

AbbVie Here. Now.

**2019 Annual Report
on Form 10-K**

2020 Notice of
Annual Meeting
& Proxy Statement

Stockholder Information

AbbVie Inc. Corporate Headquarters

1 North Waukegan Road
North Chicago, IL 60064
847.932.7900
abbvie.com

Investor Relations
Dept. ZZ05, AP34

Corporate Secretary
Dept. V364, AP34

Stock Listing

The ticker for AbbVie's common stock is ABBV. The principal market for AbbVie common stock is the NYSE. AbbVie common stock is also listed on the Chicago Stock Exchange.

Annual Meeting

The Annual Meeting will be held on Friday, May 8, 2020, at 9 a.m. CT. Please see the proxy statement for information about how to attend the virtual Annual Meeting.

Dividend Reinvestment Plan

The AbbVie Dividend Reinvestment Plan offers registered stockholders an opportunity to purchase additional shares, commission-free, through automatic dividend reinvestment and/or optional cash investments. Interested persons may contact the transfer agent.

Transfer Agent

EQ Shareowner Services
P.O. Box 64874
St Paul, MN 55164-0874
www.shareowneronline.com
877.881.5970
651.450.4064

About AbbVie

AbbVie is a global, research and development-based biopharmaceutical company committed to developing innovative advanced therapies for some of the world's most complex and critical conditions. The company's mission is to use its expertise, dedicated people and unique approach to innovation to markedly improve treatments across four primary therapeutic areas: immunology, oncology, virology and neuroscience. In more than 75 countries, AbbVie employees are working every day to advance health solutions for people around the world. For more information about AbbVie, please visit us at www.abbvie.com.



Dear AbbVie Shareholder,

As we start a new decade, AbbVie embarks on our eighth year as an independent company. What an amazing journey it has been—and a tremendously successful one. For patients, for our employees and for you—our investors.

Record-setting performance and execution

In 2019, we delivered our fifth consecutive year of double-digit earnings per share growth—the only company in our peer group to achieve that level of sustained performance. Adjusted earnings per share grew 13 percent to \$8.94. That growth was driven by operating margin profile improvement while we continued to invest in our future. Operational revenue grew 2.7 percent to \$33.3 billion—despite the entry of biosimilars to Humira in most international markets—and nearly 30 percent of our 2019 global sales were generated from products launched since our inception in 2013.

A growing dividend is an enduring hallmark of AbbVie's investment identity and in 2019, we increased our quarterly cash dividend 10 percent to \$1.18 per share. Since our inception, we have increased our dividend by 195 percent and have been a member of the S&P Dividend Aristocrat Index since 2013.

A robust pipeline

Science and innovation have always been the cornerstones of our business. That's why we've increased our annual R&D investment by roughly 80 percent since inception—our pipeline is truly the lifeblood of our business.

Last year, we launched two new immunology therapies—SKYRIZI for psoriasis and RINVOQ for rheumatoid arthritis—to bring new and differentiated therapeutic options for patients and strengthen our leadership position in immunology. We're very pleased with the reception these medicines have received from physicians and patients and believe they will be important long-term contributors to our growth.

Our pipeline is robust—with more than 60 active clinical development programs. In 2020, we expect a number of late-stage data readouts and regulatory submissions for additional indications in immunology and oncology. Our early- and mid-stage pipeline continues to advance rapidly. We will also continue to augment with external innovation to develop next-generation therapies in critical areas of need.

A new, more diversified AbbVie

In June, we took a transformative step with the announcement to acquire Allergan. A leader in medical aesthetics, women's health and eye care, Allergan enhances the scale and profitability of AbbVie's growth platform and diversifies our revenue base with nearly \$50 billion in global sales between the two companies. The combined organization will produce significant cashflow that will immediately enable AbbVie to simultaneously support continued dividend growth, long-term investment across our pipeline and debt reduction. This is an exciting step that positions our company extremely well for the long-term.

A committed partner for patients and communities

At AbbVie, we are focused on doing all that we can to have a remarkable impact on people's lives. We are committed to helping patients in many ways to access and benefit from their therapies. In 2019, we enhanced our patient assistance program, My AbbVie Assist, which provides AbbVie medicines free of charge to ensure that patients can access our medicines. We did this by lowering the eligibility criteria, so more patients experiencing financial hardships can qualify for assistance and expanding the number of medications covered by our program. As a result, approximately 89,000 patients received AbbVie medicines at no cost. We also have a number of other ways to financially assist patients, such as our co-pay assistance program. This program provides co-pay support for AbbVie medicines to more than 97 percent of patients covered by commercial insurance programs, with 98 percent of those patients paying less than \$5 a month for their medicine.

Additionally, our company, our employees and our community partners spend hours and millions of dollars to support communities, strengthen K-12 education, help families thrive and much more. Last year, AbbVie volunteers contributed more than 68,000 hours making an impact across their local communities.

A sustainable business

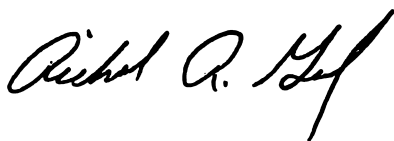
As a global biopharmaceutical company, we are thoughtful about how our business decisions affect our patients, employees, contractors, the public and the environment. As we pursue long-term sustainable growth, our corporate responsibility framework guides our priorities, decisions and behaviors. We are committed to using our deep expertise to improve health, operate an ethical and sustainable business, and help build stronger communities.

We care deeply about the environment and safety of our people. We have reduced our absolute carbon dioxide emissions by more than 16 percent, which is more than halfway toward our target of a 25 percent reduction and we have made great progress against our 2025 environmental goals. And we were named to the Dow Jones Sustainability Index for the seventh year in a row. You can find more information about our impact in our Responsible Action Report, which can be found here: <https://www.abbvie.com/responsibility.html>

Committed to driving a remarkable impact

It has been an incredible seven years of impressive performance with the creation of a strong, innovative, high-executing company. I am proud of who we are as a company. Every single day, the people of AbbVie strive to make sure the patients we serve can live a better life. Thank you for your support.

Sincerely,



Richard A. Gonzalez
Chairman and Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-K

(MARK ONE)

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

For the fiscal year ended December 31, 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 60064-6400
(847) 932-7900

(Address, including zip code, and telephone number of principal executive offices)

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
1.375% Senior Notes due 2024	ABBV24	New York Stock Exchange
0.750% Senior Notes due 2027	ABBV27	New York Stock Exchange
2.125% Senior Notes due 2028	ABBV28	New York Stock Exchange
1.250% Senior Notes due 2031	ABBV31	New York Stock Exchange

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

Yes No

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

Yes No

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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 Act).

Yes No

The aggregate market value of the 1,462,630,048 shares of voting stock held by non-affiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of AbbVie Inc.'s most recently completed second fiscal quarter (June 30, 2019), was \$106,362,457,090. AbbVie has no non-voting common equity.

Number of common shares outstanding as of January 31, 2020: 1,479,156,683

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2020 AbbVie Inc. Proxy Statement are incorporated by reference into Part III. The Definitive Proxy Statement will be filed on or about March 19, 2020.

ABBVIE INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2019
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PART I

ITEM 1. BUSINESS

Overview

AbbVie⁽¹⁾ is a global, research-based biopharmaceutical company. AbbVie develops and markets 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.

In June 2019, AbbVie announced that it entered into a definitive transaction agreement under which AbbVie will acquire Allergan plc (Allergan). 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 aesthetics, eye care, neuroscience, gastroenterology and women's health. See Note 5 to the Consolidated Financial Statements for additional information regarding the proposed acquisition.

AbbVie was incorporated in Delaware on April 10, 2012. On January 1, 2013, AbbVie became an independent, publicly-traded company as a result of the distribution by Abbott Laboratories (Abbott) of 100% of the outstanding common stock of AbbVie to Abbott's shareholders.

Segments

AbbVie operates in one business segment—pharmaceutical products. See Note 16 to the Consolidated Financial Statements and the sales information related to HUMIRA, IMBRUVICA and MAVYRET included under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Products

AbbVie's portfolio of products includes a broad line of therapies that address some of the world's most complex and serious diseases.

(1) As used throughout the text of this report on Form 10-K, the terms "AbbVie" or "the company" refer to AbbVie Inc., a Delaware corporation, or AbbVie Inc. and its consolidated subsidiaries, as the context requires.

Immunology products. AbbVie maintains an extensive immunology portfolio across rheumatology, dermatology and gastroenterology. AbbVie’s immunology products address unmet needs for patients with autoimmune diseases. These products are:

HUMIRA. HUMIRA (adalimumab) is a biologic therapy administered as a subcutaneous injection. It is approved to treat the following autoimmune diseases in the United States, Canada and Mexico (collectively, North America) and in the European Union:

Condition	Principal Markets
Rheumatoid arthritis (moderate to severe)	North America, European Union
Psoriatic arthritis	North America, European Union
Ankylosing spondylitis	North America, European Union
Adult Crohn’s disease (moderate to severe)	North America, European Union
Plaque psoriasis (moderate to severe chronic)	North America, European Union
Juvenile idiopathic arthritis (moderate to severe polyarticular)	North America, European Union
Ulcerative colitis (moderate to severe)	North America, European Union
Axial spondyloarthritis	European Union
Pediatric Crohn’s disease (moderate to severe)	North America, European Union
Hidradenitis Suppurativa (moderate to severe)	North America, European Union
Pediatric enthesitis-related arthritis	European Union
Non-infectious intermediate, posterior and panuveitis	North America, European Union

HUMIRA is also approved in Japan for the treatment of intestinal Behçet’s disease.

HUMIRA is sold in numerous other markets worldwide, including Japan, China, Brazil and Australia, and accounted for approximately 58% of AbbVie’s total net revenues in 2019.

SKYRIZI. SKYRIZI (risankizumab) is an interleukin-23 (IL-23) inhibitor that selectively blocks IL-23 by binding to its p19 subunit. It is a biologic therapy administered as a quarterly subcutaneous injection following an induction dose. SKYRIZI is approved in the United States, Canada and the European Union and is indicated for the treatment of moderate to severe plaque psoriasis in adults who are candidates for systemic therapy or phototherapy. In Japan, SKYRIZI is approved for the treatment of plaque psoriasis, generalized pustular psoriasis, erythrodermic psoriasis and psoriatic arthritis in adult patients who have an inadequate response to conventional therapies.

RINVOQ. RINVOQ (upadacitinib) is a once-daily oral selective and reversible JAK inhibitor and is approved in the United States, Canada and the European Union. RINVOQ is indicated for the treatment of moderate to severe active rheumatoid arthritis in adult patients who have responded inadequately to, or who are intolerant to one or more disease-modifying anti-rheumatic drugs (DMARDs). RINVOQ may be used as monotherapy or in combination with methotrexate.

Oncology products. AbbVie’s oncology products target some of the most complex and difficult-to-treat cancers. These products are:

IMBRUVICA. IMBRUVICA (ibrutinib) is an oral, once-daily therapy that inhibits a protein called Bruton’s tyrosine kinase (BTK). IMBRUVICA was one of the first medicines to receive a United States Food and Drug Administration (FDA) approval after being granted a Breakthrough Therapy Designation and is one of the few therapies to receive four separate designations. IMBRUVICA currently is approved for the treatment of adult patients with:

- Chronic lymphocytic leukemia (CLL)/Small lymphocytic lymphoma (SLL) and CLL/SLL with 17p deletion;

- Mantle cell lymphoma (MCL) who have received at least one prior therapy*;
- Waldenström's macroglobulinemia (WM);
- Marginal zone lymphoma (MZL) who require systemic therapy and have received at least one prior anti-CD20-based therapy*; and
- Chronic graft versus host disease (cGVHD) after failure of one or more lines of systemic therapy.

* Accelerated approval was granted for this indication based on overall response rate. Continued approval for this indication may be contingent upon verification of clinical benefit in confirmatory trials.

VENCLEXTA/VENCLYXTO. *VENCLEXTA* (venetoclax) is a BCL-2 inhibitor used to treat hematological malignancies. *VENCLEXTA* is approved by the FDA for adults with CLL or SLL. In addition, *VENCLEXTA* is approved in combination with azacitidine, or decitabine, or low-dose cytarabine to treat adults with newly-diagnosed acute myeloid leukemia (AML) who are 75 years of age or older or have other medical conditions that prevent the use of standard chemotherapy. *VENCLYXTO* is approved in Europe for CLL in combination with rituximab in patients who have received at least one previous treatment.

Virology Products. AbbVie's virology products address unmet needs for patients living with HCV and HIV.

HCV products. AbbVie's HCV products are:

MAVYRET/MAVIRET. *MAVYRET* (glecaprevir/pibrentasvir) is approved in the United States and European Union (*MAVIRET*) for the treatment of patients with chronic HCV genotype 1-6 infection without cirrhosis and with compensated cirrhosis (Child-Pugh A). It is also indicated for the treatment of adult patients with HCV genotype 1 infection, who previously have been treated with a regimen containing an HCV NS5A inhibitor or an NS3/4A protease inhibitor, but not both. It is an 8-week, pan-genotypic treatment for patients without cirrhosis and following the EXPEDITION-8 study, also in patients with compensated cirrhosis who are new to treatment. *MAVIRET* is now also indicated for the treatment of HCV genotypes 1-6 in children between 12-18 years.

VIEKIRA PAK AND TECHNIVIE. *VIEKIRA PAK* (ombitasvir, paritaprevir and ritonavir tablets; dasabuvir tablets) is an all-oral, short-course, interferon-free therapy, with or without ribavirin, for the treatment of adult patients with genotype 1 chronic HCV, including those with compensated cirrhosis. In Europe, *VIEKIRA PAK* is marketed as *VIEKIRAX + EXVIERA* and is approved for use in patients with genotype 1 and genotype 4 HCV. AbbVie's *TECHNIVIE* (ombitasvir, paritaprevir and ritonavir) is FDA-approved for use in combination with ribavirin for the treatment of adults with genotype 4 HCV infection in the United States. The use of *VIEKIRA* in the United States, Europe and Japan is currently limited given the significant use of pangenotypic regimens, including *MAVIRET*.

Additional Virology products. AbbVie's additional virology products include:

SYNAGIS. *SYNAGIS* (palivizumab) is a product marketed by AbbVie outside of the United States that protects at-risk infants from severe respiratory disease caused by respiratory syncytial virus (RSV).

KALETRA. *KALETRA* (lopinavir/ritonavir), which is also marketed as *ALUVIA* in emerging markets, is a prescription anti-HIV-1 medicine that contains two protease inhibitors: lopinavir and ritonavir. *KALETRA* is used with other anti-HIV-1 medications as a treatment that maintains viral suppression in people with HIV-1.

Metabolics/Hormones products. Metabolic and hormone products target a number of conditions, including testosterone deficiency due to certain underlying conditions, exocrine pancreatic insufficiency and hypothyroidism. These products include:

CREON. CREON (pancrelipase) is a pancreatic enzyme therapy for exocrine pancreatic insufficiency, a condition that occurs in patients with cystic fibrosis, chronic pancreatitis and several other conditions.

Synthroid. Synthroid (levothyroxine sodium tablets, USP) is used in the treatment of hypothyroidism.

AndroGel. AndroGel (testosterone gel) is a testosterone replacement therapy for males diagnosed with symptomatic low testosterone due to certain underlying conditions.

AbbVie has the rights to sell AndroGel, CREON and Synthroid only in the United States.

Endocrinology products. Lupron (leuprolide acetate), which is also marketed as Lucrin and LUPRON DEPOT, is a product for the palliative treatment of advanced prostate cancer, treatment of endometriosis and central precocious puberty and for the preoperative treatment of patients with anemia caused by uterine fibroids. Lupron is approved for daily subcutaneous injection and one-month, three-month, four-month and six-month intramuscular injection.

Other products. AbbVie's other products include:

ORILISSA. ORILISSA (elagolix) is the first and only orally-administered, nonpeptide small molecule gonadotropin-releasing hormone (GnRH) antagonist specifically developed for women with moderate to severe endometriosis pain. The FDA approved ORILISSA under priority review. It represents the first FDA-approved oral treatment for the management of moderate to severe pain associated with endometriosis in over a decade. ORILISSA inhibits endogenous GnRH signaling by binding competitively to GnRH receptors in the pituitary gland. Administration results in dose-dependent suppression of luteinizing hormone and follicle-stimulating hormone, leading to decreased blood concentrations of ovarian sex hormones, estradiol and progesterone. Outside the United States, ORILISSA is also launched in Canada and Puerto Rico.

Duopa and Duodopa (carbidopa and levodopa). AbbVie's levodopa-carbidopa intestinal gel for the treatment of advanced Parkinson's disease is marketed as Duopa in the United States and as Duodopa outside of the United States.

Sevoflurane. Sevoflurane (sold under the trademarks Ultane and Sevorane) is an anesthesia product that AbbVie sells worldwide for human use.

Marketing, Sales and Distribution Capabilities

AbbVie utilizes a combination of dedicated commercial resources, regional commercial resources and distributorships to market, sell and distribute its products worldwide. AbbVie directs its primary marketing efforts toward securing the prescription, or recommendation, of its brand of products by physicians, key opinion leaders and other health care providers. Managed care providers (for example, health maintenance organizations and pharmacy benefit managers), hospitals and state and federal government agencies (for example, the United States Department of Veterans Affairs and the United States Department of Defense) are also important customers. AbbVie also markets directly to consumers themselves, although in the United States all of the company's products must be sold pursuant to a prescription. Outside of the United States, AbbVie focuses its marketing efforts on key opinion leaders, payers, physicians and country regulatory bodies. AbbVie also provides patient support programs closely related to its products.

AbbVie's products are generally sold worldwide directly to wholesalers, distributors, government agencies, health care facilities, specialty pharmacies and independent retailers from AbbVie-owned distribution centers and public warehouses. Although AbbVie's business does not have significant seasonality, AbbVie's product revenues may be affected by end customer and retail buying patterns, fluctuations in wholesaler inventory levels and other factors.

