERRED MIP PENSION PLAN SUPPLEMENTAL BENEFIT

5-1. The benefits described in this Section 5 shall apply to all participants in the Pension Plan who retire or terminate on or after January 1, 2013 with a vested pension under that plan and who received Management Incentive Plan awards for any calendar year during the ten consecutive calendar years ending with the year of retirement or termination of employment.

5-2. Each Pension Plan participant shall receive a supplemental pension under this Supplemental Plan in an amount determined as follows:

(a) The supplemental pension shall be the difference, if any, between:

(i) the hypothetical monthly benefit that would have been payable under the Pension Plan based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4 plus any supplement provided by Section 2, Section 3, and Section 4; and

(ii) the hypothetical monthly benefit that would have been payable under the Pension Plan, calculated based on the distribution rules established hereunder

and the pension form selected by the participant as permitted by subsections 8-3 and 8-4 (without regard to the limits imposed by Code Section 415) if the participant's "final earnings," as defined in the Pension Plan, were one-sixtieth of the sum of:

a. the participant's total "basic earnings" (excluding any payments under the Management Incentive Plan, any division incentive plan or any comparable incentive plan) received in the sixty consecutive calendar months for which his or her basic earnings (excluding any payments under the Management Incentive Plan, any division incentive plan or any comparable incentive plan) were highest; and

b. the amount of the participant's total awards under the Management Incentive Plan, any division incentive plan and any comparable incentive plan (whether paid immediately or deferred) made for the five consecutive calendar years during the ten consecutive calendar years ending with the year of retirement or termination for which such amount is the greatest and (for participants granted Management Incentive Plan awards for less than five consecutive calendar years during such ten year period) which include all Management Incentive Plan awards granted for consecutive calendar years within such ten year period.

(b) That portion of any Management Incentive Plan award which the Compensation Committee of the Board of Directors of AbbVie ("Committee") has determined shall be excluded from the participant's "basic earnings" shall be excluded from the calculation of "final earnings" for purposes of this subsection 5-2. "Final earnings" for purposes of this subsection 5-2 shall include any compensation in excess of the limits imposed by Code Section 401(a)(17).

(c) In the event the period described in subsection 5-2(a)(ii)(B) is the final five calendar years of employment and a Management Incentive Plan award is made to the participant subsequent to retirement for the participant's final calendar year of employment, the supplemental pension shall be adjusted by adding such new award and subtracting a portion of the earliest Management Incentive Plan award included in the calculation, from the amount determined under subsection 5-2(a)(ii)(B). The portion subtracted shall be equal to that portion of the participant's final calendar year of employment during which the participant was employed by AbbVie.

(d) Under no circumstance shall the total supplemental pension benefit of any participant who previously received distributions from the Supplemental Plan be less than the amount that would have been payable under section 5-2(a) had such participant retired as of December 31 of any prior year, determined pursuant to the applicable actuarial assumptions in effect on that date.

SECTION 6  
CORPORATE OFFICER PENSION PLAN SUPPLEMENTAL BENEFIT

6-1. The benefits described in this Section 6 shall apply to all participants in the Pension Plan who are corporate officers of AbbVie as of January 1, 2013 or who become corporate officers thereafter, and who retire or terminate with a vested pension under that plan on or after January 1, 2013. The term “corporate officer” for purposes of this Supplemental Plan shall mean an individual elected an officer of AbbVie by its Board of Directors (or designated as such for purposes of this Section 6 by the Compensation Committee), but shall not include assistant secretaries, assistant treasurers or other assistant officers.

6-2. Subject to the limitations and adjustments described below, each participant described in subsection 6-1 shall receive a monthly supplemental pension under this Supplemental Plan commencing on the date determined in accordance with subsection 8-2 and payable as a life annuity, equal to 6/10 of 1 percent (.006) of the participant’s final earnings (as determined under subsection 5-2) for each of the first twenty years of the participant’s benefit service (as defined in the Pension Plan) occurring after the participant’s attainment of age 35.

6-3. In no event shall the sum of (a) the participant’s aggregate percentage of final earnings calculated under subsection 6-2 and (b) the participant’s aggregate percentage of final earnings calculated under subsection 5.1 of the Pension Plan, excluding 5.1(a)(ii)(B), exceed the maximum aggregate percentage of final earnings allowed under subsection 5.1 (also excluding 5.1(a)(ii)(B)) of the Pension Plan (without regard to any limits imposed by the Internal Revenue Code), as in effect on the date of the participant’s retirement or termination. In the event the limitation described in this subsection 6-3 would be exceeded for any participant, the participant’s aggregate percentage calculated under subsection 6-2 shall be reduced until the limit is not exceeded.

6-4. Benefit service occurring between the date a participant ceases to be a corporate officer of AbbVie and the date the participant again becomes a corporate officer of AbbVie shall be disregarded in calculating the participant’s aggregate percentage under subsection 6-2.

6-5. Any supplemental pension otherwise due a participant under this Section 6 shall be reduced by the amount (if any) by which:

(a) the hypothetical benefits that would be payable to such participant under the Pension Plan, based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4, and this Supplemental Plan exceeds

(b) the hypothetical maximum benefit that would be payable to the participant under the Pension Plan, calculated based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4 (without regard to the limits imposed by Code Section 415) based on the participant’s final earnings (as determined under subsection 5-2), if the participant had accrued the maximum benefit service recognized by the Pension Plan.

6-6. Any supplemental pension due a participant under this Section 6 shall be actuarially adjusted as provided in the Pension Plan to reflect the pension form selected by the participant as permitted by subsections 8-3 and 8-4 and the participant's age at commencement of the pension as provided in Section 7.

SECTION 7  
CORPORATE OFFICER PENSION PLAN  
SUPPLEMENTAL EARLY RETIREMENT BENEFIT

7-1. The benefits described in this Section 7 shall apply to all persons described in subsection 6-1.

7-2. The supplemental pension due under Sections 2, 3, 4, 5 and 6 to each participant described in subsection 7-1 shall be reduced in accordance with the rules provided in subsections 5-3 and 5-6 of the Pension Plan for each month by which its commencement date precedes the last day of the month in which the participant will attain age 60. No reduction will be made for the period between the last day of the months in which the participant will attain age 60 and age 62.