In the United States, AbbVie distributes pharmaceutical products principally through independent wholesale distributors, with some sales directly to pharmacies and patients. In 2019, three wholesale distributors (McKesson Corporation, Cardinal Health, Inc. and AmerisourceBergen Corporation) accounted for substantially all of AbbVie's sales in the United States. No individual wholesaler accounted for greater than 42% of AbbVie's 2019 gross revenues in the United States. Outside the United States, AbbVie sells products primarily to customers or through distributors, depending on the market served. These wholesalers purchase product from AbbVie under standard terms and conditions of sale.

Certain products are co-marketed or co-promoted with other companies. AbbVie has no single customer that, if the customer were lost, would have a material adverse effect on the company's business. No material portion of AbbVie's business is subject to renegotiation of profits or termination of contracts at the election of the government. Orders are generally filled on a current basis and order backlog is not material to AbbVie's business.

Competition

The markets for AbbVie's products are highly competitive. AbbVie competes with other research-based pharmaceuticals and biotechnology companies that discover, manufacture, market and sell proprietary pharmaceutical products and biologics. For example, HUMIRA competes with anti-TNF products and other competitive products intended to treat a number of disease states and AbbVie's virology products compete with other available HCV treatment options. The search for technological innovations in pharmaceutical products is a significant aspect of competition. The introduction of new products by competitors and changes in medical practices and procedures can result in product obsolescence. Price is also a competitive factor. In addition, the substitution of generic pharmaceutical products for branded pharmaceutical products creates competitive pressures on AbbVie's products that do not have patent protection. New products or treatments brought to market by AbbVie's competitors could cause revenues for AbbVie's products to decrease due to price reductions and sales volume decreases.

Biosimilars. Competition for AbbVie's biologic products is affected by the approval of follow-on biologics, also known as "biosimilars." Biologics have added major therapeutic options for the treatment of many diseases, including some for which therapies were unavailable or inadequate. The cost of developing and producing biologic therapies is typically dramatically higher than for conventional (small molecule) medications, and many biologic medications are used for ongoing treatment of chronic diseases, such as rheumatoid arthritis or inflammatory bowel disease, or for the treatment of previously untreatable cancer. Significant investments in biologics infrastructure and manufacturing are necessary to produce biologic products.

HUMIRA is now facing direct biosimilar competition in Europe and other countries, and AbbVie will continue to face competitive pressure from these biologics and from orally administered products.

In the United States, the FDA regulates biologics under the Federal Food, Drug and Cosmetic Act, the Public Health Service Act and implementing regulations. The enactment of federal health care reform legislation in March 2010 provided a pathway for approval of biosimilars under the Public Health Service Act, but the approval process for, and science behind, biosimilars is complex. Approval by the FDA is dependent upon many factors, including a showing that the biosimilar is "highly similar" to the original product and has no clinically meaningful differences from the original product in terms of safety, purity and potency. The types of data that could ordinarily be required in an application to show similarity may

include analytical data, bioequivalence studies and studies to demonstrate chemical similarity, animal studies (including toxicity studies) and clinical studies.

Furthermore, the law provides that only a biosimilar product that is determined to be “interchangeable” will be considered substitutable for the original biologic product without the intervention of the health care provider who prescribed the original biologic product. To prove that a biosimilar product is interchangeable, the applicant must demonstrate that the product can be expected to produce the same clinical results as the original biologic product in any given patient, and if the product is administered more than once in a patient, that safety risks and potential for diminished efficacy of alternating or switching between the use of the interchangeable biosimilar biologic product and the original biologic product is no greater than the risk of using the original biologic product without switching. The law continues to be interpreted and implemented by the FDA. As a result, its ultimate impact, implementation and meaning remains subject to substantial uncertainty.

Intellectual Property Protection and Regulatory Exclusivity

Generally, upon approval, products may be entitled to certain kinds of exclusivity under applicable intellectual property and regulatory regimes. AbbVie’s intellectual property is materially valuable to the company, and AbbVie seeks patent protection, where available, in all significant markets and/or countries for each product in development. In the United States, the expiration date for patents is 20 years after the filing date. Given that patents relating to pharmaceutical products are often obtained early in the development process and given the amount of time needed to complete clinical trials and other development activities required for regulatory approval, the length of time between product launch and patent expiration is significantly less than 20 years. The Drug Price Competition and Patent Term Restoration Act of 1984 (commonly known as the Hatch-Waxman Act) permits a patent holder to seek a patent extension, commonly called a “patent term restoration,” for patents on products (or processes for making the product) regulated by the Federal Food, Drug, and Cosmetic Act. The length of the patent extension is roughly based on 50 percent of the period of time from the filing of an Investigational New Drug Application (NDA) for a compound to the submission of the NDA for such compound, plus 100 percent of the time period from NDA submission to regulatory approval. The extension, however, cannot exceed five years and the patent term remaining after regulatory approval cannot exceed 14 years. Biological products licensed under the Public Health Service Act are similarly eligible for terms of patent restoration.

Pharmaceutical products may be entitled to other forms of legal or regulatory exclusivity upon approval. The scope, length, and requirements for each of these exclusivities vary both in the United States and in other jurisdictions. In the United States, if the FDA approves a drug product that contains an active ingredient not previously approved, the product is typically entitled to five years of non-patent regulatory exclusivity. Other products may be entitled to three years of exclusivity if approval was based on the FDA’s reliance on new clinical studies essential to approval submitted by the NDA applicant. If the NDA applicant studies the product for use by children, the FDA may grant pediatric exclusivity, which extends by 180 days all existing exclusivities (patent and regulatory) related to the product. For products that are either used to treat conditions that afflict a relatively small population or for which there is not a reasonable expectation that the research and development costs will be recovered, the FDA may designate the pharmaceutical as an orphan drug and grant it seven years of market exclusivity.

Applicable laws and regulations dictate the scope of any exclusivity to which a product or particular characteristics of a product is entitled upon approval in any particular country. In certain instances, regulatory exclusivity may offer protection where patent protection is no longer available or for a period of time in excess of patent protection. It is not possible to estimate for each product in development the total period and scope of exclusivity to which it may become entitled until regulatory approval is obtained. However, given the length of time required to complete clinical development of a pharmaceutical product, the periods of exclusivity that might be achieved in any individual case would not be expected to exceed a

minimum of three years and a maximum of 14 years. These estimates do not consider other factors, such as the difficulty of recreating the manufacturing process for a particular product or other proprietary knowledge that may delay the introduction of a generic or other follow-on product after the expiration of applicable patent and other regulatory exclusivity periods.

Biologics may be entitled to exclusivity under the Biologics Price Competition and Innovation Act, which was passed on March 23, 2010 as Title VII to the Patient Protection and Affordable Care Act. The law provides a pathway for approval of biosimilars following the expiration of 12 years of regulatory exclusivity for the innovator biologic and a potential additional 180 day-extension term for conducting pediatric studies. Biologics are also eligible for orphan drug exclusivity, as discussed above. The law also includes an extensive process for the innovator biologic and biosimilar manufacturer to litigate patent infringement, validity, and enforceability. The European Union has also created a pathway for approval of biosimilars and has published guidelines for approval of certain biosimilar products. The more complex nature of biologics and biosimilar products has led to close regulatory scrutiny over follow-on biosimilar products, which can reduce the effect of biosimilars on sales of the innovator biologic as compared to the sales erosion caused by generic versions of small molecule pharmaceutical products.

AbbVie owns or has licensed rights to a substantial number of patents and patent applications. AbbVie licenses or owns a patent portfolio of thousands of patent families, each of which includes United States patent applications and/or issued patents and may also contain the non-United States counterparts to these patents and applications.

These patents and applications, including various patents that expire during the period 2020 to the late 2030s, in aggregate are believed to be of material importance in the operation of AbbVie's business. However, AbbVie believes that no single patent, license, trademark (or related group of patents, licenses, or trademarks), except for those related to adalimumab (which is sold under the trademark HUMIRA), are material in relation to the company's business as a whole. The United States composition of matter (that is, compound) patent covering adalimumab expired in December 2016, and the equivalent European Union patent expired in October 2018 in the majority of European Union countries. In the United States, non-composition of matter patents covering adalimumab expire no earlier than 2022. AbbVie has entered into settlement and license agreements with several adalimumab biosimilar manufactures. Under the agreements, the license in the United States will begin in 2023 and the license in Europe began in 2018.

In addition, the following patents, licenses, and trademarks are significant: those related to ibrutinib (which is sold under the trademark IMBRUVICA) and those related to glecaprevir and pibrentasvir (which are sold under the trademarks MAVYRET and MAVIRET). The United States composition of matter patent covering ibrutinib is expected to expire in 2027. The United States composition of matter patents covering glecaprevir and pibrentasvir are expected to expire in 2032.

AbbVie may rely, in some circumstances, on trade secrets to protect its technology. However, trade secrets are difficult to protect. AbbVie seeks to protect its technology and product candidates, in part, by confidentiality agreements with its employees, consultants, advisors, contractors, and collaborators. These agreements may be breached and AbbVie may not have adequate remedies for any breach. In addition, AbbVie's trade secrets may otherwise become known or be independently discovered by competitors. To the extent that AbbVie's employees, consultants, advisors, contractors, and collaborators use intellectual property owned by others in their work for the company, disputes may arise as to the rights in related or resulting know-how and inventions.

Licensing, Acquisitions and Other Arrangements

In addition to its independent efforts to develop and market products, AbbVie enters into arrangements such as acquisitions, option-to-acquire agreements, licensing arrangements, option-to-license arrangements, strategic alliances, co-promotion arrangements, co-development and co-marketing agreements, and joint ventures. The acquisitions and option-to-acquire agreements typically include, among

other terms and conditions, non-refundable purchase price payments or option fees, option exercise payments, milestones or earn-outs, and other customary terms and obligations. The licensing and other arrangements typically include, among other terms and conditions, non-refundable upfront license fees, option fees and option exercise payments, milestone payments and royalty and/or profit sharing obligations. See Note 5, “Licensing, Acquisitions and Other Arrangements—Other Licensing & Acquisitions Activity,” to the Consolidated Financial Statements included under Item 8, “Financial Statements and Supplementary Data.”

Third Party Agreements

AbbVie has agreements with third parties for process development, product distribution, analytical services and manufacturing of certain products. AbbVie procures certain products and services from a limited number of suppliers and, in some cases, a single supply source. In addition, AbbVie has agreements with third parties for active pharmaceutical ingredient and product manufacturing, formulation and development services, fill, finish and packaging services, transportation and distribution and logistics services for certain products. AbbVie does not believe that these manufacturing related agreements are material because AbbVie’s business is not substantially dependent on any individual agreement. In most cases, AbbVie maintains alternate supply relationships that it can utilize without undue disruption of its manufacturing processes if a third party fails to perform its contractual obligations. AbbVie also maintains sufficient inventory of product to minimize the impact of any supply disruption.

AbbVie is also party to certain collaborations and other arrangements, as discussed in Note 5, “Licensing, Acquisitions and Other Arrangements—Other Licensing & Acquisitions Activity,” to the Consolidated Financial Statements included under Item 8, “Financial Statements and Supplementary Data.”

Sources and Availability of Raw Materials

AbbVie purchases, in the ordinary course of business, raw materials and supplies essential to its operations from numerous suppliers around the world. In addition, certain medical devices and components necessary for the manufacture of AbbVie products are provided by unaffiliated third party suppliers. AbbVie has not experienced any recent significant availability problems or supply shortages that impacted fulfillment of product demand.

Research and Development Activities

AbbVie makes a significant investment in research and development and has numerous compounds in clinical development, including potential treatments for complex, life-threatening diseases. AbbVie’s ability to discover and develop new compounds is enhanced by the company’s use of integrated discovery and development project teams, which include chemists, biologists, physicians and pharmacologists who work on the same compounds as a team. AbbVie also partners with third parties, such as biotechnology companies, other pharmaceutical companies and academic institutions to identify and prioritize promising new treatments that complement and enhance AbbVie’s existing portfolio.

The research and development process generally begins with discovery research which focuses on the identification of a molecule that has a desired effect against a given disease. If preclinical testing of an identified compound proves successful, the compound moves into clinical development which generally includes the following phases:

- Phase 1—involves the first human tests in a small number of healthy volunteers or patients to assess safety, tolerability and potential dosing.
- Phase 2—tests the drug’s efficacy against the disease in a relatively small group of patients.
- Phase 3—tests a drug that demonstrates favorable results in the earlier phases in a significantly larger patient population to further demonstrate efficacy and safety based on regulatory criteria.

The clinical trials from all of the development phases provide the data required to prepare and submit an NDA, a Biological License Application (BLA) or other submission for regulatory approval to the FDA or similar government agencies outside the United States. The specific requirements (e.g., scope of clinical trials) for obtaining regulatory approval vary across different countries and geographic regions.

The research and development process from discovery through a new drug launch typically takes 8 to 12 years and can be even longer. The research and development of new pharmaceutical products has a significant amount of inherent uncertainty. There is no guarantee when, or if, a molecule will receive the regulatory approval required to launch a new drug or indication.

In addition to the development of new products and new formulations, research and development projects also may include Phase 4 trials, sometimes called post-marketing studies. For such projects, clinical trials are designed and conducted to collect additional data regarding, among other parameters, the benefits and risks of an approved drug.

Regulation—Discovery and Clinical Development

United States. Securing approval to market a new pharmaceutical product in the United States requires substantial effort and financial resources and takes several years to complete. The applicant must complete preclinical tests and submit protocols to the FDA before commencing clinical trials. Clinical trials are intended to establish the safety and efficacy of the pharmaceutical product and typically are conducted in sequential phases, although the phases may overlap or be combined. If the required clinical testing is successful, the results are submitted to the FDA in the form of an NDA or BLA requesting approval to market the product for one or more indications. The FDA reviews an NDA or BLA to determine whether a product is safe and effective for its intended use and whether its manufacturing is compliant with current Good Manufacturing Practices (cGMP).

Even if an NDA or a BLA receives approval, the applicant must comply with post-approval requirements. For example, holders of an approval must report adverse reactions, provide updated safety and efficacy information and comply with requirements concerning advertising and promotional materials and activities. Also, quality control and manufacturing procedures must continue to conform to cGMP after approval, and certain changes to the manufacturing procedures and finished product must be included in the NDA or BLA and approved by the FDA prior to implementation. The FDA periodically inspects manufacturing facilities to assess compliance with cGMP, which imposes extensive procedural and record keeping requirements. In addition, as a condition of approval, the FDA may require post-marketing testing and surveillance to further assess and monitor the product's safety or efficacy after commercialization, which may require additional clinical trials, patient registries, observational data or additional work on chemistry, manufacturing and controls. Any post-approval regulatory obligations, and the cost of complying with such obligations, could expand in the future.

Outside the United States. AbbVie is subject to similar regulatory requirements outside the United States for approval and marketing of pharmaceutical products. AbbVie must obtain approval of a clinical trial application or product from the applicable regulatory authorities before it can commence clinical trials or marketing of the product. The approval requirements and process for each country can vary, and the time required to obtain approval may be longer or shorter than that required for FDA approval in the United States. For example, AbbVie may submit marketing authorizations in the European Union under either a centralized or decentralized procedure. The centralized procedure is mandatory for the approval of biotechnology products and many pharmaceutical products and provides for a single marketing authorization that is valid for all European Union member states. Under the centralized procedure, a single marketing authorization application is submitted to the European Medicines Agency (EMA). After the agency evaluates the application, it makes a recommendation to the European Commission, which then makes the final determination on whether to approve the application. The decentralized procedure provides for mutual

recognition of individual national approval decisions and is available for products that are not subject to the centralized procedure.

In Japan, applications for approval of a new product are made through the Pharmaceutical and Medical Devices Agency (PMDA). Bridging studies to demonstrate that the non-Japanese clinical data applies to Japanese patients may be required. After completing a comprehensive review, the PMDA reports to the Ministry of Health, Labour and Welfare, which then approves or denies the application.

The regulatory process in many emerging markets continues to evolve. Many emerging markets, including those in Asia, generally require regulatory approval to have been obtained in a large developed market (such as the United States or Europe) before the country will begin or complete its regulatory review process. Some countries also require that local clinical studies be conducted in order to obtain regulatory approval in the country.

The requirements governing the conduct of clinical trials and product licensing also vary. In addition, post-approval regulatory obligations such as adverse event reporting and cGMP compliance generally apply and may vary by country. For example, after a marketing authorization has been granted in the European Union, periodic safety reports must be submitted and other pharmacovigilance measures may be required (such as Risk Management Plans).

Regulation—Commercialization, Distribution and Manufacturing

The manufacture, marketing, sale, promotion and distribution of AbbVie's products are subject to comprehensive government regulation. Government regulation by various national, regional, federal, state and local agencies, both in the United States and other countries, addresses (among other matters) inspection of, and controls over, research and laboratory procedures, clinical investigations, product approvals and manufacturing, labeling, packaging, marketing and promotion, pricing and reimbursement, sampling, distribution, quality control, post-marketing surveillance, record keeping, storage and disposal practices. AbbVie's operations are also affected by trade regulations in many countries that limit the import of raw materials and finished products and by laws and regulations that seek to prevent corruption and bribery in the marketplace (including the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act, which provide guidance on corporate interactions with government officials) and require safeguards for the protection of personal data. In addition, AbbVie is subject to laws and regulations pertaining to health care fraud and abuse, including state and federal anti-kickback and false claims laws in the United States. Prescription drug manufacturers such as AbbVie are also subject to taxes, as well as application, product, user and other fees.