7-3. Each participant described in subsection 7-1 shall receive a monthly supplemental pension under this Supplemental Plan equal to any hypothetical reduction made in such participant's Pension Plan pension in accordance with the rules provided in subsections 5.3 and 5.6 of the Pension Plan for the period between the last day of the months in which the participant will attain age 60 and age 62, calculated as if the participant had commenced receipt of the participant's Pension Plan benefit on the same date on which the participant commences receipt of the participant's supplemental pension based on the distribution rules established hereunder and the pension form selected by the participant as permitted by subsections 8-3 and 8-4.

SECTION 8  
MISCELLANEOUS

8-1. For purposes of this Supplemental Plan, the term "Management Incentive Plan" shall mean the AbbVie 2013 Management Incentive Plan, the AbbVie 2013 Performance Incentive Plan, the AbbVie Managerial Incentive Plan, and any successor or alternative to any of those plans.

8-2. The monthly vested supplemental pension described in Sections 2, 3, 4, 5, 6 and 7 shall commence to be paid to the participant or his or her beneficiary on the last day of the month following the month in which:

(a) For any Transferred Participant or Post-Distribution Participant (both as defined in Supplement A) who has an Old Formula Benefit (as defined in the Pension Plan) under the Pension Plan, the later of the date on which such participant attains age 50 and the date such participant's employment is terminated; or

(b) For any Transferred Participant or Post-Distribution Participant (both as defined in Supplement A) who does not have an Old Formula Benefit (as defined in the Pension Plan) under the Pension Plan and any participant who does not fall into the

preceding categories hired by AbbVie on or after January 1, 2013, the later of the date on which such participant attains age 55 and the date such participant's employment is terminated.

Notwithstanding the foregoing provisions of this subsection 8-2, any participant eligible to make an election under Section 9 may make such election with respect to any accruals for services performed in the year following the year such election is made.

Notwithstanding the foregoing provisions of this subsection 8-2, in the event that the present value of participant's supplemental pension under Sections 2, 3, 4, 5, 6 and 7 does not exceed in the aggregate \$25,000 as of the commencement date of the pension payable to such participant or his or her beneficiary, and payment of such supplemental pension has not been previously made under Section 9, the present value of such supplemental pension shall be paid to such participant in a lump sum on such commencement date.

8-3. Except as otherwise specifically provided, payment of the monthly vested supplemental pension described in Sections 2, 3, 4, 5, 6, and 7 shall be made to a participant as follows:

(a) Life Annuity. A participant who is not legally married on the date as of which such payments commence shall receive a monthly retirement income or monthly deferred vested benefit in accordance with the plan payable on a life annuity basis, with the last payment to be made for the month in which his or her death occurs.

(b) 50% Joint and Survivor Annuity. A participant who is legally married on the date as of which such payments commence shall receive a 50% joint and survivor annuity which is actuarially equivalent to the amount of monthly retirement income or monthly deferred vested benefit otherwise payable to him or her in accordance with the plan on a life annuity basis. Such joint and survivor annuity shall consist of a reduced monthly retirement income or monthly deferred vested benefit continuing during the participant's lifetime, and if the participant's spouse is living at the date of the participant's death, payment of one-half of such reduced monthly retirement income or monthly deferred vested benefit to such spouse until the spouse's death occurs, with the last payment to be made for the month of the death of the last to die of the participant and his or her spouse. The joint and survivor annuity payable hereunder to or with respect to a participant who retires on a late retirement date shall be computed as if such participant had retired on his or her normal retirement date using for the age of his or her spouse as of his or her late retirement date, that spouse's age as of his or her normal retirement date.

8-4. In lieu of the form and amount of supplemental pension benefit specified in subsection 8-3, a participant may elect, prior to commencement, a supplemental pension benefit which is actuarially equivalent to the form of payment specified in subsection 8-3(a), in the annuity forms permitted by the Board of Review, provided that the scheduled date for the first annuity payment is not changed as a result of such election. For purposes of this provision, the term "actuarially equivalent" shall have the meaning provided by Treasury Regulation §1.409A-2(b)(2)(ii)(A), applying reasonable actuarial methods and assumptions, which must be

the same for each annuity payment option and otherwise comply with the rules provided by Treasury Regulation §1.409A-2(b)(2)(ii) (D).

An election under this subsection 8-4 must be in writing, signed by the participant, and filed with the Board of Review at such time and in such manner as the Board of Review shall determine; and will be effective only if the participant's spouse, if any, consents to the election in writing, and such consent acknowledges the effect of the election and is witnessed by a plan representative or a notary public. In any case where a participant elects an optional form of benefit, the option shall be designed so that more than 50 percent of the actuarial reserve required to provide the participant's monthly vested supplemental pension benefit in the normal form will be applied to provide the participant's benefits under the option during the period of the participant's life expectancy. Payment of an optional form of benefit will commence no later than the date on which the participant's monthly supplemental pension benefit would otherwise commence. An election under this subsection 8-4 may not be changed after payment of the participant's supplemental pension benefit has commenced.

8-5. Notwithstanding any other provision of this Supplemental Plan, if a participant terminates employment within two (2) years following the occurrence of a Change in Control, the present value of his or her supplemental pension under Sections 2, 3, 4 and 5 (but excluding any amounts with respect to which an election under Section 9 has been made, whether or not then payable or vested) shall be paid to such participant in a lump sum, calculated using reasonable actuarial assumptions and methods, within thirty (30) days following the date of such termination of employment; provided that the event constituting a Change in Control is also a "change in control event," as such term is defined in Treasury Regulation § 1.409A-3(i)(5). The supplemental pension under Section 2 shall be computed using as the applicable limit under Code Section 415, such limit as is in effect on the termination date and based on the assumption that the participant will receive his or her supplemental pension in the form of a straight life annuity with no ancillary benefits. The present values of the supplemental pensions under Sections 2, 3, 4 and 5 shall be computed as of the date of payment using an interest rate equal to the Pension Benefit Guaranty Corporation interest rate applicable to an immediate annuity, as in effect on the date of payment.