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

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

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

United States. Specifically, U.S. federal laws require pharmaceutical manufacturers to pay certain statutorily-prescribed rebates to state Medicaid programs on prescription drugs reimbursed under state Medicaid plans, and the efforts by states to seek additional rebates affect AbbVie's business. Similarly, the Veterans Health Care Act of 1992, as a prerequisite to participation in Medicaid and other federal health care programs, requires that manufacturers extend additional discounts on pharmaceutical products to various federal agencies, including the United States Department of Veterans Affairs, Department of Defense and Public Health Service entities and institutions. In addition, recent legislative changes would require similarly discounted prices to be offered to TRICARE program beneficiaries. The Veterans Health Care Act of 1992 also established the 340B drug discount program, which requires pharmaceutical manufacturers to provide products at reduced prices to various designated health care entities and facilities.

In the United States, most states also have generic substitution legislation requiring or permitting a dispensing pharmacist to substitute a different manufacturer's generic version of a pharmaceutical product for the one prescribed. In addition, the federal government follows a diagnosis-related group (DRG) payment system for certain institutional services provided under Medicare or Medicaid and has implemented a prospective payment system (PPS) for services delivered in hospital outpatient, nursing home and home health settings. DRG and PPS entitle a health care facility to a fixed reimbursement based on the diagnosis and/or procedure rather than actual costs incurred in patient treatment, thereby increasing the incentive for the facility to limit or control expenditures for many health care products. Medicare reimburses Part B drugs based on average sales price plus a certain percentage to account for physician administration costs, which have been reduced in the hospital outpatient setting. Medicare enters into contracts with private plans to negotiate prices for most patient-administered medicine delivered under Part D.

Under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (together, the Affordable Care Act), AbbVie pays a fee related to its pharmaceuticals sales to government programs. In addition, AbbVie provides a discount of 50% for branded prescription drugs sold to patients who fall into the Medicare Part D coverage gap, or "donut hole."

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

AbbVie expects debate to continue during 2020 at all government levels worldwide over the marketing, availability, method of delivery and payment for health care products and services. AbbVie believes that future legislation and regulation in the markets it serves could affect access to health care products and services, increase rebates, reduce prices or the rate of price increases for health care products and services, change health care delivery systems, create new fees and obligations for the pharmaceuticals industry, or require additional reporting and disclosure. It is not possible to predict the

extent to which AbbVie or the health care industry in general might be affected by the matters discussed above.

European Union. The European Union has adopted directives and other legislation governing labeling, advertising, distribution, supply, pharmacovigilance and marketing of pharmaceutical products. Such legislation provides mandatory standards throughout the European Union and permits member states to supplement these standards with additional regulations. European governments also regulate pharmaceutical product prices through their control of national health care systems that fund a large part of the cost of such products to consumers. As a result, patients are unlikely to use a pharmaceutical product that is not reimbursed by the government. In many European countries, the government either regulates the pricing of a new product at launch or subsequent to launch through direct price controls or reference pricing. In recent years, many countries have also imposed new or additional cost containment measures on pharmaceutical products. Differences between national pricing regimes create price differentials within the European Union that can lead to significant parallel trade in pharmaceutical products.

Most governments also promote generic substitution by mandating or permitting a pharmacist to substitute a different manufacturer's generic version of a pharmaceutical product for the one prescribed and by permitting or mandating that health care professionals prescribe generic versions in certain circumstances. Many governments are also following a similar path for biosimilar therapies. In addition, governments use reimbursement lists to limit the pharmaceutical products that are eligible for reimbursement by national health care systems.

Japan. In Japan, the National Health Insurance system maintains a Drug Price List specifying which pharmaceutical products are eligible for reimbursement, and the Ministry of Health, Labour and Welfare sets the prices of the products on this list. The government generally introduces price cut rounds every other year and also mandates price decreases for specific products. New products judged innovative or useful, that are indicated for pediatric use, or that target orphan or small population diseases, however, may be eligible for a pricing premium. The government has also promoted the use of generics, where available.

Emerging Markets. Many emerging markets take steps to reduce pharmaceutical product prices, in some cases through direct price controls and in others through the promotion of generic/biosimilar alternatives to branded pharmaceuticals.

Since AbbVie markets its products worldwide, certain products of a local nature and variations of product lines must also meet other local regulatory requirements. Certain additional risks are inherent in conducting business outside the United States, including price and currency exchange controls, changes in currency exchange rates, limitations on participation in local enterprises, expropriation, nationalization and other governmental action.

Environmental Matters

AbbVie believes that its operations comply in all material respects with applicable laws and regulations concerning environmental protection. Regulations under federal and state environmental laws impose stringent limitations on emissions and discharges to the environment from various manufacturing operations. AbbVie's capital expenditures for pollution control in 2019 were approximately \$29 million and operating expenditures were approximately \$34 million. In 2020, capital expenditures for pollution control are estimated to be approximately \$5 million and operating expenditures are estimated to be approximately \$35 million.

Abbott was identified as one of many potentially responsible parties in investigations and/or remediations at several locations in the United States, including Puerto Rico, under the Comprehensive Environmental Response, Compensation and Liability Act, commonly known as Superfund. Some of these

locations were transferred to AbbVie in connection with the separation and distribution, and AbbVie has become a party to these investigations and remediations. Abbott was also engaged in remediation at several other sites, some of which have been transferred to AbbVie in connection with the separation and distribution, in cooperation with the Environmental Protection Agency or similar agencies. While it is not feasible to predict with certainty the final costs related to those investigations and remediation activities, AbbVie believes that such costs, together with other expenditures to maintain compliance with applicable laws and regulations concerning environmental protection, should not have a material adverse effect on the company's financial position, cash flows, or results of operations.

Employees

AbbVie employed approximately 30,000 persons as of January 31, 2020. Outside the United States, some of AbbVie's employees are represented by unions or works councils. AbbVie believes that it has good relations with its employees.

Internet Information

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

AbbVie's corporate governance guidelines, outline of directorship qualifications, code of business conduct and the charters of AbbVie's audit committee, compensation committee, nominations and governance committee and public policy committee are all available on AbbVie's investor relations website (www.abbvieinvestor.com).

ITEM 1A. RISK FACTORS

You should carefully consider the following risks and other information in this Form 10-K in evaluating AbbVie and AbbVie's common stock. Any of the following risks could materially and adversely affect AbbVie's results of operations, financial condition or cash flows. The risk factors generally have been separated into three groups: risks related to AbbVie's business, risks related to AbbVie's proposed acquisition of Allergan (the "Acquisition") and the combined company upon completion of the Acquisition, and risks related to AbbVie's common stock. Based on the information currently known to it, AbbVie believes that the following information identifies the most significant risk factors affecting it in each of these categories of risks. However, the risks and uncertainties AbbVie faces are not limited to those set forth in the risk factors described below and may not be in order of importance or probability of occurrence. Additional risks and uncertainties not presently known to AbbVie or that AbbVie currently believes to be immaterial may also adversely affect its business. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

If any of the following risks and uncertainties develops into actual events, these events could have a material adverse effect on AbbVie's business, results of operations, financial condition or cash flows. In such case, the trading price of AbbVie's common stock could decline.

Risks Related to AbbVie's Business

The expiration or loss of patent protection and licenses may adversely affect AbbVie's future revenues and operating earnings.

AbbVie relies on patent, trademark and other intellectual property protection in the discovery, development, manufacturing and sale of its products. In particular, patent protection is, in the aggregate, important in AbbVie's marketing of pharmaceutical products in the United States and most major markets outside of the United States. Patents covering AbbVie products normally provide market exclusivity, which is important for the profitability of many of AbbVie's products.

As patents for certain of its products expire, AbbVie will or could face competition from lower priced generic or biosimilar products. The expiration or loss of patent protection for a product typically is followed promptly by substitutes that may significantly reduce sales for that product in a short amount of time. If AbbVie's competitive position is compromised because of generics, biosimilars or otherwise, it could have a material adverse effect on AbbVie's business and results of operations. In addition, proposals emerge from time to time for legislation to further encourage the early and rapid approval of generic drugs or biosimilars. Any such proposals that are enacted into law could increase the impact of generic competition.

AbbVie's principal patents and trademarks are described in greater detail in Item 1, "Business—Intellectual Property Protection and Regulatory Exclusivity" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations," and litigation regarding these patents is described in Item 3, "Legal Proceedings." The United States composition of matter patent for HUMIRA, which is AbbVie's largest product and had worldwide net revenues of approximately \$19.2 billion in 2019, expired in December 2016, and the equivalent European Union patent expired in the majority of European Union countries in October 2018.

AbbVie's major products could lose patent protection earlier than expected, which could adversely affect AbbVie's future revenues and operating earnings.

Third parties or government authorities may challenge or seek to invalidate or circumvent AbbVie's patents and patent applications. For example, manufacturers of generic pharmaceutical products file, and may continue to file, Abbreviated New Drug Applications with the FDA seeking to market generic forms of AbbVie's products prior to the expiration of relevant patents owned or licensed by AbbVie by asserting that the patents are invalid, unenforceable and/or not infringed. In addition, petitioners have filed, and may

continue to file, challenges to the validity of AbbVie patents under the 2011 Leahy-Smith America Invents Act, which created *inter partes* review and post grant review procedures for challenging patent validity in administrative proceedings at the United States Patent and Trademark Office.

Although most of the challenges to AbbVie's intellectual property have come from other businesses, governments may also challenge intellectual property rights. For example, court decisions and potential legislation relating to patents, such as legislation regarding biosimilars, and other regulatory initiatives may result in further erosion of intellectual property protection. In addition, certain governments outside the United States have indicated that compulsory licenses to patents may be sought to further their domestic policies or on the basis of national emergencies, such as HIV/AIDS. If triggered, compulsory licenses could diminish or eliminate sales and profits from those jurisdictions and negatively affect AbbVie's results of operations.

AbbVie normally responds to challenges by vigorously defending its patents, including by filing patent infringement lawsuits. Patent litigation, administrative proceedings and other challenges to AbbVie's patents are costly and unpredictable and may deprive AbbVie of market exclusivity for a patented product. To the extent AbbVie's intellectual property is successfully challenged, circumvented or weakened, or to the extent such intellectual property does not allow AbbVie to compete effectively, AbbVie's business will suffer. To the extent that countries do not enforce AbbVie's intellectual property rights or require compulsory licensing of AbbVie's intellectual property, AbbVie's future revenues and operating earnings will be reduced.

A third party's intellectual property may prevent AbbVie from selling its products or have a material adverse effect on AbbVie's future profitability and financial condition.

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

Any significant event that adversely affects HUMIRA revenues could have a material and negative impact on AbbVie's results of operations and cash flows.

HUMIRA accounted for approximately 58% of AbbVie's total net revenues in 2019. Any significant event that adversely affects HUMIRA's revenues could have a material adverse impact on AbbVie's results of operations and cash flows. These events could include loss of patent protection for HUMIRA (as described further in "*—The expiration or loss of patent protection and licenses may adversely affect AbbVie's future revenues and operating earnings*" above), the commercialization of biosimilars of HUMIRA, the discovery of previously unknown side effects or impaired efficacy, increased competition from the introduction of new, more effective or less expensive treatments and discontinuation or removal from the market of HUMIRA for any reason.

AbbVie's research and development efforts may not succeed in developing and marketing commercially successful products and technologies, which may cause its revenues and profitability to decline.

To remain competitive, AbbVie must continue to launch new products and new indications and/or brand extensions for existing products, and such launches must generate revenue sufficient both to cover its substantial research and development costs and to replace revenues of profitable products that are lost to or displaced by competing products or therapies. Failure to do so would have a material adverse effect on AbbVie's revenue and profitability. Accordingly, AbbVie commits substantial effort, funds, and other

resources to research and development and must make ongoing substantial expenditures without any assurance that its efforts will be commercially successful. A high rate of failure in the biopharmaceutical industry is inherent in the research and development of new products, and failure can occur at any point in the research and development process, including after significant funds have been invested. Products that appear promising in development may fail to reach the market for numerous reasons, including failure to demonstrate effectiveness, safety concerns, superior safety or efficacy of competing therapies, failure to achieve positive clinical or pre-clinical outcomes beyond the current standards of care, inability to obtain necessary regulatory approvals or delays in the approval of new products and new indications, limited scope of approved uses, excessive costs to manufacture, the failure to obtain or maintain intellectual property rights, or infringement of the intellectual property rights of others.

Decisions about research studies made early in the development process of a pharmaceutical product candidate can affect the marketing strategy once such candidate receives approval. More detailed studies may demonstrate additional benefits that can help in the marketing, but they also consume time and resources and may delay submitting the pharmaceutical product candidate for approval. AbbVie cannot guarantee that a proper balance of speed and testing will be made with respect to each pharmaceutical product candidate or that decisions in this area would not adversely affect AbbVie's future results of operations.

Even if AbbVie successfully develops and markets new products or enhancements to its existing products, they may be quickly rendered obsolete by changing clinical preferences, changing industry standards, or competitors' innovations. AbbVie's innovations may not be accepted quickly in the marketplace because of existing clinical practices or uncertainty over third-party reimbursement. AbbVie cannot state with certainty when or whether any of its products under development will be launched, whether it will be able to develop, license, or otherwise acquire compounds or products, or whether any products will be commercially successful. Failure to launch successful new products or new indications for existing products may cause AbbVie's products to become obsolete, causing AbbVie's revenues and operating results to suffer.

A portion of AbbVie's near-term pharmaceutical pipeline relies on collaborations with third parties, which may adversely affect the development and sale of its products.

AbbVie depends on alliances with pharmaceutical and biotechnology companies for a portion of the products in its near-term pharmaceutical pipeline. Failures by these parties to meet their contractual, regulatory, or other obligations to AbbVie, or any disruption in the relationships between AbbVie and these third parties, could have an adverse effect on AbbVie's pharmaceutical pipeline and business. In addition, AbbVie's collaborative relationships for research and development extend for many years and may give rise to disputes regarding the relative rights, obligations and revenues of AbbVie and its collaboration partners, including the ownership of intellectual property and associated rights and obligations. This could result in the loss of intellectual property rights or protection, delay the development and sale of potential pharmaceutical products and lead to lengthy and expensive litigation, administrative proceedings or arbitration.

Biologics carry unique risks and uncertainties, which could have a negative impact on future results of operations.

The successful discovery, development, manufacturing and sale of biologics is a long, expensive and uncertain process. There are unique risks and uncertainties with biologics. For example, access to and supply of necessary biological materials, such as cell lines, may be limited and governmental regulations restrict access to and regulate the transport and use of such materials. In addition, the development, manufacturing and sale of biologics is subject to regulations that are often more complex and extensive than the regulations applicable to other pharmaceutical products. Manufacturing biologics, especially in large quantities, is often complex and may require the use of innovative technologies. Such manufacturing

also requires facilities specifically designed and validated for this purpose and sophisticated quality assurance and quality control procedures. Biologics are also frequently costly to manufacture because production inputs are derived from living animal or plant material, and some biologics cannot be made synthetically. Failure to successfully discover, develop, manufacture and sell biologics—including HUMIRA—could adversely impact AbbVie’s business and results of operations.

AbbVie’s biologic products are subject to competition from biosimilars.

The Biologics Price Competition and Innovation Act creates a framework for the approval of biosimilars in the United States and could allow competitors to reference data from biologic products already approved. In Europe, the European Commission has granted marketing authorizations for several biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years. In addition, companies are developing biosimilars in other countries that could and do compete with AbbVie’s biologic products, including HUMIRA. As competitors obtain marketing approval for biosimilars referencing AbbVie’s biologic products, AbbVie’s products may become subject to competition from such biosimilars, with the attendant competitive pressure and consequences. Expiration or successful challenge of AbbVie’s applicable patent rights could also trigger competition from other products, assuming any relevant exclusivity period has expired. As a result, AbbVie could face more litigation and administrative proceedings with respect to the validity and/or scope of patents relating to its biologic products.

New products and technological advances by AbbVie’s competitors may negatively affect AbbVie’s results of operations.

AbbVie competes with other research-based pharmaceutical and biotechnology companies that discover, manufacture, market and sell proprietary pharmaceutical products and biologics. For example, HUMIRA competes with anti-TNF products and other competitive products intended to treat a number of disease states and AbbVie’s virology products compete with other available hepatitis C treatment options. These competitors may introduce new products or develop technological advances that compete with AbbVie’s products in therapeutic areas such as immunology, virology/liver disease, oncology and neuroscience. AbbVie cannot predict with certainty the timing or impact of the introduction by competitors of new products or technological advances. Such competing products may be safer, more effective, more effectively marketed or sold, or have lower prices or superior performance features than AbbVie’s products, and this could negatively impact AbbVie’s business and results of operations.

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

The manufacture of many of AbbVie’s products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new facilities or the expansion of existing facilities, including those intended to support future demand for AbbVie’s products, changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, physical limitations that could inhibit continuous supply, man-made or natural disasters and environmental factors. If problems arise during the production of a batch of product, that batch of product may have to be discarded and AbbVie may experience product shortages or incur added expenses. This could, among other things, lead to increased costs, lost revenue, damage to customer relations, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred.

AbbVie uses a number of products in its pharmaceutical and biologic manufacturing processes that are sourced from single suppliers, and an interruption in the supply of those products could adversely affect AbbVie's business and results of operations.

AbbVie uses a number of products in its pharmaceutical and biologic manufacturing processes that are sourced from single suppliers. The failure of these single-source suppliers to fulfill their contractual obligations in a timely manner or as a result of regulatory noncompliance or physical disruption at a manufacturing site may impair AbbVie's ability to deliver its products to customers on a timely and competitive basis, which could adversely affect AbbVie's business and results of operations. Finding an alternative supplier could take a significant amount of time and involve significant expense due to the nature of the products and the need to obtain regulatory approvals. AbbVie cannot guarantee that it will be able to reach agreement with alternative providers or that regulatory authorities would approve AbbVie's use of such alternatives. AbbVie does, however, carry business interruption insurance, which provides a degree of protection in the case of a failure by a single-source supplier.

Significant safety or efficacy issues could arise for AbbVie's products, which could have a material adverse effect on AbbVie's revenues and financial condition.