8-6. For purposes of subsection 8-5, a "Change in Control" shall be deemed to have occurred on the earliest of the following dates:

(a) the date any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of AbbVie (not including in the securities beneficially owned by such Person any securities acquired directly from AbbVie or its Affiliates) representing 20% or more of the combined voting power of AbbVie's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (c) below; or

(b) the date the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of

AbbVie) whose appointment or election by the Board of Directors or nomination for election by AbbVie's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(c) the date on which there is consummated a merger or consolidation of AbbVie or any direct or indirect subsidiary of AbbVie with any other corporation or other entity, other than (i) a merger or consolidation (A) immediately following which the individuals who comprise the Board of Directors immediately prior thereto constitute at least a majority of the Board of Directors of AbbVie, the entity surviving such merger or consolidation or, if AbbVie or the entity surviving such merger or consolidation is then a subsidiary, the ultimate parent thereof and (B) which results in the voting securities of AbbVie outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of AbbVie or any subsidiary of AbbVie, at least 50% of the combined voting power of the securities of AbbVie or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (ii) a merger or consolidation effected to implement a recapitalization of AbbVie (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of AbbVie (not including in the securities Beneficially Owned by such Person any securities acquired directly from AbbVie or its Affiliates) representing 20% or more of the combined voting power of AbbVie's then outstanding securities; or

(d) the date the shareholders of AbbVie approve a plan of complete liquidation or dissolution of AbbVie or there is consummated an agreement for the sale or disposition by AbbVie of all or substantially all of AbbVie's assets, other than a sale or disposition by AbbVie of all or substantially all of AbbVie's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by shareholders of AbbVie, in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of AbbVie or any subsidiary of AbbVie, in substantially the same proportions as their ownership of AbbVie immediately prior to such sale.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of AbbVie immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of AbbVie immediately following such transaction or series of transactions.

For purposes of this Supplemental Plan: "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act; "Beneficial Owner" shall have the

meaning set forth in Rule 13d-3 under the Exchange Act; “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended from time to time; and “Person” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) AbbVie or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of AbbVie or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of AbbVie in substantially the same proportions as their ownership of stock of AbbVie.

8-7. POTENTIAL CHANGE IN CONTROL. A “Potential Change in Control” shall exist during any period in which the circumstances described in paragraphs (a), (b), (c) or (d), below, exist (provided, however, that a Potential Change in Control shall cease to exist not later than the occurrence of a Change in Control):

(a) AbbVie enters into an agreement, the consummation of which would result in the occurrence of a Change in Control, provided that a Potential Change in Control described in this paragraph (a) shall cease to exist upon the expiration or other termination of all such agreements.

(b) Any Person (without regard to the exclusions set forth in subsections (i) through (iv) of such definition) publicly announces an intention to take or to consider taking actions the consummation of which would constitute a Change in Control; provided that a Potential Change in Control described in this paragraph (b) shall cease to exist upon the withdrawal of such intention, or upon a determination by the Board of Directors that there is no reasonable chance that such actions would be consummated.

(c) Any Person becomes the Beneficial Owner, directly or indirectly, of securities of AbbVie representing 10% or more of either the then outstanding shares of common stock of AbbVie or the combined voting power of AbbVie’s then outstanding securities (not including any securities beneficially owned by such Person which are or were acquired directly from AbbVie or its Affiliates).

(d) The Board of Directors adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control exists; provided that a Potential Change in Control described in this paragraph (d) shall cease to exist upon a determination by the Board of Directors that the reasons that gave rise to the resolution providing for the existence of a Potential Change in Control have expired or no longer exist.

8-8. The provisions of subsections 8-5, 8-6, 8-7 and this subsection 8-8 may not be amended or deleted, nor superseded by any other provision of this Supplemental Plan, (a) during the pendency of a Potential Change in Control and (b) during the period beginning on the date of a Change in Control and ending on the date five (5) years following such Change in Control.

8-9. All benefits due under this Supplemental Plan shall be paid by AbbVie and AbbVie shall be reimbursed for such payments by the employee’s employer. In the event the employee is employed by more than one employer, each employer shall reimburse AbbVie in proportion to the

period of time the employee was employed by such employer, as determined by the Board of Review in its sole discretion.

8-10. The benefits under the Supplemental Plan are not in any way subject to the debts or other obligations of the persons entitled to benefits and may not be voluntarily or involuntarily sold, transferred or assigned.

8-11. Nothing contained in this Supplemental Plan shall confer on any employee the right to be retained in the employ of AbbVie or any of its subsidiaries or affiliates.

8-12. Upon adoption of this Supplemental Plan, the prior resolutions shall be deemed rescinded.

8-13. A participant shall not become vested in the participant's supplemental pension under Sections 2, 3, 4, 5, 6 and 7 until the participant has attained sixty (60) months of vesting service. For purposes of the Supplemental Plan, a participant shall be entitled to 1/12<sup>th</sup> of a year of vesting service for each calendar month (or portion thereof) during which the participant is employed by an employer. The payments required by Section 8 or Section 9 of the Supplemental Plan shall, in each case, relate only to the vested portion of a participant's supplemental pension.

8-14. To the extent applicable, it is intended that the Supplemental Plan comply with the provisions of Code Section 409A. The Supplemental Plan will be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Supplemental Plan to fail to satisfy Code Section 409A will have no force and effect until amended to comply therewith (which amendment may be retroactive to the extent permitted by Code Section 409A). Notwithstanding anything contained herein to the contrary, a participant shall not be considered to have terminated employment with AbbVie or any employer hereunder for purposes of the Supplemental Plan and no payments shall be due under Supplemental Plan which are payable upon the participant's termination of employment unless the participant would be considered to have incurred a "separation from service" from AbbVie within the meaning of Code Section 409A. To the extent required to avoid accelerated taxation and/or tax penalties under Code Section 409A and applicable guidance issued thereunder, amounts that would otherwise be payable pursuant to the Supplemental Plan during the six-month period immediately following the participant's termination of employment shall instead be paid on the first business day after the date that is six months following the participant's termination of employment (or upon the participant's death, if earlier), plus interest thereon, at a rate equal to the applicable "Federal short-term rate" (as defined in Code Section 1274(d)) for the month in which such termination of employment occurs (to the extent that such interest is not already provided to the participant under subsection 9-8), from the respective dates on which such amounts would otherwise have been paid until the actual date of payment. With respect to expenses eligible for reimbursement under the terms of the Supplemental Plan, (a) the amount of such expenses eligible for reimbursement in any taxable year shall not affect the expenses eligible for reimbursement in another taxable year and (b) any reimbursements of such expenses shall be made no later than the end of the calendar year following the calendar year in which the related expenses were incurred, except, in each case, to the extent that the right to reimbursement does not provide for a "deferral of compensation" within the meaning of Code Section 409A.

8-15. In accordance with Treasury Regulation § 1.409A-3(j)(4)(ii), distributions shall be made to an individual (other than to the participant) pursuant to the terms of a “domestic relations order” (as defined in Internal Revenue Code Section 414(p)(1)(B)), as determined and administered by the AbbVie Senior Vice President, Human Resources (or the individual holding equivalent duties and responsibilities) or his or her delegate, provided that such order (a) does not require the plan to provide any type or form of benefit, or any option not otherwise provided under the plan, (b) does not require the plan to provide increased benefits, and (c) does not require the payment of benefits to an alternate payee which are required to be paid to another alternate payee under another order.

SECTION 9  
ALTERNATE PAYMENT OF SUPPLEMENTAL PENSIONS

The provisions of this Section 9 shall apply only to corporate officers who became Plan participants before January 1, 2015.

9-1. A participant who is actively employed by AbbVie as a corporate officer as of December 31 of his or her first year as a corporate officer shall be entitled to receive payment of the present value of the vested supplemental pension described in Sections 2, 3, 4, 5, 6 and 7 which accrues with respect to the year and shall elect to receive such payment by either of the following methods: (a) current payment in cash directly to the participant, or (b) current payment of a portion of such present value in cash for the participant directly to a Grantor Trust established by the participant, determined to be substantially similar to the form of Grantor Trust attached hereto as Exhibit A, and current payment of the balance of such present value in cash paid directly to or withheld on behalf of the participant equal to the aggregate federal, state and local individual income and employment taxes owed with respect to the gross payment (as determined in accordance with subsection 9-10). The payment of any amount provided under this subsection 9-1 shall be made to the Grantor Trust established by the participant within the thirty (30)-day period beginning April 1 of the year following the year in which such present value is accrued.

9-2. For each year subsequent to the year in which a participant becomes a corporate officer, if the present value of a participant’s vested and accrued supplemental pension has been paid to the participant (including amounts paid to the participant’s Grantor Trust) pursuant to subsection 9-1 then, with respect to each subsequent year of active participation, as of that December 31, a participant shall be entitled to a payment in an amount equal to (i) the present value (as of that December 31) of the participant’s vested supplemental pension described in Sections 2, 3, 4, 5, 6 and 7, less (ii) the current value (as of that December 31) of the payments previously made to the participant under subsections 9-1 and 9-2 (if any). Each year a participant who is a corporate officer may elect to receive payment of the amounts described in subparagraphs (i) and (ii) above for the year by either of the following methods: (a) current payment in cash directly to the participant, or (b) current payment of such amount in cash for the participant directly to a Grantor Trust established by the participant (less the aggregate federal, state and local individual income and employment taxes paid to or withheld on behalf of the participant (as determined in accordance with subsection 9-10)). The payment of any amount provided under this subsection 9-2 shall be made to the Grantor Trust established by the participant within the thirty

(30)-day period beginning April 1 of the year following the year in which such present value is accrued. No payments shall be made under this subsection 9-2 as of any December 31 after the calendar year in which the participant retires or otherwise terminates employment with AbbVie.

9-3. Present values for the purposes of subsections 9-1 and 9-2 shall be determined using reasonable actuarial assumptions specified for this purpose by AbbVie and consistently applied in accordance with the requirements of Treasury Regulation §1.409A-2(b)(2)(ii)(D). The “current value” of the payments previously made to a participant under subsection 9-2 means the aggregate amount of such payments, with interest thereon (at the rate specified in subsection 9-7).

9-4. AbbVie, as the administrator of the participant’s Grantor Trust, may direct the trustee to distribute to the participant from the income of such Grantor Trust an amount sufficient to pay the taxes on the Grantor Trust earnings for such year, to the extent a sufficient sum of money has not been paid to, or withheld on behalf of, the participant pursuant to subsection 9-8. The taxes shall be determined in accordance with subsection 9-10.

9-5. Except as provided in subsection 9-9, a participant shall be deemed to have irrevocably waived and shall be foreclosed from any right to receive any supplemental pension benefits on that portion of the supplemental pension that the participant elects to be paid in cash under subsection 9-1 or 9-2. A participant who has elected to receive a payment under subsection 9-1 or 9-2 to a Grantor Trust must establish such trust in a form which AbbVie determines to be substantially similar to the trust attached to this Supplemental Plan as Exhibit A. If a participant fails to make an election under subsection 9-1 or 9-2, or if a participant makes an election under subsection 9-1 or 9-2 to receive payment in a Grantor Trust but fails to establish a Grantor Trust, then payment shall be made in cash directly to the participant.

9-6. AbbVie will establish and maintain a separate Supplemental Pension Account in the name of each participant, a separate After-Tax Supplemental Pension Account in the name of each participant, and a separate Tax Payment Account in the name of each participant. The Supplemental Pension Account shall reflect any amounts: (a) paid to, or withheld on behalf of, a participant to satisfy the aggregate federal, state and local individual income and employment taxes (including amounts paid to a participant’s Grantor Trust) pursuant to subsections 9-1 and 9-2 and (b) disbursed to a participant for supplemental pension benefits (or which would have been disbursed to a participant if the participant had not elected to receive a cash disbursement pursuant to subsections 9-1 and 9-2). The After-Tax Supplemental Pension Account shall also reflect such amounts but shall be maintained on an after-tax basis. The accounts established pursuant to this subsection 9-6 are for administrative convenience, and no trust relationship with respect to such accounts is intended or should be implied.

9-7. As of the end of each calendar year, a participant’s Supplemental Pension Account shall be credited with interest calculated at the rate of eight percent (8%) per year. Any amount so credited shall be referred to as a participant’s “Interest Accrual.” The calculation of the Interest Accrual shall be based on the balance of the payments made pursuant to subsections 9-1 and 9-2 and any Interest Accrual thereon from previous years. As of the end of each calendar year a participant’s After-Tax Supplemental Pension Account shall be credited with interest which shall be referred to as the After-Tax Interest Accrual. The “After-Tax Interest Accrual” shall be an

amount equal to the product of (a) the Interest Accrual credited to the participant's Supplemental Pension Account for such year multiplied by (b) one minus the aggregate of the federal, state, and local individual income tax rates and employment tax rate (determined in accordance with subsection 9-10).