Pharmaceutical products receive regulatory approval based on data obtained in controlled clinical trials of limited duration. Following regulatory approval, these products will be used over longer periods of time in many patients. Investigators may also conduct additional, and perhaps more extensive, studies. If new safety or efficacy issues are reported or if new scientific information becomes available (including results of post-marketing Phase 4 trials), or if governments change standards regarding safety, efficacy or labeling, AbbVie may be required to amend the conditions of use for a product. For example, AbbVie may voluntarily provide or be required to provide updated information on a product's label or narrow its approved indication, either of which could reduce the product's market acceptance. If safety or efficacy issues with an AbbVie product arise, sales of the product could be halted by AbbVie or by regulatory authorities and regulatory action could be taken by such regulatory authorities. Safety or efficacy issues affecting suppliers' or competitors' products also may reduce the market acceptance of AbbVie's products.

New data about AbbVie's products, or products similar to its products, could negatively impact demand for AbbVie's products due to real or perceived safety issues or uncertainty regarding efficacy and, in some cases, could result in product withdrawal. Furthermore, new data and information, including information about product misuse, may lead government agencies, professional societies, practice management groups or organizations involved with various diseases to publish guidelines or recommendations related to the use of AbbVie's products or the use of related therapies or place restrictions on sales. Such guidelines or recommendations may lead to lower sales of AbbVie's products.

AbbVie is subject to product liability claims and other lawsuits that may adversely affect its business and results of operations.

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

AbbVie is also the subject of other claims, legal proceedings and investigations in the ordinary course of business, which relate to the intellectual property, commercial, securities and other matters. Adverse outcomes in such claims, legal proceedings and investigations may also adversely affect AbbVie's business and results of operations.

AbbVie is subject to cost-containment efforts and pricing pressures that could cause a reduction in future revenues and operating earnings, and changes in the terms of rebate and chargeback programs, which are common in the pharmaceuticals industry, could have a material adverse effect on AbbVie's operations.

Cost-containment efforts by governments and private organizations are described in greater detail in Item 1, "Business—Regulation—Commercialization, Distribution and Manufacturing." To the extent these cost containment efforts are not offset by greater demand, increased patient access to health care, or other factors, AbbVie's future revenues and operating earnings will be reduced. In the United States, the European Union and other countries, AbbVie's business has experienced downward pressure on product pricing, and this pressure could increase in the future.

AbbVie is subject to increasing public and legislative pressure with respect to pharmaceutical pricing. In the United States, practices of managed care groups, and institutional and governmental purchasers, and United States federal laws and regulations related to Medicare and Medicaid, including the Medicare Prescription Drug Improvement and Modernization Act of 2003 and the Patient Protection and Affordable Care Act, contribute to pricing pressures. The potential for continuing changes to the health care system in the United States and the increased purchasing power of entities that negotiate on behalf of Medicare, Medicaid and private sector beneficiaries could result in additional pricing pressures.

In numerous major markets worldwide, the government plays a significant role in funding health care services and determining the pricing and reimbursement of pharmaceutical products. Consequently, in those markets, AbbVie is subject to government decision-making and budgetary actions with respect to its products. In particular, many European countries have ongoing government-mandated price reductions for many pharmaceutical products, and AbbVie anticipates continuing pricing pressures in Europe. Differences between countries in pricing regulations could lead to third-party cross-border trading in AbbVie's products that results in a reduction in future revenues and operating earnings.

Rebates related to government programs, such as fee-for-service Medicaid or Medicaid managed care programs, arise from laws and regulations. AbbVie cannot predict if additional government initiatives to contain health care costs or other factors could lead to new or modified regulatory requirements that include higher or incremental rebates or discounts. Other rebate and discount programs arise from contractual agreements with private payers. Various factors, including market factors and the ability of private payers to control patient access to products, may provide payers the leverage to negotiate higher or additional rebates or discounts that could have a material adverse effect on AbbVie's operations.

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

AbbVie's products are subject to rigorous regulation by numerous international, supranational, federal and state authorities, as described in Item 1, "Business—Regulation—Discovery and Clinical Development." The process of obtaining regulatory approvals to market a pharmaceutical product can be costly and time consuming, and approvals might not be granted for future products, or additional indications or uses of existing products, on a timely basis, if at all. Delays in the receipt of, or failure to obtain approvals for, future products, or new indications and uses, could result in delayed realization of product revenues, reduction in revenues and substantial additional costs.

In addition, AbbVie cannot guarantee that it will remain compliant with applicable regulatory requirements once approval has been obtained for a product. These requirements include, among other things, regulations regarding manufacturing practices, product labeling and advertising and post-marketing reporting, including adverse event reports and field alerts due to manufacturing quality concerns. AbbVie must incur expense and spend time and effort to ensure compliance with these complex regulations.

Possible regulatory actions could result in substantial modifications to AbbVie's business practices and operations; refunds, recalls or seizures of AbbVie's products; a total or partial shutdown of production in one or more of AbbVie's or its suppliers' facilities while AbbVie or its supplier remedies the alleged violation; the inability to obtain future approvals; and withdrawals or suspensions of current products from the market. Any of these events could disrupt AbbVie's business and have a material adverse effect on its business and results of operations.

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

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

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

AbbVie's business is subject to risks associated with doing business internationally, including in emerging markets. Net revenues outside of the United States made up approximately 28% of AbbVie's total net revenues in 2019. The risks associated with AbbVie's operations outside the United States include:

- fluctuations in currency exchange rates;
- changes in medical reimbursement policies and programs;
- multiple legal and regulatory requirements that are subject to change and that could restrict AbbVie's ability to manufacture, market and sell its products;
- differing local product preferences and product requirements;
- trade protection measures and import or export licensing requirements;
- international trade disruptions or disputes, including in connection with the ongoing trade negotiations between the United States and China;
- difficulty in establishing, staffing and managing operations;
- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- political and economic instability, including the United Kingdom's exit from the European Union;
- sovereign debt issues;
- price and currency exchange controls, limitations on participation in local enterprises, expropriation, nationalization and other governmental action;
- inflation, recession and fluctuations in interest rates;

- potential deterioration in the economic position and credit quality of certain non-U.S. countries, including in Europe and Latin America; and
- potential penalties or other adverse consequences for violations of anti-corruption, anti-bribery and other similar laws and regulations, including the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act.

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

If AbbVie does not effectively and profitably commercialize its products, AbbVie's revenues and financial condition could be adversely affected.

AbbVie must effectively and profitably commercialize its principal products by creating and meeting continued market demand; achieving market acceptance and generating product sales; ensuring that the active pharmaceutical ingredient(s) for a product and the finished product are manufactured in sufficient quantities and in compliance with requirements of the FDA and similar foreign regulatory agencies and with acceptable quality and pricing to meet commercial demand; and ensuring that the entire supply chain efficiently and consistently delivers AbbVie's products to its customers. The commercialization of AbbVie products may not be successful due to, among other things, unexpected challenges from competitors, new safety issues or concerns being reported that may impact or narrow approved indications, the relative price of AbbVie's product as compared to alternative treatment options and changes to a product's label that further restrict its marketing. If the commercialization of AbbVie's principal products is unsuccessful, AbbVie's ability to generate revenue from product sales will be adversely affected.

AbbVie may acquire other businesses, license rights to technologies or products, form alliances, or dispose of assets, which could cause it to incur significant expenses and could negatively affect profitability.

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

Additionally, changes in AbbVie's structure, operations, revenues, costs, or efficiency resulting from major transactions such as acquisitions, divestitures, mergers, alliances, restructurings or other strategic initiatives, may result in greater than expected costs, may take longer than expected to complete or encounter other difficulties, including the need for regulatory approval where appropriate.

AbbVie is dependent on wholesale distributors for distribution of its products in the United States and, accordingly, its results of operations could be adversely affected if they encounter financial difficulties.

In 2019, three wholesale distributors (McKesson Corporation, Cardinal Health, Inc. and AmerisourceBergen Corporation) accounted for substantially all of AbbVie's sales in the United States. If one of its significant wholesale distributors encounters financial or other difficulties, such distributor may decrease the amount of business that it does with AbbVie, and AbbVie may be unable to collect all the

amounts that the distributor owes it on a timely basis or at all, which could negatively impact AbbVie's business and results of operations.

AbbVie has debt obligations that could adversely affect its business and its ability to meet its obligations.

The amount of debt that AbbVie has incurred and intends to incur could have important consequences to AbbVie and its investors. These consequences include, among other things, requiring a portion of AbbVie's cash flow from operations to make interest payments on this debt and reducing the cash flow available to fund capital expenditures and other corporate purposes and to grow AbbVie's business. To the extent AbbVie incurs additional indebtedness or interest rates increase, these risks could increase. In addition, AbbVie's cash flow from operations may not be sufficient to repay all of the outstanding debt as it becomes due, and AbbVie may not be able to borrow money, sell assets, or otherwise raise funds on acceptable terms, or at all, to refinance its debt.

AbbVie may need additional financing in the future to meet its capital needs or to make opportunistic acquisitions, and such financing may not be available on favorable terms, if at all.

AbbVie may need to seek additional financing for its general corporate purposes. For example, it may need to increase its investment in research and development activities or need funds to make acquisitions. AbbVie may be unable to obtain any desired additional financing on terms favorable to it, if at all. If AbbVie loses its investment grade credit rating or adequate funds are not available on acceptable terms, AbbVie may be unable to fund its expansion, successfully develop or enhance products, or respond to competitive pressures, any of which could negatively affect AbbVie's business. If AbbVie raises additional funds by issuing debt or entering into credit facilities, it may be subject to limitations on its operations due to restrictive covenants. Failure to comply with these covenants could adversely affect AbbVie's business.

AbbVie depends on information technology and a failure of those systems could adversely affect AbbVie's business.

AbbVie relies on sophisticated software applications and complex information technology systems to operate its business. These systems are potentially vulnerable to malicious intrusion, random attack, loss of data privacy, disruption, degradation or breakdown. Data privacy or security breaches by employees or others may result in the failure of critical business operations or may cause sensitive data, including intellectual property, trade secrets or personal information belonging to AbbVie, its patients, customers or business partners, to be exposed to unauthorized persons or to the public. Although AbbVie has invested in the protection of its data and information technology and also monitors its systems on an ongoing basis, there can be no assurance that these efforts will prevent breakdowns or breaches in AbbVie's information technology systems that could adversely affect AbbVie's business. Such adverse consequences could include loss of revenue, or the loss of critical or sensitive information from AbbVie's or third-party providers' databases or IT systems and could also result in legal, financial, reputational or business harm to AbbVie and potentially substantial remediation costs.

Failure to attract and retain highly qualified personnel could affect AbbVie's ability to successfully develop and commercialize products.

AbbVie's success is largely dependent on its continued ability to attract and retain highly qualified scientific, technical and management personnel, as well as personnel with expertise in clinical R&D, governmental regulation and commercialization. Competition for qualified personnel in the biopharmaceutical field is intense. AbbVie cannot be sure that it will be able to attract and retain quality personnel or that the costs of doing so will not materially increase.

Other factors can have a material adverse effect on AbbVie's profitability and financial condition.

Many other factors can affect AbbVie's results of operations, cash flows and financial condition, including:

- changes in or interpretations of laws and regulations, including changes in accounting standards, taxation requirements, product marketing application standards, data privacy laws and environmental laws;
- differences between the fair value measurement of assets and liabilities and their actual value, particularly for pension and post-employment benefits, stock-based compensation, intangibles and goodwill; and for contingent liabilities such as litigation and contingent consideration, the absence of a recorded amount, or an amount recorded at the minimum, compared to the actual amount;
- changes in the rate of inflation (including the cost of raw materials, commodities and supplies), interest rates, market value of AbbVie's equity investments and the performance of investments held by it or its employee benefit trusts;
- changes in the creditworthiness of counterparties that transact business with or provide services to AbbVie or its employee benefit trusts;
- changes in the ability of third parties that provide information technology, accounting, human resources, payroll and other outsourced services to AbbVie to meet their contractual obligations to AbbVie; and
- changes in business, economic and political conditions, including: war, political instability, terrorist attacks, the threat of future terrorist activity and related military action; natural disasters; the cost and availability of insurance due to any of the foregoing events; labor disputes, strikes, slow-downs, or other forms of labor or union activity; and pressure from third-party interest groups.

Risks Related to the Acquisition and the Combined Company Upon Completion of the Acquisition

The pending acquisition of 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 is conditioned on, among other things, obtaining necessary governmental and regulatory approvals. If any of the conditions to the Acquisition is not satisfied, it could delay or prevent the 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 the 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. In addition, changes in laws and regulations, including Irish legislation implementing a tax increase payable upon completion of the Acquisition, could adversely impact AbbVie's post-Acquisition profitability and financial results. Following the Acquisition, AbbVie may not realize the Acquisition's intended benefits within the expected timeframe or at all.

The indebtedness of the combined company following the consummation of the Acquisition will be substantially greater than AbbVie's indebtedness on a standalone basis and greater than the combined indebtedness of AbbVie and Allergan prior to the announcement of the acquisition. This increased level of indebtedness could adversely affect the combined company's business flexibility and increase its borrowing costs.

AbbVie expects that the cash consideration due to Allergan's shareholders under the transaction agreement and related fees and expenses will be approximately \$41 billion. In addition to using cash on hand, AbbVie has incurred significant Acquisition-related debt financing, including unsecured term loans and

senior notes. For more information, see Note 10 “Debt, Credit Facilities and Commitments and Contingencies,” to the Consolidated Financial Statements included under Item 8, “Financial Statements and Supplementary Data.” AbbVie also intends to assume all the existing indebtedness of Allergan and its subsidiaries. AbbVie’s substantially increased indebtedness and higher debt to equity ratio following the consummation of the Acquisition may have the effect of, among other things, reducing its flexibility to respond to changing business and economic conditions, lowering its credit ratings, increasing its borrowing costs and/or requiring it to reduce or delay investments, strategic acquisitions and capital expenditures or to seek additional capital or restructure or refinance its indebtedness.

Risks Related to AbbVie’s Common Stock

AbbVie cannot guarantee the timing, amount, or payment of dividends on its common stock.

Although AbbVie expects to pay regular cash dividends, the timing, declaration, amount and payment of future dividends to stockholders will fall within the discretion of AbbVie’s board of directors. The board’s decisions regarding the payment of dividends will depend on many factors, such as AbbVie’s financial condition, earnings, capital requirements, debt service obligations, industry practice, legal requirements, regulatory constraints and other factors that the board deems relevant. For more information, see Item 5, “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.” AbbVie’s ability to pay dividends will depend on its ongoing ability to generate cash from operations and access capital markets. AbbVie cannot guarantee that it will continue to pay a dividend in the future.

An AbbVie stockholder’s percentage of ownership in AbbVie may be diluted in the future.

In the future, a stockholder’s percentage ownership in AbbVie may be diluted because of equity issuances for capital market transactions, equity awards that AbbVie will be granting to AbbVie’s directors, officers and employees, acquisitions (including AbbVie’s pending acquisition of Allergan), or other purposes. AbbVie’s employees have options to purchase shares of its common stock as a result of conversion of their Abbott stock options (in whole or in part) to AbbVie stock options. AbbVie anticipates its compensation committee will grant additional stock options or other stock-based awards to its employees. Such awards will have a dilutive effect on AbbVie’s earnings per share, which could adversely affect the market price of AbbVie’s common stock. From time to time, AbbVie will issue additional options or other stock-based awards to its employees under AbbVie’s employee benefits plans.

In addition, AbbVie’s amended and restated certificate of incorporation authorizes AbbVie to issue, without the approval of AbbVie’s stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over AbbVie’s common stock respecting dividends and distributions, as AbbVie’s board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of AbbVie’s common stock. For example, AbbVie could grant the holders of preferred stock the right to elect some number of AbbVie’s directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences AbbVie could assign to holders of preferred stock could affect the residual value of the common stock.

Certain provisions in AbbVie’s amended and restated certificate of incorporation and amended and restated by-laws, and of Delaware law, may prevent or delay an acquisition of AbbVie, which could decrease the trading price of AbbVie’s common stock.

AbbVie’s amended and restated certificate of incorporation and amended and restated by-laws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and

inadequate takeover bids by encouraging prospective acquirors to negotiate with AbbVie's board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- the inability of AbbVie's stockholders to call a special meeting;
- the division of AbbVie's board of directors into three classes of directors, with each class serving a staggered three-year term;
- a provision that stockholders may only remove directors for cause;
- the ability of AbbVie's directors, and not stockholders, to fill vacancies on AbbVie's board of directors; and
- the requirement that the affirmative vote of stockholders holding at least 80% of AbbVie's voting stock is required to amend certain provisions in AbbVie's amended and restated certificate of incorporation and AbbVie's amended and restated by-laws relating to the number, term and election of AbbVie's directors, the filling of board vacancies, the calling of special meetings of stockholders and director and officer indemnification provisions.

In addition, Section 203 of the Delaware General Corporation Law provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15% of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliates becomes the holder of more than 15% of the corporation's outstanding voting stock.

AbbVie believes these provisions protect its stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with AbbVie's board of directors and by providing AbbVie's board of directors with more time to assess any acquisition proposal. These provisions are not intended to make the company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that AbbVie's board of directors determines is not in the best interests of AbbVie and AbbVie's stockholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain forward looking statements regarding business strategies, market potential, future financial performance and other matters. The words "believe," "expect," "anticipate," "project" and similar expressions, among others, generally identify "forward looking statements," which speak only as of the date the statements were made. The matters discussed in these forward looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those projected, anticipated or implied in the forward looking statements. In particular, information included under Item 1, "Business," Item 1A, "Risk Factors," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain forward looking statements. Where, in any forward looking statement, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations of AbbVie management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. Factors that could cause actual results or events to differ materially from those anticipated include the matters described under Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." AbbVie does not undertake any obligation to update the forward-looking statements included in this Annual Report on Form 10-K to reflect events or circumstances after the date hereof, unless AbbVie is required by applicable securities law to do so.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

AbbVie's corporate offices are located at 1 North Waukegan Road, North Chicago, Illinois 60064-6400. AbbVie's manufacturing facilities are in the following locations:

United States	Outside the United States
Abbott Park, Illinois*	Campoverde di Aprilia, Italy
Barceloneta, Puerto Rico	Cork, Ireland
North Chicago, Illinois	Ludwigshafen, Germany
Worcester, Massachusetts*	Singapore*
Wyandotte, Michigan*	Sligo, Ireland

* Leased property.