9-8. In addition to any payment made to a participant for a calendar year pursuant to subsections 9-1 and 9-2, a participant shall also be entitled to a payment (an "Interest Payment") for each year in which the Grantor Trust is in effect. For all participants who are Transferred Participants under Supplement A, the Interest Payment shall equal the excess of the gross amount of the participant's Interest Accrual (as defined in subsection 9-7), over the net income of the participant's Grantor Trust for the year, as adjusted by the amounts described in Schedule A, and shall be paid within the thirty (30)-day period beginning April 1 of the following fiscal year. A portion of such Interest Payment, equal to the excess, if any, of the Net Interest Accrual over the net earnings of the participant's Grantor Trust, shall be deposited in the participant's Grantor Trust, with the balance paid to, or withheld on behalf of, the Participant; provided, however, in the event that the net earnings of the participant's Grantor Trust exceeds the Net Interest Accrual, a distribution from the Grantor Trust shall be required in accordance with subsection 9-4. A participant's Net Interest Accrual for a year is an amount equal to the After-Tax Interest Accrual credited to the participant's After-Tax Supplemental Pension Account for that year in accordance with subsection 9-7. No payments shall be made under this subsection 9-8 for any year following the year in which the participant dies, retires or otherwise terminates employment with AbbVie.

9-9. In addition to and notwithstanding the payments made to a participant's Grantor Trust under subsections 9-1 and 9-2 and subject only to the subsequent election requirements of Treasury Regulation § 1.409A-2(b), AbbVie shall make the monthly vested supplemental pension payments that would have been payable to the participant had no payments been made to the participant's Grantor Trust under subsections 9-1 and 9-2 in the form provided by subsection 8-3. The monthly vested supplemental pension payments hereunder shall commence on the first business day of February following the sixth anniversary of the participant's termination of employment and ending with the month of the participant's (or surviving spouse's) death. By way of example, (a) if a participant terminated employment on June 1, 2013, the commencement date would be the first business day in February, 2020, and (b) if a participant terminated employment on January 15, 2013, the commencement date would be the first business day in February, 2019. Payments under this subsection 9-9 shall be made by the employers (in such proportions as AbbVie shall designate) directly from their general corporate assets. Payment of the annuity required by this subsection 9-9 may be deferred by AbbVie in compliance with the subsequent election requirements of Treasury Regulation § 1.409A-2(b). Any election to defer payment hereunder shall not take effect until at least 12 months after the election is made; shall be made not less than 12 months before the annuity commencement date; and shall require payment to be deferred for a period of no less than five years from such annuity commencement date.

9-10. For purposes of this Supplemental Plan, a participant's federal income tax rate shall be deemed to be the highest marginal rate of federal individual income tax in effect in the calendar year in which a calculation under this Supplemental Plan is to be made; state and local tax rates shall be deemed to be the highest marginal rates of individual income tax in effect in the state and

locality of the participant's residence in the calendar year for which such a calculation is to be made; and a participant's employment tax rate shall be deemed to be the highest marginal rate of Federal Insurance Contributions Act tax in effect in the calendar year for which such a calculation is to be made, net of any federal tax benefits without a benefit for any net capital losses. Any employer shall be entitled, if necessary or desirable, to pay, or withhold the amount of any federal, state or local tax, attributable to any amounts payable by it under the Supplemental Plan, and may require payment or indemnification from the participant in an amount necessary to satisfy such taxes prior to remitting such taxes.

9-11. Each participant's Grantor Trust assets shall be invested solely in the instruments specified by investment guidelines established by the Committee. Such investment guidelines, once established, may be changed by the Committee, provided that any change shall not take effect until the year following the year in which the change is made and provided further that the instruments specified shall be consistent with the provisions of Section 3(b) of the form of Grantor Trust attached hereto as Exhibit A.

9-12. Notwithstanding anything contained in the Supplemental Plan to the contrary, the Grantor Trusts established by the participants under the Supplemental Plan shall be funded in accordance with the requirements of Code Section 409A.

## SUPPLEMENT A

### SPECIAL RULES RELATED TO TRANSFER FROM ABBOTT LABORATORIES SUPPLEMENTAL PENSION PLAN

A-1. Purpose and Effect. The purpose of this Supplement A is to provide for the transfer of liabilities from the Abbott Laboratories Supplemental Pension Plan (the “Abbott SERP”) to this Supplemental Plan with respect to Transferred Participants and Post-Distribution Participants as set forth in the Separation Agreement.

A-2. Eligibility, Service and Compensation. Transferred Participants and Post-Distribution Participants shall (a) be eligible to participate in the AbbVie SERP to the extent they were eligible to participate in the Abbott SERP as of the applicable Transfer Date (as defined in the EMA), and (b) receive credit for vesting, eligibility and benefit service for all service credited for those purposes under the Abbott SERP as of the Transfer Date (as defined in the EMA) as if that service had been rendered to AbbVie (provided that in the event that any such Transferred Participant or Post-Distribution Participant receives a distribution from the Abbott SERP, the value of such distribution shall be offset against future benefits under the AbbVie SERP to the extent necessary to prevent a duplication of benefits). The compensation paid by Abbott and its subsidiaries to a Transferred Participant or a Post-Distribution Participant that was recognized under the Abbott SERP as of the Transfer Date (as defined in the EMA) shall be credited and recognized for all applicable purposes under the AbbVie SERP as though it were compensation from AbbVie or its Subsidiaries.

A-3. Time and Form of Payment. The accrued benefit of each Transferred Participant and each Post-Distribution Participant under the Abbott SERP as of the applicable Transfer Date (as defined in the EMA) shall be payable under the AbbVie SERP at the time and in a form that would have been permitted under the Abbott SERP as in effect as of such Transfer Date (as defined in the EMA), with employment by Abbott or its subsidiaries prior to the Transfer Date (as defined in the EMA) treated as employment by the AbbVie or its affiliates under the AbbVie SERP for purposes of determining eligibility for optional forms of benefit, early retirement benefits, or other benefit forms; and the AbbVie SERP shall assume and honor the terms of all arrangements relating to beneficiaries and alternate payees in effect and honored under the Abbott SERP as of the applicable Transfer Date with respect to Transferred Participants and Post Distribution Participants.