In addition to the above, AbbVie has other manufacturing facilities worldwide. AbbVie believes its facilities are suitable and provide adequate production capacity. There are no material encumbrances on AbbVie's owned properties.

In the United States, including Puerto Rico, AbbVie has one distribution center. AbbVie also has research and development facilities in the United States located at: Abbott Park, Illinois; North Chicago, Illinois; Redwood City, California; South San Francisco, California; Sunnyvale, California; Cambridge, Massachusetts; and Worcester, Massachusetts. Outside the United States, AbbVie's principal research and development facilities are located in Ludwigshafen, Germany.

ITEM 3. LEGAL PROCEEDINGS

Information pertaining to legal proceedings is provided in Note 15, "Legal Proceedings and Contingencies" to the Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data," and is incorporated by reference herein.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table lists AbbVie’s executive officers, each of whom was first appointed as an AbbVie corporate officer in December 2012, except as otherwise indicated:

Name	Age	Position
Richard A. Gonzalez	66	Chairman of the Board and Chief Executive Officer
Michael E. Severino, M.D.*	54	Vice Chairman and President
Laura J. Schumacher	56	Vice Chairman, External Affairs and Chief Legal Officer
Carlos Alban	57	Vice Chairman, Chief Commercial Officer
Henry O. Gosebruch*	47	Executive Vice President and Chief Strategy Officer
Robert A. Michael*	49	Executive Vice President, Chief Financial Officer
Timothy J. Richmond	53	Executive Vice President, Chief Human Resources Officer
Azita Saleki-Gerhardt, Ph.D.	56	Executive Vice President, Operations
Nicholas Donoghoe, M.D.*	39	Senior Vice President, Enterprise Innovation
Thomas J. Hudson, M.D.*	58	Senior Vice President, Research & Development and Chief Scientific Officer
Jeffrey R. Stewart*	51	Senior Vice President, U.S. Commercial Operations
Brian L. Durkin*	59	Vice President, Controller

* Dr. Severino was first appointed as a corporate officer in June 2014; Mr. Gosebruch was first appointed as a corporate officer in December 2015; Dr. Donoghoe was first appointed as a corporate officer in January 2019; Mr. Michael was first appointed as a corporate officer in December 2015; Dr. Hudson was first appointed as a corporate officer in July 2019; Mr. Stewart was first appointed as a corporate officer in December 2018; and Mr. Durkin was first appointed as a corporate officer in October 2018.

Mr. Gonzalez is the Chairman and Chief Executive Officer of AbbVie. He served as Abbott’s Executive Vice President of the Pharmaceutical Products Group from July 2010 to December 2012, and was responsible for Abbott’s worldwide pharmaceutical business, including commercial operations, research and development, and manufacturing. He also served as President, Abbott Ventures Inc., Abbott’s medical technology investment arm, from 2009 to 2011. Mr. Gonzalez joined Abbott in 1977 and held various management positions.

Dr. Severino is AbbVie’s Vice Chairman and President, responsible for research and development, human resources, operations, and the corporate strategy office. He served as Executive Vice President, Research and Development and Chief Scientific Officer from 2014 to 2018. Dr. Severino served at Amgen Inc. as Senior Vice President, Global Development and Corporate Chief Medical Officer from 2012 to 2014, as Vice President, Global Development from 2010 to 2012 and as Vice President, Therapeutic Area Head, General Medicine and Inflammation Global Clinical Development from 2007 to 2012. He joined AbbVie in 2014.

Ms. Schumacher is AbbVie’s Vice Chairman, External Affairs and Chief Legal Officer, responsible for global legal, health economics outcomes research, corporate responsibility, brand and communications and government affairs. Prior to her current appointment in 2018, she served as AbbVie’s Executive Vice President, External Affairs, General Counsel and Corporate Secretary. Prior to AbbVie’s separation from Abbott, Ms. Schumacher served as Executive Vice President, General Counsel from 2007 to 2012. Both at Abbott and AbbVie, Ms. Schumacher also led Business Development and Ventures and Early Stage Collaborations. Ms. Schumacher joined Abbott in 1990. She serves on the board of General Dynamics Corporation.

Mr. Alban is AbbVie’s Vice Chairman, Chief Commercial Officer, responsible for global commercial operations of the company, including the Pharmacoclics commercial functions. He previously served as

Executive Vice President, Commercial Operations from 2013 to 2018. He served as Abbott's Senior Vice President, Proprietary Pharmaceutical Products, Global Commercial Operations from 2011 to 2012, as Senior Vice President, International Pharmaceuticals from 2009 to 2011, as Vice President, Western Europe and Canada from 2007 to 2009, and as Vice President, European Operations from 2006 to 2007. Mr. Alban joined Abbott in 1986.

Mr. Gosebruch is AbbVie's Executive Vice President and Chief Strategy Officer. He worked for more than 20 years in the Mergers & Acquisitions Group at J.P. Morgan Securities LLC, serving as Managing Director since 2007 and as Co-Head of M&A North America during 2015. Mr. Gosebruch joined AbbVie in 2015. He serves on the board of Aptinyx Inc.

Mr. Michael is AbbVie's Executive Vice President, Chief Financial Officer. Mr. Michael previously served as Senior Vice President, Chief Financial Officer from October 2018 to July 2019, and as Vice President, Controller from March 2017 to October 2018. He served as AbbVie's Vice President, Treasurer from 2015 to 2016, as Vice President, Controller, Commercial Operations from 2013 to 2015 and Vice President, Financial Planning and Analysis from 2012 to 2013. At Abbott, Mr. Michael served as Division Controller, Nutrition Supply Chain from 2010 to 2012. Mr. Michael joined Abbott in 1993.

Mr. Richmond is AbbVie's Executive Vice President, Chief Human Resources Officer. He served as Senior Vice President, Human Resources from 2013 to 2018. Mr. Richmond served as Abbott's Divisional Vice President of Compensation & Benefits from 2008 to 2012, as Group Vice President of Talent and Rewards from 2007 to 2008, and as Divisional Vice President of Talent Acquisition from 2006 to 2007. Mr. Richmond joined Abbott in 2006.

Dr. Saleki-Gerhardt is AbbVie's Executive Vice President, Operations. She served as Senior Vice President, Operations from 2013 to 2018. Dr. Saleki-Gerhardt served as Abbott's Vice President, Pharmaceuticals Manufacturing and Supply from 2011 to 2012, and as Divisional Vice President, Quality Assurance, Global Pharmaceutical Operations from 2008 to 2011. Dr. Saleki-Gerhardt joined Abbott in 1993. She serves on the board of Entegris Inc.

Dr. Donoghoe is AbbVie's Senior Vice President, Enterprise Innovation. He previously served as a Partner at McKinsey & Company, leading the firm's West Coast pharma and biotechnology practice. Dr. Donoghoe joined the firm in 2007 and supported multiple successful launches in therapeutic areas such as oncology, immunology, and primary care. He joined AbbVie in 2019.

Dr. Hudson is AbbVie's Senior Vice President, Research & Development and Chief Scientific Officer. He previously served as Vice President, Head of Oncology Discovery and Early Development from 2016 to 2019. Prior to joining AbbVie, Dr. Hudson served at the Ontario Institute for Cancer Research as President and Scientific Director. He also previously served as Founder and Director of the McGill University and Genome Quebec Innovation Centre and Assistant Director of the Whitehead/MIT Center for Genome Research.

Mr. Stewart is AbbVie's Senior Vice President, U.S. Commercial Operations. Mr. Stewart previously served as AbbVie's President, Commercial Operations from 2013 to 2018. Prior to AbbVie's separation from Abbott, he served as Vice President, Abbott Proprietary Pharmaceutical Division, United States. Mr. Stewart joined Abbott in 1992.

Mr. Durkin is AbbVie's Vice President, Controller. Mr. Durkin previously served as Vice President, Internal Audit from 2016 to 2018. Prior to joining AbbVie, he served as Vice President of Finance and Division Controller for Abbott's Vision Care business from 2009 to 2016 and Controller Pharmaceutical Research and Development from 2005 to 2009. Mr. Durkin joined Abbott in 1986.

The executive officers of AbbVie are elected annually by the board of directors. All other officers are elected by the board or appointed by the Chairman of the Board. All officers are either elected at the first meeting of the board of directors held after the annual stockholder meeting or appointed by the Chairman of the Board after that board meeting. Each officer holds office until a successor has been duly elected or appointed and qualified or until the officer's death, resignation, or removal. There are no family relationships between any of the executive officers listed above.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

The principal market for AbbVie's common stock is the New York Stock Exchange (Symbol: ABBV). AbbVie's common stock is also listed on the Chicago Stock Exchange and traded on various regional and electronic exchanges.

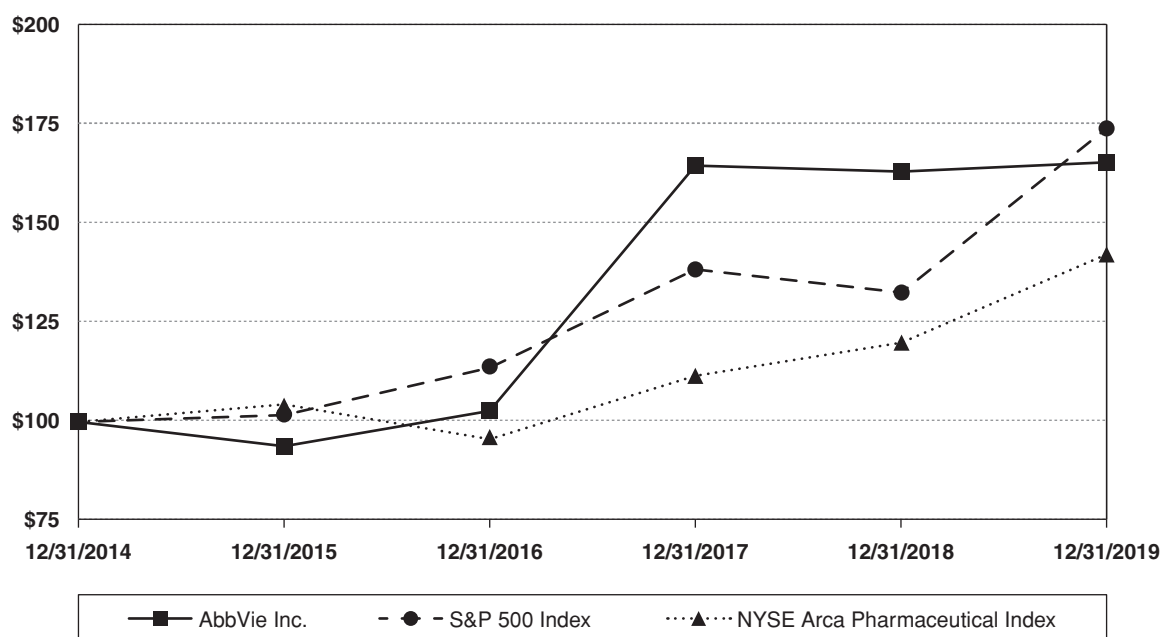
Stockholders

There were 46,544 stockholders of record of AbbVie common stock as of January 31, 2020.

Performance Graph

The following graph compares the cumulative total returns of AbbVie, the S&P 500 Index and the NYSE Arca Pharmaceuticals Index for the period from December 31, 2014 through December 31, 2019. This graph assumes \$100 was invested in AbbVie common stock and each index on December 31, 2014 and also assumes the reinvestment of dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

COMPARISON OF CUMULATIVE TOTAL RETURN



This performance graph is furnished and shall not be deemed "filed" with the SEC or subject to Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any of AbbVie's filings under the Securities Act of 1933, as amended.

Dividends

On November 1, 2019, AbbVie's board of directors declared an increase in the quarterly cash dividend from \$1.07 per share to \$1.18 per share, payable on February 14, 2020 to stockholders of record as of

January 15, 2020. 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. Moreover, if AbbVie determines to pay any dividend in the future, there can be no assurance that it will continue to pay such dividends or the amount of such dividends.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2019 - October 31, 2019	4,293 ⁽¹⁾	\$77.19 ⁽¹⁾	—	\$3,950,021,071
November 1, 2019 - November 30, 2019	1,086 ⁽¹⁾	\$80.53 ⁽¹⁾	—	\$3,950,021,071
December 1, 2019 - December 31, 2019	1,016 ⁽¹⁾	\$87.39 ⁽¹⁾	—	\$3,950,021,071
Total	6,395⁽¹⁾	\$79.38⁽¹⁾	—	\$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—4,293 in October; 1,086 in November; and 1,016 in December.

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. SELECTED FINANCIAL DATA

The selected financial information should be read in conjunction with the financial statements and accompanying notes included under Item 8, “Financial Statements and Supplementary Data” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

as of and for the years ended December 31
(in millions, except per share data)

	2019	2018	2017	2016	2015
Statement of earnings data					
Net revenues	\$33,266	\$32,753	\$28,216	\$25,638	\$22,859
Net earnings	7,882	5,687	5,309	5,953	5,144
Basic earnings per share	\$ 5.30	\$ 3.67	\$ 3.31	\$ 3.65	\$ 3.15
Diluted earnings per share	\$ 5.28	\$ 3.66	\$ 3.30	\$ 3.63	\$ 3.13
Cash dividends declared per common share	\$ 4.39	\$ 3.95	\$ 2.63	\$ 2.35	\$ 2.10
Weighted-average basic shares outstanding	1,481	1,541	1,596	1,622	1,625
Weighted-average diluted shares outstanding	1,484	1,546	1,603	1,631	1,637
Balance sheet data					
Total assets ^(a)	\$89,115	\$59,352	\$70,786	\$66,099	\$53,050
Long-term debt and finance lease obligations ^{(a)(b)}	66,728	36,611	36,968	36,465	31,265

(a) In November 2019, AbbVie issued \$30.0 billion aggregate principal amount of floating rate and fixed rate unsecured senior notes at maturities ranging from 18 months to 30 years. AbbVie expects to use the net proceeds to fund a portion of the aggregate cash consideration due to Allergan shareholders in connection with the proposed acquisition and to pay related fees and expenses. See Note 5 to the Consolidated Financial Statements for information regarding the proposed acquisition and Note 10 for information on the senior notes.

(b) Includes current portion of both long-term debt and finance lease obligations.

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

The following is a discussion and analysis of the financial condition of AbbVie Inc. (AbbVie or the company) as of December 31, 2019 and 2018 and results of operations for each of the three years in the period ended December 31, 2019. This commentary should be read in conjunction with the consolidated financial statements and accompanying notes appearing in Item 8, "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 5 to the Consolidated Financial Statements for additional information regarding the proposed acquisition.

2019 Financial Results

AbbVie's strategy has focused on delivering strong financial results, advancing and investing in its pipeline and returning value to shareholders while ensuring a strong, sustainable growth business over the long term. The company's financial performance in 2019 included delivering worldwide net revenues of \$33.3 billion, operating earnings of \$13.0 billion, diluted earnings per share of \$5.28 and cash flows from operations of \$13.3 billion. Worldwide net revenues grew by 3% on a constant currency basis, primarily driven by revenue growth related to IMBRUVICA and VENCLEXTA as well as the continued strength of HUMIRA in the U.S. and newly launched immunology assets SKYRIZI and RINVOQ, offset by international HUMIRA biosimilar competition.

Diluted earnings per share in 2019 was \$5.28 and included the following after-tax costs: (i) \$3.2 billion for the change in fair value of contingent consideration liabilities; (ii) \$1.3 billion related to the amortization of intangible assets; (iii) a Stemcentrx-related impairment charge of \$823 million net of the related fair value adjustment to contingent consideration liabilities; (iv) \$364 million for acquired in-process research and development (IPR&D); and (v) \$338 million of expenses related to the proposed Allergan acquisition. These costs were partially offset by the following after-tax benefits: (i) \$414 million from litigation matters

primarily due to the settlement of an intellectual property dispute with a third party; (ii) \$400 million due to the favorable resolution of various tax positions; and (iii) \$297 million from an amended and restated license agreement between AbbVie and Reata Pharmaceuticals, Inc. (Reata). 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 November 2019, AbbVie's board of directors declared a quarterly cash dividend of \$1.18 per share of common stock payable in February 2020. This reflects an increase of approximately 10.3% over the previous quarterly dividend of \$1.07 per share of common stock.

2020 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, ensuring strong commercial execution of new product launches and driving late-stage pipeline assets to the market; (ii) continuing to invest and expand 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 a strong and growing dividend while also reducing incremental debt. In addition, AbbVie anticipates several regulatory submissions and key data readouts from key clinical trials in the next 12 months.

AbbVie expects to achieve its strategic objectives through:

- Completion and successful integration of the proposed Allergan acquisition.
- Hematologic oncology revenue growth from both IMBRUVICA and VENCLEXTA.
- Immunology revenue growth driven by successful commercial launches of SKYRIZI and RINVOQ, as well as HUMIRA U.S. sales growth.
- Effective management of HUMIRA international biosimilar erosion.
- The favorable impact of pipeline products and indications recently approved or currently under regulatory review where approval is expected in 2020. These products are described in greater detail in the section labeled "Research and Development" included as part of this Item 7.

AbbVie remains committed to driving continued expansion of operating margins and expects to achieve this objective through continued leverage from revenue growth, productivity initiatives in supply chain and ongoing efficiency programs to optimize manufacturing, commercial infrastructure, administrative costs and general corporate expenses.

The combination of AbbVie and Allergan will create a diverse entity with leadership positions across immunology, hematologic oncology, aesthetics, neuroscience, women's health, eye care and virology. AbbVie's existing product portfolio and pipeline will be enhanced with numerous Allergan assets and Allergan's product portfolio will benefit from AbbVie's commercial strength, expertise and international infrastructure.

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 approximately 60 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 12 months.

Significant Programs and Developments

Immunology

RINVOQ

- 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.
- In August 2019, the FDA approved RINVOQ (upadacitinib) for the treatment of adults with moderately to severely active RA who have had an inadequate response or intolerance to methotrexate.
- In October 2019, AbbVie announced top-line results from its first Phase 3 clinical trial of RINVOQ in adult patients with active psoriatic arthritis (PsA). Results from the SELECT-PsA 2 study, which evaluated RINVOQ versus placebo in patients who did not adequately respond to treatment with one or more biologic DMARDs, showed that both doses of RINVOQ (15 mg and 30 mg) met the primary and key secondary endpoints at week 12. The safety profile was consistent with that of previous studies across indications, with no new safety risks detected.
- In November 2019, AbbVie announced data from the Phase 2/3 SELECT-AXIS 1 trial in which twice as many adult patients with ankylosing spondylitis treated with RINVOQ achieved the primary endpoint at week 14 versus placebo. The safety profile was consistent with that of previous studies across indications, with no new safety risks detected.
- In November 2019, AbbVie initiated a Phase 3 clinical trial to evaluate the efficacy and safety of RINVOQ in adult patients with axial spondyloarthritis.
- In December 2019, the European Commission (EC) granted marketing authorization for RINVOQ for the treatment of adult patients with moderate to severe active rheumatoid arthritis who have had an inadequate response or intolerance to one or more DMARDs.
- In February 2020, AbbVie announced top-line results from its second Phase 3 clinical trial of RINVOQ in adult patients with active PsA. Results from the SELECT-PsA 1 study, which evaluated RINVOQ versus placebo in patients who did not adequately respond to treatment with one or more non-biologic DMARDs, showed that both doses of RINVOQ (15 mg and 30 mg) met the primary and key secondary endpoints. The safety profile was consistent with that of previous studies across indications, with no new safety risks detected.

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 EC 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.
- In November 2019, AbbVie submitted a supplemental New Drug Application (sNDA) to the FDA for IMBRUVICA in combination with rituximab for the first-line treatment of younger patients with CLL or SLL.

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. 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. The approval was based on data from the Phase 3 CLL14 trial, evaluating the 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.
- In January 2020, AbbVie announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) granted a positive opinion for VENCLEXTA in combination with obinutuzumab for patients with previously untreated CLL.

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.

Rova-T

- In August 2019, AbbVie announced the decision to terminate the MERU trial, a Phase 3 study evaluating rovalpituzumab tesirine (Rova-T) as a first-line maintenance therapy for advanced small-cell lung cancer (SCLC). An Independent Data Monitoring Committee recommended terminating the study after results demonstrated no survival benefit at a pre-planned interim analysis for patients receiving Rova-T as compared with placebo. With the closing of the MERU trial, AbbVie announced the termination of the Rova-T research and development program.

Virology/Liver Disease

- In August 2019, the EC granted marketing authorization for MAVIRET (glecaprevir/pibrentasvir) to shorten the once-daily treatment duration from 12 to 8 weeks in treatment-naïve, compensated cirrhotic, chronic HCV patients with genotype (GT)1, 2, 4, 5 and 6 infection.
- In September 2019, the FDA approved MAVYRET (glecaprevir/pibrentasvir) to shorten the once-daily treatment duration from 12 to 8 weeks in treatment-naïve, compensated cirrhotic, chronic HCV patients across all genotypes (GT1-6).
- In January 2020, AbbVie announced that the CHMP of the EMA has recommended a change to the marketing authorization for MAVIRET to shorten once-daily treatment duration from 12 to 8 weeks in treatment-naïve, compensated cirrhotic, chronic HCV patients with GT 3 infection.

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.

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 the 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.

years ended (dollars in millions)	2019	2018	2017	Percent change			
				At actual currency rates		At constant currency rates	
				2019	2018	2019	2018
United States	\$23,907	\$21,524	\$18,251	11.1%	17.9%	11.1%	17.9%
International	9,359	11,229	9,965	(16.7)%	12.8%	(13.6)%	10.4%
Net revenues	\$33,266	\$32,753	\$28,216	1.6%	16.1%	2.6%	15.2%

The following table details AbbVie's worldwide net revenues:

years ended December 31 (dollars in millions)	2019	2018	2017	Percent change			
				At actual currency rates		At constant currency rates	
	2019	2018	2017	2019	2018	2019	2018
Immunology							
HUMIRA							
United States	\$14,864	\$13,685	\$12,361	8.6%	10.7%	8.6%	10.7%
International	4,305	6,251	6,066	(31.1)%	3.1%	(27.8)%	0.6%
Total	\$19,169	\$19,936	\$18,427	(3.9)%	8.2%	(2.9)%	7.4%
SKYRIZI							
United States	\$ 311	\$ —	\$ —	n/m	n/m	n/m	n/m
International	44	—	—	n/m	n/m	n/m	n/m
Total	\$ 355	\$ —	\$ —	n/m	n/m	n/m	n/m
RINVOQ							
United States	\$ 47	\$ —	\$ —	n/m	n/m	n/m	n/m
International	—	—	—	n/m	n/m	n/m	n/m
Total	\$ 47	\$ —	\$ —	n/m	n/m	n/m	n/m
Hematologic Oncology							
IMBRUVICA							
United States	\$ 3,830	\$ 2,968	\$ 2,144	29.1%	38.4%	29.1%	38.4%
Collaboration revenues	844	622	429	35.8%	45.0%	35.8%	45.0%
Total	\$ 4,674	\$ 3,590	\$ 2,573	30.2%	39.5%	30.2%	39.5%
VENCLEXTA							
United States	\$ 521	\$ 247	\$ 89	>100.0%	>100.0%	>100.0%	>100.0%
International	271	97	33	>100.0%	>100.0%	>100.0%	>100.0%
Total	\$ 792	\$ 344	\$ 122	>100.0%	>100.0%	>100.0%	>100.0%
HCV							
MAVYRET							
United States	\$ 1,473	\$ 1,614	\$ 277	(8.8)%	>100.0%	(8.8)%	>100.0%
International	1,420	1,824	213	(22.1)%	>100.0%	(19.6)%	>100.0%
Total	\$ 2,893	\$ 3,438	\$ 490	(15.9)%	>100.0%	(14.6)%	>100.0%
VIEKIRA							
United States	\$ —	\$ 3	\$ 61	(100.0)%	(96.7)%	(100.0)%	(96.7)%
International	36	175	723	(79.2)%	(75.6)%	(77.2)%	(74.8)%
Total	\$ 36	\$ 178	\$ 784	(79.6)%	(77.2)%	(77.6)%	(76.5)%
Other Key Products							
Creon							
United States	\$ 1,041	\$ 928	\$ 831	12.2%	11.7%	12.2%	11.7%
Lupron							
United States	\$ 720	\$ 726	\$ 669	(0.8)%	8.6%	(0.8)%	8.6%
International	167	166	160	0.8%	3.4%	6.0%	4.7%
Total	\$ 887	\$ 892	\$ 829	(0.5)%	7.6%	0.5%	7.9%
Synthroid							
United States	\$ 786	\$ 776	\$ 781	1.3%	(0.6)%	1.3%	(0.6)%
Synagis							
International	\$ 718	\$ 726	\$ 738	(1.2)%	(1.6)%	0.9%	(2.8)%
Duodopa							
United States	\$ 97	\$ 80	\$ 61	20.4%	31.4%	20.4%	31.4%
International	364	350	294	4.2%	19.1%	9.8%	14.8%
Total	\$ 461	\$ 430	\$ 355	7.2%	21.2%	11.7%	17.7%
Sevoflurane							
United States	\$ 74	\$ 74	\$ 78	2.0%	(6.2)%	2.0%	(6.2)%
International	274	317	332	(13.8)%	(4.4)%	(9.5)%	(4.3)%
Total	\$ 348	\$ 391	\$ 410	(10.9)%	(4.7)%	(7.4)%	(4.6)%
Kaletra							
United States	\$ 38	\$ 55	\$ 71	(31.0)%	(22.1)%	(31.0)%	(22.1)%
International	245	281	352	(12.9)%	(20.2)%	(9.5)%	(20.1)%
Total	\$ 283	\$ 336	\$ 423	(15.8)%	(20.5)%	(12.9)%	(20.4)%
AndroGel							
United States	\$ 172	\$ 469	\$ 577	(63.3)%	(18.8)%	(63.3)%	(18.8)%
ORILISSA							
United States	\$ 91	\$ 11	\$ —	>100.0%	n/m	>100.0%	n/m
International	2	—	—	n/m	n/m	n/m	n/m
Total	\$ 93	\$ 11	\$ —	>100.0%	n/m	>100.0%	n/m
All other	\$ 511	\$ 308	\$ 876	66.1%	(64.9)%	73.0%	(73.2)%
Total net revenues	\$33,266	\$32,753	\$28,216	1.6%	16.1%	2.6%	15.2%

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 3% in 2019 and increased 7% in 2018. The sales decrease in 2019 was primarily driven by direct biosimilar competition in certain international markets, partially offset by market growth across therapeutic categories. The sales increase in 2018 was primarily driven by market growth across therapeutic categories and geographies as well as favorable pricing in certain geographies. In the United States, HUMIRA sales increased 9% in 2019 and 11% in 2018. The sales increases in 2019 and 2018 were primarily driven by market growth across all indications and favorable pricing. Internationally, HUMIRA revenues decreased 28% in 2019 and increased 1% in 2018. The sales decrease in 2019 was primarily driven by direct biosimilar competition in Europe following the expiration of the European Union composition of matter patent for adalimumab in October 2018. The sales increase in 2018 was primarily driven by market growth across indications partially offset by direct biosimilar competition. 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 \$355 million in 2019 following the April 2019 regulatory approvals for the treatment of moderate to severe plaque psoriasis.

Net revenues for RINVOQ were \$47 million in 2019 following the August 2019 FDA approval for the treatment of moderate to severe rheumatoid arthritis.

Net revenues for IMBRUVICA represent product revenues 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 30% in 2019 and 39% in 2018 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% in 2019 and 2018 primarily due to market share gains following additional regulatory approvals of VENCLEXTA for the treatment of patients with relapsed/refractory CLL and first-line AML in 2018 and first-line CLL in 2019.

Global MAVYRET sales decreased by 15% in 2019 primarily driven by lower patient volumes in certain international markets and competitive dynamics in the U.S. Global MAVYRET sales increased more than 100% in 2018 as a result of market share gains following the FDA and EMA approvals of MAVYRET in the second half of 2017 as well as further geographic expansion. Global VIEKIRA sales decreased by 78% in 2019 and 76% in 2018 primarily due to lower market share following the launch of MAVYRET.

Net revenues for Creon increased 12% in 2019 and 12% in 2018, primarily driven by continued market growth and favorable pricing. Creon maintains market leadership in the pancreatic enzyme market.

Net revenues for Duodopa increased 12% in 2019 and 18% in 2018, primarily driven by increased market penetration.

Gross Margin

years ended December 31 (dollars in millions)	2019	2018	2017	Percent change	
				2019	2018
Gross margin	\$25,827	\$25,035	\$21,174	3%	18%
as a percent of net revenues	78%	76%	75%		

Gross margin as a percentage of net revenues in 2019 increased from 2018 primarily due to the full year effect of the expiration of HUMIRA royalties, partially offset by the IMBRUVICA profit sharing arrangement and unfavorable impact from higher intangible asset amortization.

Gross margin as a percentage of net revenues in 2018 increased from 2017 primarily due to the expiration of HUMIRA royalties and a 2017 intangible asset impairment charge of \$354 million partially offset by the IMBRUVICA profit sharing arrangement.

Selling, General and Administrative

years ended December 31 (dollars in millions)	2019	2018	2017	Percent change	
				2019	2018
Selling, general and administrative as a percent of net revenues	\$6,942 21%	\$7,399 23%	\$6,295 22%	(6)%	18%

Selling, general and administrative (SG&A) expenses as a percentage of net revenues in 2019 decreased from 2018 primarily due to the favorable impacts of international HUMIRA expense reductions and lower litigation reserve charges that decreased by \$326 million. This favorability was partially offset by new product launch expenses, higher restructuring charges and \$103 million of transaction expenses associated with the proposed Allergan transaction. Additionally, SG&A expenses in 2018 included non-recurring philanthropic contributions of \$350 million to certain U.S. not-for-profit organizations.

SG&A expenses as a percentage of net revenues in 2018 increased from 2017 primarily due to new product launch expenses and non-recurring philanthropic contributions to certain U.S. not-for-profit organizations partially offset by continued leverage from revenue growth.

Research and Development and Acquired In-Process Research and Development

years ended December 31 (dollars in millions)	2019	2018	2017	Percent change	
				2019	2018
Research and development as a percent of net revenues	\$6,407 19%	\$10,329 32%	\$5,007 18%	(38)%	>100%
Acquired in-process research and development	\$ 385	\$ 424	\$ 327	(9)%	30%

Research and Development (R&D) expenses decreased in 2019 and increased in 2018 principally due to impairment charges related to IPR&D acquired as part of the 2016 Stemcentrx acquisition. In 2019, the company recorded a \$1.0 billion intangible asset impairment charge which represented the remaining value of the IPR&D acquired following the decision to terminate the Rova-T R&D program. In 2018, the company recorded a \$5.1 billion intangible asset impairment charge following the decision to stop enrollment in the TAHOE trial, which lowered the probabilities of success of achieving regulatory approval across Rova-T and other early-stage assets obtained in the acquisition. See Note 7 to the Consolidated Financial Statements for additional information regarding these impairment charges.

Acquired IPR&D expenses reflect upfront payments related to various collaborations. There were no individually significant transactions or cash flows during 2019 or 2018. Acquired IPR&D expense in 2017 included a charge of \$205 million as a result of entering into a global strategic collaboration with Alector, Inc. (Alector) to develop and commercialize medicines to treat Alzheimer's disease and other neurodegenerative disorders. See Note 5 to the Consolidated Financial Statements for additional information regarding the Alector agreement.

Other Operating Expenses and Income

Other operating income in 2019 included \$550 million of income from a legal settlement related to an intellectual property dispute with a third party and \$330 million of income related to an amended and

restituted license agreement between AbbVie and Reata. See Note 5 to the Consolidated Financial Statements for additional information on the Reata agreement.

Other operating expenses in 2018 included a \$500 million charge related to the extension of the previously announced Calico collaboration to discover, develop and bring to market new therapies for patients with age-related diseases, including neurodegeneration and cancer. See Note 5 to the Consolidated Financial Statements for additional information regarding the Calico agreement.

Other Non-Operating Expenses

years ended December 31 (in millions)	2019	2018	2017
Interest expense	\$1,784	\$1,348	\$1,150
Interest income	(275)	(204)	(146)
Interest expense, net	\$1,509	\$1,144	\$1,004
Net foreign exchange loss	\$ 42	\$ 24	\$ 348
Other expense, net	3,006	18	466

Interest expense in 2019 increased compared to 2018 primarily due to \$363 million of incremental interest and debt issuance costs associated with financing the proposed acquisition of Allergan, as well as the unfavorable impact of higher interest rates on the company's debt obligations. Interest expense in 2018 increased compared to 2017 primarily due to the unfavorable impact of higher interest rates on the company's debt obligations and a higher average outstanding debt balance during 2018.

Interest income in 2019 increased compared to 2018 primarily due to a higher average cash and cash equivalents balance during 2019, partially offset by decreased investments in debt securities. Interest income in 2018 increased compared to 2017 primarily due to higher interest rates.

Net foreign exchange loss in 2017 included \$316 million of historical currency translation losses that were reclassified from accumulated other comprehensive income (AOCI) related to the liquidation of certain foreign entities following the enactment of U.S. tax reform.

Other expense, net included charges related to the change in fair value of the contingent consideration liabilities of \$3.1 billion in 2019, \$49 million in 2018 and \$626 million in 2017. 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 still in development and other market-based factors. In 2019, the Boehringer Ingelheim (BI) contingent consideration liability increased due to higher probabilities of success, higher estimated future sales, declining interest rates and passage of time. The higher probabilities of success primarily resulted from the April 2019 regulatory approvals of SKYRIZI for the treatment of moderate to severe plaque psoriasis. These changes were partially offset by a \$91 million decrease in the Stemcentrx contingent consideration liability due to the termination of the Rova-T R&D program during the third quarter of 2019. In 2018, the BI contingent consideration liability increased due to the passage of time and higher estimated future sales partially offset by the effect of rising interest rates. This increase in the BI contingent consideration liability was primarily offset by a \$428 million decrease in the Stemcentrx contingent consideration liability recorded during the fourth quarter of 2018 due to a reduction in probabilities of success of achieving regulatory approval across Rova-T and other early-stage Stemcentrx assets. In 2017, the change in fair value represented mainly higher probabilities of success, the passage of time and declining interest rates. Other expense, net for 2017 also included realized gains on available-for-sale investment securities of \$90 million.

Income Tax Expense

The effective income tax rate was 6% in 2019, negative 9% in 2018 and 31% in 2017. The effective tax rate in each period differed from the statutory tax rate principally due to the allocation of the company's taxable earnings among jurisdictions, 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 2019 over the prior year was principally due to the timing of provisions of the Tax Cuts and Jobs Act (the Act) related to the earnings from certain foreign subsidiaries. The increase is also attributable to 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.

The effective tax rate for 2018 also included the effects of Stemcentrx intangible impairment related expenses.

The effective tax rate in 2017 included tax expense of \$4.5 billion on the one-time mandatory repatriation of previously untaxed earnings of foreign subsidiaries, partially offset by a \$3.6 billion net tax benefit for the remeasurement of deferred taxes related to the Act and foreign tax law changes.