A-4. Initial Transfer of Liabilities from Abbott SERP. As soon as practicable after the Separation, and subject to such terms and conditions as the Plan Administrator may establish, the Plan shall assume all liabilities and the Abbott SERP shall transfer all liabilities for all obligations under the Abbott SERP for the benefits of Transferred Participants (and their beneficiaries and/or alternate payees) as determined on the applicable Transfer Date (as defined in the EMA).

A-5. Subsequent Transfers. At such time or times as the Plan Administrator and Abbott (or its delegate) shall agree, and subject to such terms and conditions as the Plan Administrator may establish, the Plan shall assume all liabilities and the Abbott SERP shall transfer all liabilities

for all obligations under the Abbott SERP for the benefits of Post-Distribution Participants (and their beneficiaries and/or alternate payees) as determined on the applicable Transfer Date (as defined in the EMA).

A-6. Definitions. For purposes of this Supplement A, the following terms are defined as follows:

- (a) “Post-Distribution Participant” means: (i) a Post-Distribution AbbVie Employee (as defined in the EMA) who (A) was an employee of Abbott Laboratories or its subsidiary as of immediately prior to the Separation (as defined in the Separation Agreement) and is transferred to or hired by AbbVie or its Subsidiary after the Separation (as defined in the Separation Agreement) and (B) had liabilities associated with his or her accrued benefits (including any accrued benefits with respect to beneficiaries or alternate payees) in the Abbott SERP transferred to this Plan in accordance with this Supplement A; and (ii) any other individual on whose behalf liabilities are transferred from an Abbott pension plan to the Pension Plan during the Transition Period (as described in the EMA).
- (b) “Transferred Participant” means an AbbVie Employee or an AbbVie LTD Participant (as defined in the EMA), excluding any Post-Distribution AbbVie Employee (as defined in the EMA), who accepts an offer of employment or continues employment with or is transferred to AbbVie Inc. under the EMA on or immediately after the Separation (as defined in the Separation Agreement).

A-7. Grantor Trusts. Certain Transferred Participants and Post-Distribution Participants who participated in the Abbott SERP have established grantor trusts in connection with such plan. Abbott and AbbVie shall use their commercially reasonable best efforts to facilitate the amendment of each such grantor trust to provide that (a) AbbVie is the administrator of such trust and (b) distribution of amounts under such trust is made by reference to termination of employment with AbbVie and its subsidiaries and not termination of employment with the Abbott and its subsidiaries.

A-8. Use of Terms. Terms used in this Supplement A have the meanings of those terms as set forth in the Plan, unless they are defined in this Supplement A. All of the terms and provisions of the Plan shall apply to this Supplement A except that where the terms of the Plan and this Supplement A conflict, the terms of this Supplement A shall govern.

**SCHEDULE A**

[TO BE INSERTED WHEN AMOUNTS ARE AVAILABLE]

**EXHIBIT A**

**SUPPLEMENTAL BENEFIT  
GRANTOR TRUST**

THIS AGREEMENT, made this day of , 20 , by and between (the “grantor”) and The Northern Trust Company, located at Chicago, Illinois, as trustee (the “trustee”),

WITNESSETH THAT:

WHEREAS, the grantor desires to establish and maintain a trust to hold certain benefits received by the grantor under the AbbVie Supplemental Pension Plan, as it may be amended from time to time.

NOW, THEREFORE, IT IS AGREED as follows:

**ARTICLE I  
INTRODUCTION**

I-1 NAME. This agreement and the trust hereby evidenced (the “trust”) may be referred to as the “\_Supplemental Benefit Grantor Trust.”

I-2 THE TRUST FUND. The “trust fund” as at any date means all property then held by the trustee under this agreement.

I-3 STATUS OF THE TRUST. The trust shall be irrevocable. The trust is intended to constitute a grantor trust under Sections 671-678 of the Internal Revenue Code, as amended, and shall be construed accordingly.

I-4 THE ADMINISTRATOR. AbbVie Inc. (“AbbVie”) shall act as the “administrator” of the trust, and as such shall have certain powers, rights and duties under this agreement as described below. AbbVie will certify to the trustee from time to time the person or persons authorized to act on behalf of AbbVie as the administrator. The trustee may rely on the latest certificate received without further inquiry or verification.

I-5 ACCEPTANCE. The trustee accepts the duties and obligations of the “trustee” hereunder, agrees to accept funds delivered to it by the grantor or the administrator, and agrees to hold such funds (and any proceeds from the investment of such funds) in trust in accordance with this agreement.

ARTICLE II  
DISTRIBUTION OF THE TRUST FUND

II-1 SUPPLEMENTAL PENSION ACCOUNT. The administrator shall maintain a “supplemental pension account” under the trust. As of the end of each calendar year, the administrator shall charge the account with all distributions made from the account during that year; and credit the account with its share of trust income and realized gains and charge the account with its share of trust expenses and realized losses for the year.

II-2 DISTRIBUTIONS PRIOR TO THE GRANTOR’S DEATH. Principal and accumulated income shall not be distributed from the trust prior to the grantor’s retirement or other termination of employment with AbbVie or a subsidiary of AbbVie (the grantor’s “settlement date”); provided that, each year the administrator may direct the trustee to distribute to the grantor a portion of the income of the trust fund for that year, with the balance of such income to be accumulated in the trust. The administrator shall inform the trustee of the grantor’s settlement date. Thereafter, the trustee shall distribute the amounts from time to time credited to the supplemental pension account to the grantor, if then living, in the same manner, at the same time and over the same period as the pension payable to the grantor under AbbVie Pension Plan.