The Act significantly changed the U.S. corporate tax system. The Act reduced the U.S. federal corporate tax rate from 35% to 21% and created a territorial tax system that included new taxes on certain foreign sourced earnings. See Note 14 to the Consolidated Financial Statements for additional information regarding the Act.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

years ended December 31 (in millions)	2019	2018	2017
Cash flows from:			
Operating activities	\$13,324	\$ 13,427	\$ 9,960
Investing activities	596	(1,006)	(274)
Financing activities	18,708	(14,396)	(5,512)

Operating cash flows in 2019 decreased slightly from 2018 primarily due to higher payments for income taxes offset by improved results of operations resulting from an increase in operating earnings. Operating cash flows in 2018 increased from 2017 primarily due to improved results of operations from revenue growth and a decrease in income tax payments. Operating cash flows also reflected AbbVie's contributions to its defined benefit plans of \$727 million in 2019, \$873 million in 2018 and \$246 million in 2017.

Investing cash flows in 2019 included net sales and maturities of investments totaling \$2.1 billion resulting from the sale of substantially all of the company's investments in debt securities, payments made for other acquisitions and investments of \$1.1 billion and capital expenditures of \$552 million. Investing cash flows in 2018 included payments made for other acquisitions and investments of \$736 million and capital expenditures of \$638 million, partially offset by net sales and maturities of investment securities totaling \$368 million. Investing cash flows in 2017 included capital expenditures of \$529 million and payments made for other acquisitions and investments of \$308 million, partially offset by net sales and maturities of investment securities totaling \$563 million.

Financing cash flows in 2019 included the issuance of \$30.0 billion aggregate principal amount of floating rate and fixed rate unsecured senior notes at maturities ranging from 18 months to 30 years. AbbVie expects to use the net proceeds of \$29.8 billion to fund a portion of the aggregate cash consideration due to Allergan shareholders in connection with the proposed acquisition and to pay related fees and expenses. Pending the consummation of the proposed Allergan acquisition, the net proceeds from the offering are permitted to be invested temporarily in short-term investments. All of the notes are subject

to special mandatory redemption at a redemption price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest if the proposed acquisition of Allergan is not completed by January 30, 2021 or the company notifies the trustee in respect of the notes that it will not pursue the consummation of the proposed Allergan acquisition.

Additionally, financing cash flows in 2019 included the issuance of €1.4 billion aggregate principal amount of unsecured senior Euro notes which the company used to redeem €1.4 billion aggregate principal amount of 0.38% senior Euro notes that were due to mature in November 2019, as well as the repayment of a \$3.0 billion 364-day term loan credit agreement that was scheduled to mature in June 2019.

Financing cash flows in 2018 included proceeds from the issuance of \$3.0 billion drawn under the term loan in June 2018. In September 2018, the company issued \$6.0 billion aggregate principal amount of unsecured senior notes. Of the \$5.9 billion net proceeds, \$2.0 billion was used to repay the company's outstanding three-year term loan credit agreement in September 2018 and \$1.0 billion was used to repay the aggregate principal amount of 2.00% senior notes at maturity in November 2018. Financing cash flows in 2018 also included the May 2018 repayment of \$3.0 billion aggregate principal amount of the company's 1.80% senior notes at maturity.

In 2019, 2018 and 2017, the company issued and redeemed commercial paper. There were no commercial paper borrowings outstanding as of December 31, 2019 and there was \$699 million outstanding as of December 31, 2018. AbbVie may issue additional commercial paper or retire commercial paper to meet liquidity requirements as needed.

Cash dividend payments totaled \$6.4 billion in 2019, \$5.6 billion in 2018 and \$4.1 billion in 2017. The increase in cash dividend payments was primarily driven by an increase in the dividend rate. On November 1, 2019, AbbVie announced that its board of directors declared an increase in the quarterly cash dividend from \$1.07 per share to \$1.18 per share beginning with the dividend payable on February 14, 2020 to stockholders of record as of January 15, 2020. This reflects an increase of approximately 10.3% over the previous quarterly rate. 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.

On February 15, 2018, AbbVie's board of directors authorized a new \$10.0 billion stock repurchase program, which superseded AbbVie's previous stock repurchase program. On December 13, 2018, AbbVie's board of directors authorized a \$5.0 billion increase to the existing \$10.0 billion 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. Under this authorization, AbbVie repurchased 4 million shares for \$300 million in 2019 and 109 million shares for \$10.7 billion in 2018. AbbVie cash-settled \$201 million of its December 2018 open market purchases in January 2019. AbbVie's remaining stock repurchase authorization was \$4.0 billion as of December 31, 2019.

Under previous stock repurchase programs, AbbVie made open market share repurchases of 11 million shares for \$1.3 billion in 2018 and 13 million shares for \$1.0 billion in 2017. AbbVie cash-settled \$285 million of its December 2016 open market purchases in January 2017.

In 2019, AbbVie made contingent consideration milestone and royalty payments to BI totaling \$234 million following the commercial launch of SKYRIZI in certain geographies. \$163 million of these payments were included in financing cash flows and \$71 million of the payments were included in operating cash flows. In 2018, AbbVie paid \$100 million of contingent consideration to BI related to BLA and MAA acceptance milestones. \$78 million of these payments were included in financing cash flows and

\$22 million of the payments were included in operating cash flows. In 2017, AbbVie paid \$305 million of contingent consideration to BI related to a Phase 3 enrollment milestone. \$268 million of this milestone was included in financing cash flows and \$37 million was included in operating cash flows.

In connection with the proposed acquisition of Allergan, on June 25, 2019, AbbVie entered into a \$38.0 billion 364-day bridge credit agreement and on July 12, 2019, AbbVie entered into a \$6.0 billion term loan credit agreement. The company incurred a total of \$242 million of debt issuance costs related to the two agreements. On October 25, 2019, AbbVie commenced offers to exchange any and all outstanding notes of certain series issued by Allergan for up to \$15.5 billion aggregate principal amount and €3.7 billion aggregate principal amount of new notes to be issued by AbbVie and cash, subject to conditions including the closing of the proposed acquisition. See Note 10 to the Consolidated Financial Statements for additional information. In February 2020, the remaining commitments under the bridge credit agreement were reduced to \$0 as a result of cash on hand at AbbVie. AbbVie subsequently terminated the bridge credit agreement in its entirety as permitted under its terms.

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

In August 2019, AbbVie entered into an amended and restated \$4.0 billion five-year revolving credit facility that matures in August 2024. This amended facility enables the company to borrow funds on an unsecured basis at variable interest rates and contains various covenants. At December 31, 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 company's credit facilities as of December 31, 2019 and 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

Following the announcement of the proposed acquisition of Allergan and the \$30.0 billion senior notes issuance, 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.

Contractual Obligations

The following table summarizes AbbVie's estimated contractual obligations as of December 31, 2019:

(in millions)	Total	Less than one year	One to three years	Three to five years	More than five years
Long-term debt, including current portion	\$ 67,233	\$3,750	\$14,150	\$ 7,625	\$41,708
Interest on long-term debt ^(a)	30,494	2,146	4,087	3,479	20,782
Non-cancelable operating and finance lease payments ^(f)	774	129	224	125	296
Purchase obligations and other ^(b)	3,532	3,295	186	45	6
Other long-term liabilities ^{(c)(d)(e)}	11,544	166	1,395	2,123	7,860
Total	\$113,577	\$9,486	\$20,042	\$13,397	\$70,652

- (a) Includes estimated future interest payments on long-term debt. Interest payments on debt are calculated for future periods using forecasted interest rates in effect at the end of 2019. Projected interest payments include the related effects of interest rate swap agreements. Certain of these projected interest payments may differ in the future based on changes in floating interest rates or other factors or events. The projected interest payments only pertain to obligations and agreements outstanding at December 31, 2019. See Note 10 to the Consolidated Financial Statements for additional information regarding the company's debt instruments and Note 11 for additional information on the interest rate swap agreements outstanding at December 31, 2019.
- (b) Includes the company's significant unconditional purchase obligations. These commitments do not exceed the company's projected requirements and are made in the normal course of business.
- (c) Excludes liabilities associated with the company's unrecognized tax benefits as it is not possible to reliably estimate the timing of the future cash outflows related to these liabilities. See Note 14 to the Consolidated Financial Statements for additional information on these unrecognized tax benefits.
- (d) Includes \$7.3 billion of contingent consideration liabilities which are recorded at fair value on the consolidated balance sheet. Potential contingent consideration payments that exceed the fair value recorded on the consolidated balance sheet are not included in the table of contractual obligations. See Note 11 to the Consolidated Financial Statements for additional information regarding these liabilities.
- (e) Includes a one-time transition tax liability on a mandatory deemed repatriation of previously untaxed earnings of foreign subsidiaries resulting from U.S. tax reform enacted in 2017. The one-time transition tax is generally payable in eight annual installments. See Note 14 to the Consolidated Financial Statements for additional information regarding these tax liabilities.
- (f) Lease payments include approximately \$350 million of contractual minimum lease payments for leases executed but not yet commenced. These leases will commence in 2020 with lease terms of approximately 11 years.

AbbVie enters into R&D collaboration arrangements with third parties that may require future milestone payments to third parties contingent upon the achievement of certain development, regulatory, or commercial milestones. Individually, these arrangements are insignificant in any one annual reporting period. However, if milestones for multiple products covered by these arrangements would happen to be reached in the same reporting period, the aggregate charge to expense could be material to the results of operations in that period. From a business perspective, the payments are viewed as positive because they signify that the product is successfully moving through development and is now generating or is more likely to generate future cash flows from product sales. It is not possible to predict with reasonable certainty whether these milestones will be achieved or the timing for achievement. As a result, these potential

payments are not included in the table of contractual obligations. See Note 5 to the Consolidated Financial Statements for additional information on these collaboration arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles in the United States requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. A summary of the company's significant accounting policies is included in Note 2 to the Consolidated Financial Statements. Certain of these policies are considered critical as these most significantly impact the company's financial condition and results of operations and require the most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Actual results may vary from these estimates.

Revenue Recognition

AbbVie recognizes revenue when control of promised goods or services is transferred to the company's customers, in an amount that reflects the consideration AbbVie expects to be entitled to in exchange for those goods or services. Sales, value add and other taxes collected concurrent with revenue-producing activities are excluded from revenue. AbbVie generates revenue primarily from product sales. For the majority of sales, the company transfers control, invoices the customer and recognizes revenue upon shipment to the customer.

Rebates

AbbVie provides rebates to pharmacy benefit managers, state government Medicaid programs, insurance companies that administer Medicare drug plans, wholesalers, group purchasing organizations and other government agencies and private entities.

Rebate and chargeback accruals are accounted for as variable consideration and are recorded as a reduction to revenue in the period the related product is sold. Rebates and chargebacks totaled \$18.8 billion in 2019, \$16.4 billion in 2018 and \$12.9 billion in 2017. Rebate amounts are typically based upon the volume of purchases using contractual or statutory prices, which may vary by product and by payer. For each type of rebate, the factors used in the calculations of the accrual for that rebate include the identification of the products subject to the rebate, the applicable price terms and the estimated lag time between sale and payment of the rebate, which can be significant.

In order to establish its rebate and chargeback accruals, the company uses both internal and external data to estimate the level of inventory in the distribution channel and the rebate claims processing lag time for each type of rebate. To estimate the rebate percentage or net price, the company tracks sales by product and by customer or payer. The company evaluates inventory data reported by wholesalers, available prescription volume information, product pricing, historical experience and other factors in order to determine the adequacy of its reserves. AbbVie regularly monitors its reserves and records adjustments when rebate trends, rebate programs and contract terms, legislative changes, or other significant events indicate that a change in the reserve is appropriate. Historically, adjustments to rebate accruals have not been material to net earnings.

The following table is an analysis of the three largest rebate accruals and chargeback allowances, which comprise approximately 94% of the total consolidated rebate and chargebacks recorded as reductions to revenues in 2019. Remaining rebate provisions charged against gross revenues are not significant in the determination of operating earnings.

(in millions)	Medicaid and Medicare Rebates	Managed Care Rebates	Wholesaler Chargebacks
Balance at December 31, 2016	\$ 1,167	\$ 1,167	\$ 383
Provisions	2,909	3,990	5,026
Payments	(2,736)	(3,962)	(4,887)
Balance at December 31, 2017	1,340	1,195	522
Provisions	3,493	4,729	6,659
Payments	(3,188)	(4,485)	(6,525)
Balance at December 31, 2018	1,645	1,439	656
Provisions	4,035	5,772	7,947
Payments	(3,915)	(5,275)	(7,917)
Balance at December 31, 2019	\$ 1,765	\$ 1,936	\$ 686

Cash Discounts and Product Returns

Cash discounts and product returns, which totaled \$1.6 billion in 2019, \$1.6 billion in 2018 and \$1.3 billion in 2017, are accounted for as variable consideration and are recorded as a reduction to revenue in the same period the related product is sold. The reserve for cash discounts is readily determinable because the company's experience of payment history is fairly consistent. Product returns can be reliably estimated based on the company's historical return experience.

Pension and Other Post-Employment Benefits

AbbVie engages outside actuaries to assist in the determination of the obligations and costs under the pension and other post-employment benefit plans that are direct obligations of AbbVie. The valuation of the funded status and the net periodic benefit cost for these plans are calculated using actuarial assumptions. The significant assumptions, which are reviewed annually, include the discount rate, the expected long-term rate of return on plan assets and the health care cost trend rates, and are disclosed in Note 12 to the Consolidated Financial Statements.

The discount rate is selected based on current market rates on high-quality, fixed-income investments at December 31 each year. AbbVie employs a yield-curve approach for countries where a robust bond market exists. The yield curve is developed using high-quality bonds. The yield-curve approach reflects the plans' specific cash flows (i.e. duration) in calculating the benefit obligations by applying the corresponding individual spot rates along the yield curve. AbbVie reflects the plans' specific cash flows and applies them to the corresponding individual spot rates along the yield curve in calculating the service cost and interest cost portions of expense. For other countries, AbbVie reviews various indices such as corporate bond and government bond benchmarks to estimate the discount rate. AbbVie's assumed discount rates have a significant effect on the amounts reported for defined benefit pension and other post-employment plans as of December 31, 2019. A 50 basis point change in the assumed discount rate would have had the following

effects on AbbVie's calculation of net periodic benefit costs in 2020 and projected benefit obligations as of December 31, 2019:

(in millions) (brackets denote a reduction)	50 basis point	
	Increase	Decrease
Defined benefit plans		
Service and interest cost	\$ (76)	\$ 92
Projected benefit obligation	(723)	825
Other post-employment plans		
Service and interest cost	\$ (11)	\$ 14
Projected benefit obligation	(101)	117

The expected long-term rate of return is based on the asset allocation, historical performance and the current view of expected future returns. AbbVie considers these inputs with a long-term focus to avoid short-term market influences. The current long-term rate of return on plan assets for each plan is supported by the historical performance of the trust's actual and target asset allocation. AbbVie's assumed expected long-term rate of return has a significant effect on the amounts reported for defined benefit pension plans as of December 31, 2019 and will be used in the calculation of net periodic benefit cost in 2020. A one percentage point change in assumed expected long-term rate of return on plan assets would increase or decrease the net period benefit cost of these plans in 2020 by \$71 million.

The health care cost trend rate is selected by reviewing historical trends and current views on projected future health care cost increases. The current health care cost trend rate is supported by the historical trend experience of each plan. Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans as of December 31, 2019 and will be used in the calculation of net periodic benefit cost in 2020. A one percentage point change in assumed health care cost trend rates would have the following effects on AbbVie's calculation of net periodic benefit costs in 2020 and the projected benefit obligation as of December 31, 2019:

(in millions) (brackets denote a reduction)	One percentage point	
	Increase	Decrease
Service and interest cost	\$ 40	\$ (28)
Projected benefit obligation	244	(186)

Income Taxes

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

Litigation

The company 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. See Note 15 to the Consolidated Financial Statements for additional information. 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. Accordingly, AbbVie is often initially unable to develop a best estimate of loss and therefore, the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made, also resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected.

Valuation of Goodwill and Intangible Assets

AbbVie has acquired and may continue to acquire significant intangible assets in connection with business combinations that AbbVie records at fair value. Transactions involving the purchase or sale of intangible assets occur with some frequency between companies in the pharmaceuticals industry and valuations are usually based on a discounted cash flow analysis incorporating the stage of completion. The discounted cash flow model requires assumptions about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. IPR&D acquired in a business combination is capitalized as an indefinite-lived intangible asset until regulatory approval is obtained, at which time it is accounted for as a definite-lived asset and amortized over its estimated useful life, or discontinuation, at which point the intangible asset will be written off. IPR&D acquired in transactions that are not business combinations is expensed immediately, unless deemed to have an alternative future use. Payments made to third parties subsequent to regulatory approval are capitalized and amortized over the remaining useful life.

AbbVie reviews the recoverability of definite-lived intangible assets whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Goodwill and indefinite-lived intangible assets are reviewed for impairment annually or when an event occurs that could result in an impairment. See Note 2 to the Consolidated Financial Statements for further information.

Annually, the company tests its goodwill for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying amount. Some of the factors considered in the assessment include general macro-economic conditions, conditions specific to the industry and market, cost factors, the overall financial performance and whether there have been sustained declines in the company's share price. If the company concludes it is more likely than not that the fair value of the reporting unit is less than its carrying amount, a quantitative impairment test is performed. AbbVie tests indefinite-lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying amount. If the company concludes it is more likely than not that the fair value is less than its carrying amount, a quantitative impairment test is performed.

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

Contingent Consideration

The fair value measurements of contingent consideration liabilities are determined as of the acquisition date 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. Contingent consideration liabilities are revalued to fair value at each subsequent reporting date until the related contingency is resolved. The potential contingent consideration payments are estimated by applying a probability-weighted expected payment model for

contingent milestone payments and a Monte Carlo simulation model for contingent royalty payments, which are then discounted to present value. 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 certain of these inputs. Changes to the inputs described above could have a material impact on the company's financial position and results of operations in any given period. At December 31, 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 \$280 million. Additionally, at December 31, 2019, a five percentage point increase/decrease in the assumed probability of success across all potential indications would have increased/decreased the value of the contingent consideration liabilities by approximately \$150 million.