II-3 DISTRIBUTIONS AFTER THE GRANTOR’S DEATH. The grantor, from time to time may name any person or persons (who may be named contingently or successively and who may be natural persons or fiduciaries) to whom the principal of the trust fund and all accrued or undistributed income thereof shall be distributed upon the grantor’s death. The grantor may direct that such amounts be distributed in a lump sum or, if the beneficiary is the grantor’s spouse (or a trust (a “Trust”) for which the grantor’s spouse is the sole income beneficiary), in the same manner, at the same time and over the same period as the pension payable to the grantor’s surviving spouse under the AbbVie Pension Plan. If the grantor directs the same method of distribution as the pension payable to the surviving spouse under the AbbVie Pension Plan to the spouse as beneficiary, any amounts remaining at the death of the spouse beneficiary shall be distributed in a lump sum to the executor or administrator of the spouse beneficiary’s estate. If the grantor directs the same method of distribution as the pension payable to the surviving spouse under the AbbVie Pension Plan to a Trust for which the grantor’s spouse is the sole income beneficiary, any amounts remaining at the death of the spouse shall be distributed in a lump sum to such Trust. Despite the foregoing, if (i) the beneficiary is a Trust for which the grantor’s spouse is the sole income beneficiary, (ii) payments are being made pursuant to this paragraph II-3 other than in a lump sum and (iii) income earned by the trust fund for the year exceeds the amount of the annual installment payment, then such Trust may elect to withdraw such excess income by written notice to the trustee. Each designation shall revoke all prior designations, shall be in writing and shall be effective only when filed by the grantor with the administrator during the grantor’s lifetime. If the grantor fails to direct a method of distribution, the distribution shall be made in a lump sum. If the grantor fails to designate a beneficiary as provided above, then on the grantor’s death, the trustee shall distribute the balance of the trust fund in a lump sum to the executor or administrator of the grantor’s estate.”

II-4 FACILITY OF PAYMENT. When a person entitled to a distribution hereunder is under legal disability, or, in the trustee's opinion, is in any way incapacitated so as to be unable to manage his or her financial affairs, the trustee may make such distribution to such person's legal representative, or to a relative or friend of such person for such person's benefit. Any distribution made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such distribution hereunder.

II-5 PERPETUITIES. Notwithstanding any other provisions of this agreement, on the day next preceding the end of 21 years after the death of the last to die of the grantor and the grantor's descendants living on the date of this instrument, the trustee shall immediately distribute any remaining balance in the trust to the beneficiaries then entitled to distributions hereunder.

### ARTICLE III MANAGEMENT OF THE TRUST FUND

III-1 GENERAL POWERS. The trustee shall, with respect to the trust fund, have the following powers, rights and duties in addition to those provided elsewhere in this agreement or by law:

- (a) Subject to the limitations of subparagraph (b) next below, to sell, contract to sell, purchase, grant or exercise options to purchase, and otherwise deal with all assets of the trust fund, in such way, for such considerations, and on such terms and conditions as the trustee decides.
- (b) To invest and reinvest the trust fund, without distinction between principal and income, in obligations of the United States Government and its agencies or which are backed by the full faith and credit of the United States Government and in any mutual funds, common trust funds or collective investment funds which invest solely in such obligations, provided that to the extent practicable no more than Ten Thousand Dollars (\$10,000) shall be invested in such mutual funds, common trust funds or collective investment funds at any time; and any such investment made or retained by the trustee in good faith shall be proper despite any resulting risk or lack of diversification or marketability.
- (c) To deposit cash in any depository (including the banking department of the bank acting as trustee) without liability for interest, in amounts not in excess of those reasonably necessary to make distributions from the trust.
- (d) To borrow from anyone, with the administrator's approval, such sum or sums from time to time as the trustee considers desirable to carry out this trust, and to mortgage or pledge all or part of the trust fund as security.
- (e) To retain any funds or property subject to any dispute without liability for interest and to decline to make payment or delivery thereof until final adjudication by a court of competent jurisdiction or until an appropriate release is obtained.

- (f) To begin, maintain or defend any litigation necessary in connection with the administration of this trust, except that the trustee shall not be obliged or required to do so unless indemnified to the trustee's satisfaction.
- (g) To compromise, contest, settle or abandon claims or demands.
- (h) To give proxies to vote stocks and other voting securities, to join in or oppose (alone or jointly with others) voting trusts, mergers, consolidations, foreclosures, reorganizations, liquidations, or other changes in the financial structure of any corporation, and to exercise or sell stock subscription or conversion rights.
- (i) To hold securities or other property in the name of a nominee, in a depository, or in any other way, with or without disclosing the trust relationship.
- (j) To divide or distribute the trust fund in undivided interests or wholly or partly in kind.
- (k) To pay any tax imposed on or with respect to the trust; to defer making payment of any such tax if it is indemnified to its satisfaction in the premises; and to require before making any payment such release or other document from any lawful taxing authority and such indemnity from the intended payee as the trustee considers necessary for its protection.
- (l) To deal without restriction with the legal representative of the grantor's estate or the trustee or other legal representative of any trust created by the grantor or a trust or estate in which a beneficiary has an interest, even though the trustee, individually, shall be acting in such other capacity, without liability for any loss that may result.
- (m) Upon the prior written consent of the administrator, to appoint or remove by written instrument any bank or corporation qualified to act as successor trustee, wherever located, as special trustee as to part or all of the trust fund, including property as to which the trustee does not act, and such special trustee, except as specifically limited or provided by this or the appointing instrument, shall have all of the rights, titles, powers, duties, discretions and immunities of the trustee, without liability for any action taken or omitted to be taken under this or the appointing instrument.
- (n) To appoint or remove by written instrument any bank, wherever located, as custodian of part or all of the trust fund, and each such custodian shall have such rights, powers, duties and discretions as are delegated to it by the trustee.
- (o) To employ agents, attorneys, accountants or other persons, and to delegate to them such powers as the trustee considers desirable, and the trustee shall be protected in acting or refraining from acting on the advice of persons so employed without court action.

(p) To perform any and all other acts which in the trustee's judgment are appropriate for the proper management, investment and distribution of the trust fund.

III-2 PRINCIPAL AND INCOME. Any income earned on the trust fund which is not distributed as provided in Article II shall be accumulated and from time to time added to the principal of the trust. The grantor's interest in the trust shall include all assets or other property held by the trustee hereunder, including principal and accumulated income.

III-3 STATEMENTS. The trustee shall prepare and deliver monthly to the administrator and annually to the grantor, if then living, otherwise to each beneficiary then entitled to distributions under this agreement, a statement (or series of statements) setting forth (or which taken together set forth) all investments, receipts, disbursements and other transactions effected by the trustee during the reporting period; and showing the trust fund and the value thereof at the end of such period.

III-4 COMPENSATION AND EXPENSES. All reasonable costs, charges and expenses incurred in the administration of this trust, including compensation to the trustee, any compensation to agents, attorneys, accountants and other persons employed by the trustee, and expenses incurred in connection with the sale, investment and reinvestment of the trust fund shall be paid from the trust fund.

#### ARTICLE IV GENERAL PROVISIONS

IV-1 INTERESTS NOT TRANSFERABLE. The interests of the grantor or other persons entitled to distributions hereunder are not subject to their debts or other obligations and may not be voluntarily or involuntarily sold, transferred, alienated, assigned or encumbered.

IV-2 DISAGREEMENTS AS TO ACTS. If there is a disagreement between the trustee and anyone as to any act or transaction reported in any accounting, the trustee shall have the right to a settlement of its account by any court.

IV-3 TRUSTEE'S OBLIGATIONS. No power, duty or responsibility is imposed on the trustee except as set forth in this agreement. The trustee is not obliged to determine whether funds delivered to or distributions from the trust are proper under the trust, or whether any tax is due or payable as a result of any such delivery or distribution. The trustee shall be protected in making any distribution from the trust as directed pursuant to Article II without inquiring as to whether the distributee is entitled thereto; the trustee shall not be liable for any distribution made in good faith without written notice or knowledge that the distribution is not proper under the terms of this agreement; and the trustee shall not be liable for any action taken because of the specific direction of the administrator.

IV-4 GOOD FAITH ACTIONS. The trustee's exercise or non-exercise of its powers and discretions in good faith shall be conclusive on all persons. No one shall be obliged to see to the application of any money paid or property delivered to the trustee. The certificate of the

trustee that it is acting according to this agreement will fully protect all persons dealing with the trustee.

IV-5 WAIVER OF NOTICE. Any notice required under this agreement may be waived by the person entitled to such notice.

IV-6 CONTROLLING LAW. The laws of the State of Illinois shall govern the interpretation and validity of the provisions of this agreement and all questions relating to the management, administration, investment and distribution of the trust hereby created.

IV-7 SUCCESSORS. This agreement shall be binding on all persons entitled to distributions hereunder and their respective heirs and legal representatives, and on the trustee and its successors.

#### ARTICLE V CHANGES IN TRUSTEE

V-1 RESIGNATION OR REMOVAL OF TRUSTEE. The trustee may resign at any time by giving thirty days' advance notice to the administrator and the grantor. The administrator may remove a trustee by written notice to the trustee and the grantor.

V-2 APPOINTMENT OF SUCCESSOR TRUSTEE. The administrator shall fill any vacancy in the office of trustee as soon as practicable by written notice to the successor trustee; and shall give prompt written notice thereof to the grantor, if then living, otherwise to each beneficiary then entitled to payments or distributions under this agreement. A successor trustee shall be a bank (as defined in Section 581 of the Internal Revenue Code, as amended).

V-3 DUTIES OF RESIGNING OR REMOVED TRUSTEE AND OF SUCCESSOR TRUSTEE. A trustee that resigns or is removed shall furnish promptly to the administrator and the successor trustee an account of its administration of the trust from the date of its last account. Each successor trustee shall succeed to the title to the trust fund vested in its predecessor without the signing or filing of any instrument, but each predecessor trustee shall execute all documents and do all acts necessary to vest such title of record in the successor trustee. Each successor trustee shall have all the powers conferred by this agreement as if originally named trustee. No successor trustee shall be personally liable for any act or failure to act of a predecessor trustee. With the approval of the administrator, a successor trustee may accept the account furnished and the property delivered by a predecessor trustee without incurring any liability for so doing, and such acceptance will be complete discharge to the predecessor trustee.

#### ARTICLE VI AMENDMENT AND TERMINATION

VI-1 AMENDMENT. With the consent of the administrator, this trust may be amended from time to time by the grantor, if then living, otherwise by a majority of the beneficiaries then entitled to payments or distributions hereunder, except as follows:

- (a) The duties and liabilities of the trustee cannot be changed substantially without its consent.
- (b) This trust may not be amended so as to make the trust revocable.

VI-2 TERMINATION. This trust shall not terminate, and all rights, titles, powers, duties, discretions and immunities imposed on or reserved to the trustee, the administrator, the grantor and the beneficiaries shall continue in effect, until all assets of the trust have been distributed by the trustee as provided in Article II.

\* \* \*

IN WITNESS WHEREOF, the grantor and the trustee have executed this agreement as of the day and year first above written.

Grantor

The Northern Trust Company, as Trustee

By \_\_\_\_\_

Its \_\_\_\_\_

**ABBVIE 2013 INCENTIVE STOCK PROGRAM**  
**SECOND AMENDMENT**

WHEREAS, AbbVie Inc., a Delaware corporation (the "Company"), sponsors the AbbVie 2013 Incentive Stock Program (the "Program");

WHEREAS, Section 14(f) of the Program provides that the Board of Directors (the "Board") of the Company may amend the Program at any time, provided that the amendment does not materially and adversely modify any person's rights under the express terms and conditions of an outstanding Benefit without such person's written consent;

WHEREAS, the Company now desires to amend the Program to address the application of certain terms to substitute options granted in connection with a corporate transaction;

WHEREAS, neither the Program nor the NYSE Listed Company Manual requires stockholder approval of the proposed amendment;

WHEREAS, capitalized terms used but not defined herein shall have the same meanings as set forth in the Program;

WHEREAS, the proposed amendment does not impair the rights of any person with respect to an outstanding Benefit;

NOW, THEREFORE, IT IS RESOLVED that the Program be and it hereby is amended, effective as of the date on which the Board approves the amendment, as follows:

1. The following proviso is hereby added to the first sentence of the second paragraph of Section 6(a) of the Program:

"..., unless such option is granted in connection with a corporate transaction in substitution for an option previously granted by an entity involved in such corporate transaction (any such option, a "Substitute Option")."

2. The following proviso is hereby added to the last sentence of the third paragraph of Section 6(a) of the Program:

"..., unless such option is a Substitute Option."

3. Except as specifically amended above, the Program will remain in full force and effect.

**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 quarterly report on Form 10-Q 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: August 5, 2019

/s/ Richard A. Gonzalez

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

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

I, Robert A. Michael, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 5, 2019

/s/ Robert A. Michael

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Robert A. Michael, Executive Vice President,  
Chief Financial Officer

**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 Quarterly Report of AbbVie Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 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

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Richard A. Gonzalez

Chairman of the Board and Chief Executive Officer

August 5, 2019

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.

**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 Quarterly Report of AbbVie Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Robert A. Michael, 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/ Robert A. Michael

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Robert A. Michael

Executive Vice President, Chief Financial Officer

August 5, 2019

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.