Recent Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for additional information on recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company is exposed to risk that its earnings, cash flows and equity could be adversely impacted by changes in foreign exchange rates and interest rates. Certain derivative instruments are used when available on a cost-effective basis to hedge the company's underlying economic exposures. See Note 11 to the Consolidated Financial Statements for additional information regarding the company's financial instruments and hedging strategies.

Foreign Currency Risk

AbbVie's primary net foreign currency exposures are the Euro, Japanese yen, Canadian dollar and British pound. The following table reflects the total foreign currency forward exchange contracts outstanding at December 31, 2019 and 2018:

(in millions)	2019			2018		
	Contract amount	Weighted average exchange rate	Fair and carrying value receivable/ (payable)	Contract amount	Weighted average exchange rate	Fair and carrying value receivable/ (payable)
Receive primarily U.S. dollars in exchange for the following currencies:						
Euro	\$6,217	1.116	\$(12)	\$ 6,660	1.157	\$ 68
Japanese yen	820	108.7	—	1,076	111.5	(12)
Canadian dollar	504	1.324	(6)	406	1.314	14
British pound	427	1.305	(6)	499	1.328	21
All other currencies	1,508	n/a	(10)	1,370	n/a	15
Total	\$9,476		\$(34)	\$10,011		\$106

The company estimates that a 10% appreciation in the underlying currencies being hedged from their levels against the U.S. dollar, with all other variables held constant, would decrease the fair value of foreign exchange forward contracts by \$942 million at December 31, 2019. If realized, this appreciation would negatively affect earnings over the remaining life of the contracts. However, gains and losses on the hedging instruments offset losses and gains on the hedged transactions and reduce the earnings and stockholders' equity volatility relating to foreign exchange. A 10% appreciation is believed to be a reasonably possible near-term change in foreign currencies.

As of December 31, 2019, the company has €3.6 billion aggregate principal amount of unsecured senior Euro notes outstanding, which are exposed to foreign currency risk. The company designated these foreign currency denominated notes as hedges of its net investments in certain foreign subsidiaries and affiliates. As a result, any foreign currency translation gains or losses related to the Euro notes will be included in accumulated other comprehensive income. See Note 10 to the Consolidated Financial Statements for additional information regarding to the senior Euro notes and Note 11 to the Consolidated Financial Statements for additional information regarding to the net investment hedging program.

Interest Rate Risk

The company estimates that an increase in interest rates of 100 basis points would adversely impact the fair value of AbbVie's interest rate swap contracts by approximately \$280 million at December 31, 2019. If realized, the fair value reduction would affect earnings over the remaining life of the contracts. The company estimates that an increase of 100 basis points in long-term interest rates would decrease the fair value of long-term debt by \$5.0 billion at December 31, 2019. A 100 basis point change is believed to be a reasonably possible near-term change in interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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AbbVie Inc. and Subsidiaries

Consolidated Statements of Earnings

years ended December 31 (in millions, except per share data)	2019	2018	2017
Net revenues	\$33,266	\$32,753	\$28,216
Cost of products sold	7,439	7,718	7,042
Selling, general and administrative	6,942	7,399	6,295
Research and development	6,407	10,329	5,007
Acquired in-process research and development	385	424	327
Other operating expense (income)	(890)	500	—
Total operating costs and expenses	20,283	26,370	18,671
Operating earnings	12,983	6,383	9,545
Interest expense, net	1,509	1,144	1,004
Net foreign exchange loss	42	24	348
Other expense, net	3,006	18	466
Earnings before income tax	8,426	5,197	7,727
Income tax expense (benefit)	544	(490)	2,418
Net earnings	\$ 7,882	\$ 5,687	\$ 5,309
Per share data			
Basic earnings per share	\$ 5.30	\$ 3.67	\$ 3.31
Diluted earnings per share	\$ 5.28	\$ 3.66	\$ 3.30
Weighted-average basic shares outstanding	1,481	1,541	1,596
Weighted-average diluted shares outstanding	1,484	1,546	1,603

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

AbbVie Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

years ended December 31 (in millions)	2019	2018	2017
Net earnings	\$ 7,882	\$5,687	\$5,309
Foreign currency translation adjustments, net of tax expense (benefit) of \$(4) in 2019, \$(18) in 2018 and \$34 in 2017	(98)	(391)	996
Net investment hedging activities, net of tax expense (benefit) of \$22 in 2019, \$40 in 2018 and \$(194) in 2017	74	138	(343)
Pension and post-employment benefits, net of tax expense (benefit) of \$(323) in 2019, \$35 in 2018 and \$(94) in 2017	(1,243)	197	(406)
Marketable security activities, net of tax expense (benefit) of \$— in 2019, \$— in 2018 and \$(8) in 2017	10	(10)	(46)
Cash flow hedging activities, net of tax expense (benefit) of \$70 in 2019, \$23 in 2018 and \$(26) in 2017	141	313	(342)
Other comprehensive income (loss)	(1,116)	247	(141)
Comprehensive income	\$ 6,766	\$5,934	\$5,168

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

AbbVie Inc. and Subsidiaries
Consolidated Balance Sheets

as of December 31 (in millions, except share data)	2019	2018
Assets		
Current assets		
Cash and equivalents	\$ 39,924	\$ 7,289
Short-term investments	—	772
Accounts receivable, net	5,428	5,384
Inventories	1,813	1,605
Prepaid expenses and other	2,354	1,895
Total current assets	49,519	16,945
Investments	93	1,420
Property and equipment, net	2,962	2,883
Intangible assets, net	18,649	21,233
Goodwill	15,604	15,663
Other assets	2,288	1,208
Total assets	\$ 89,115	\$ 59,352
Liabilities and Equity		
Current liabilities		
Short-term borrowings	\$ —	\$ 3,699
Current portion of long-term debt and finance lease obligations	3,753	1,609
Accounts payable and accrued liabilities	11,832	11,931
Total current liabilities	15,585	17,239
Long-term debt and finance lease obligations	62,975	35,002
Deferred income taxes	1,130	1,067
Other long-term liabilities	17,597	14,490
Commitments and contingencies		
Stockholders' equity (deficit)		
Common stock, \$0.01 par value, 4,000,000,000 shares authorized, 1,781,582,608 shares issued as of December 31, 2019 and 1,776,510,871 as of December 31, 2018	18	18
Common stock held in treasury, at cost, 302,671,146 shares as of December 31, 2019 and 297,686,473 as of December 31, 2018	(24,504)	(24,108)
Additional paid-in capital	15,193	14,756
Retained earnings	4,717	3,368
Accumulated other comprehensive loss	(3,596)	(2,480)
Total stockholders' equity (deficit)	(8,172)	(8,446)
Total liabilities and equity	\$ 89,115	\$ 59,352

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

AbbVie Inc. and Subsidiaries
Consolidated Statements of Equity

years ended December 31 (in millions)	Common shares outstanding	Common stock	Treasury stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at December 31, 2016	1,593	\$18	\$(10,852)	\$13,678	\$ 4,378	\$(2,586)	\$ 4,636
Net earnings	—	—	—	—	5,309	—	5,309
Other comprehensive loss, net of tax	—	—	—	—	—	(141)	(141)
Dividends declared	—	—	—	—	(4,221)	—	(4,221)
Purchases of treasury stock	(15)	—	(1,125)	—	—	—	(1,125)
Stock-based compensation plans and other	14	—	54	592	(7)	—	639
Balance at December 31, 2017	1,592	18	(11,923)	14,270	5,459	(2,727)	5,097
Adoption of new accounting standards ^(a)	—	—	—	—	(1,733)	—	(1,733)
Net earnings	—	—	—	—	5,687	—	5,687
Other comprehensive income, net of tax	—	—	—	—	—	247	247
Dividends declared	—	—	—	—	(6,045)	—	(6,045)
Purchases of treasury stock	(121)	—	(12,215)	—	—	—	(12,215)
Stock-based compensation plans and other	8	—	30	486	—	—	516
Balance at December 31, 2018	1,479	18	(24,108)	14,756	3,368	(2,480)	(8,446)
Net earnings	—	—	—	—	7,882	—	7,882
Other comprehensive loss, net of tax	—	—	—	—	—	(1,116)	(1,116)
Dividends declared	—	—	—	—	(6,533)	—	(6,533)
Purchases of treasury stock	(5)	—	(428)	—	—	—	(428)
Stock-based compensation plans and other	5	—	32	437	—	—	469
Balance at December 31, 2019	1,479	\$18	\$(24,504)	\$15,193	\$ 4,717	\$(3,596)	\$ (8,172)

(a) Adoption of new accounting standards primarily includes the cumulative-effect adjustment of Accounting Standards Update (ASU) No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*.

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

AbbVie Inc. and Subsidiaries

Consolidated Statements of Cash Flows

years ended December 31 (in millions) (brackets denote cash outflows)	2019	2018	2017
Cash flows from operating activities			
Net earnings	\$ 7,882	\$ 5,687	\$ 5,309
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation	464	471	425
Amortization of intangible assets	1,553	1,294	1,076
Change in fair value of contingent consideration liabilities	3,091	49	626
Stock-based compensation	430	421	365
Upfront costs and milestones related to collaborations	490	1,061	470
Gain on divestitures	(330)	—	—
Intangible asset impairment	1,030	5,070	354
Impacts related to U.S. tax reform	—	424	1,242
Other, net	43	76	84
Changes in operating assets and liabilities:			
Accounts receivable	(74)	(591)	(391)
Inventories	(231)	(226)	93
Prepaid expenses and other assets	97	(499)	(118)
Accounts payable and other liabilities	(1,121)	190	425
Cash flows from operating activities	13,324	13,427	9,960
Cash flows from investing activities			
Acquisitions and investments	(1,135)	(736)	(308)
Acquisitions of property and equipment	(552)	(638)	(529)
Purchases of investment securities	(583)	(1,792)	(2,230)
Sales and maturities of investment securities	2,699	2,160	2,793
Other	167	—	—
Cash flows from investing activities	596	(1,006)	(274)
Cash flows from financing activities			
Net change in commercial paper borrowings	(699)	299	23
Proceeds from issuance of other short-term borrowings	—	3,002	—
Repayments of other short-term borrowings	(3,000)	—	—
Proceeds from issuance of long-term debt	31,482	5,963	—
Repayments of long-term debt and finance lease obligations	(1,536)	(6,035)	(25)
Debt issuance costs	(424)	(40)	—
Dividends paid	(6,366)	(5,580)	(4,107)
Purchases of treasury stock	(629)	(12,014)	(1,410)
Proceeds from the exercise of stock options	8	73	254
Payments of contingent consideration liabilities	(163)	(78)	(268)
Other, net	35	14	21
Cash flows from financing activities	18,708	(14,396)	(5,512)
Effect of exchange rate changes on cash and equivalents	7	(39)	29
Net change in cash and equivalents	32,635	(2,014)	4,203
Cash and equivalents, beginning of year	7,289	9,303	5,100
Cash and equivalents, end of year	\$39,924	\$ 7,289	\$ 9,303
Other supplemental information			
Interest paid, net of portion capitalized	\$ 1,794	\$ 1,215	\$ 1,099
Income taxes paid (received)	1,447	(35)	1,696

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

AbbVie Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 Background

Background

The principal business of AbbVie Inc. (AbbVie or the company) is the discovery, development, manufacture and sale of a broad line of pharmaceutical products. AbbVie's products are generally sold worldwide directly to wholesalers, distributors, government agencies, health care facilities, specialty pharmacies and independent retailers from AbbVie-owned distribution centers and public warehouses. 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.

AbbVie was incorporated in Delaware on April 10, 2012. On January 1, 2013, AbbVie became an independent, publicly-traded company as a result of the distribution by Abbott Laboratories (Abbott) of 100% of the outstanding common stock of AbbVie to Abbott's shareholders.

On June 25, 2019, AbbVie announced that it entered into a definitive transaction agreement under which AbbVie will acquire Allergan plc (Allergan). See Note 5 for additional information regarding the proposed acquisition.

Note 2 Summary of Significant Accounting Policies

Use of Estimates

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts. Significant estimates include amounts for rebates, pension and other post-employment benefits, income taxes, litigation, valuation of goodwill and intangible assets, contingent consideration liabilities, financial instruments and inventory and accounts receivable exposures.

Basis of Consolidation

The consolidated financial statements include the accounts of AbbVie and all of its subsidiaries in which a controlling interest is maintained. Controlling interest is determined by majority ownership interest and the absence of substantive third-party participating rights or, in the case of variable interest entities, where AbbVie is determined to be the primary beneficiary. Investments in companies over which AbbVie has a significant influence but not a controlling interest are accounted for using the equity method with AbbVie's share of earnings or losses reported in other expense, net in the consolidated statements of earnings. Intercompany balances and transactions are eliminated.

Certain reclassifications have been made to conform the prior period consolidated financial statements to the current period presentation.

Revenue Recognition

AbbVie recognizes revenue when control of promised goods or services is transferred to the company's customers, in an amount that reflects the consideration AbbVie expects to be entitled to in exchange for those goods or services. Sales, value add and other taxes collected concurrent with revenue-producing activities are excluded from revenue. AbbVie generates revenue primarily from product sales. For the majority of sales, the company transfers control, invoices the customer and recognizes revenue upon

shipment to the customer. The company recognizes shipping and handling costs as an expense in cost of products sold when the company transfers control to the customer. Payment terms vary depending on the type and location of the customer, are based on customary commercial terms and are generally less than one year. AbbVie does not adjust revenue for the effects of a significant financing component for contracts where AbbVie expects the period between the transfer of the good or service and collection to be one year or less.

Discounts, rebates, sales incentives to customers, returns and certain other adjustments are accounted for as variable consideration. Provisions for variable consideration are based on current pricing, executed contracts, government pricing legislation and historical data and are provided for in the period the related revenues are recorded. Rebate amounts are typically based upon the volume of purchases using contractual or statutory prices, which may vary by product and by payer. For each type of rebate, factors used in the calculation of the accrual include the identification of the products subject to the rebate, the applicable price terms and the estimated lag time between sale and payment of the rebate, which can be significant. Sales incentives to customers are insignificant.

In addition to revenue from contracts with customers, the company also recognizes certain collaboration revenues. See Note 6 for additional information related to the collaboration with Janssen Biotech, Inc. Additionally, see Note 16 for disaggregation of revenue by product and geography.

Research and Development Expenses

Internal research and development (R&D) costs are expensed as incurred. Clinical trial costs incurred by third parties are expensed as the contracted work is performed. Where contingent milestone payments are due to third parties under research and development collaborations, prior to regulatory approval, the payment obligations are expensed when the milestone results are achieved. Payments made to third parties subsequent to regulatory approval are capitalized as intangible assets and amortized to cost of products sold over the remaining useful life of the related product.

Collaborations and Other Arrangements

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

Advertising

Costs associated with advertising are expensed as incurred and are included in selling, general and administrative (SG&A) expense in the consolidated statements of earnings. Advertising expenses were \$1.1 billion in 2019, \$1.1 billion in 2018 and \$846 million in 2017.

Pension and Other Post-Employment Benefits

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

Income Taxes

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

Cash and Equivalents

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

Investments

Investments consist primarily of time deposits, marketable debt securities, held-to-maturity debt securities and equity securities. Investments in marketable debt securities are classified as available-for-sale and are recorded at fair value with any unrealized holding gains or losses, net of tax, included in AOCI on the consolidated balance sheets until realized, at which time the gains or losses are recognized in earnings. Investments in equity securities that have readily determinable fair values are recorded at fair value. Investments in equity securities that do not have readily determinable fair values are recorded at cost and are remeasured to fair value based on certain observable price changes or impairment events as they occur. Held-to-maturity debt securities are recorded at cost. Gains or losses on investments are included in other expense, net in the consolidated statements of earnings.

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

Accounts Receivable

Accounts receivable are stated at their net realizable value. The allowance for doubtful accounts reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis

of historical experience, specific allowances for known troubled accounts and other currently available information. Accounts receivable are written off after all reasonable means to collect the full amount (including litigation, where appropriate) have been exhausted. The allowance for doubtful accounts was \$46 million at December 31, 2019 and \$51 million at December 31, 2018.

Inventories

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

as of December 31 (in millions)	2019	2018
Finished goods	\$ 485	\$ 473
Work-in-process	942	862
Raw materials	386	270
Inventories	\$1,813	\$1,605

Property and Equipment

as of December 31 (in millions)	2019	2018
Land	\$ 72	\$ 73
Buildings	1,613	1,603
Equipment	6,012	6,362
Construction in progress	491	358
Property and equipment, gross	8,188	8,396
Less accumulated depreciation	(5,226)	(5,513)
Property and equipment, net	\$ 2,962	\$ 2,883

Depreciation for property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets. The estimated useful life for buildings ranges from 10 to 50 years. Buildings include leasehold improvements which are amortized over the life of the related facility lease (including any renewal periods, if appropriate) or the asset, whichever is shorter. The estimated useful life for equipment ranges from 2 to 25 years. Equipment includes certain computer software and software development costs incurred in connection with developing or obtaining software for internal use and is amortized over 3 to 10 years. Depreciation expense was \$464 million in 2019, \$471 million in 2018 and \$425 million in 2017.

Leases

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.

Litigation and Contingencies

Loss contingency provisions are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. When a best estimate cannot be made, the minimum loss contingency amount in a probable range is recorded. Legal fees are expensed as incurred. AbbVie accrues for product liability claims on an undiscounted basis. The liabilities are evaluated quarterly and adjusted if necessary as additional information becomes available. Receivables for insurance recoveries for product liability claims, if any, are recorded as assets on an undiscounted basis when it is probable that a recovery will be realized.

Business Combinations

AbbVie utilizes the acquisition method of accounting for business combinations. This method requires, among other things, that results of operations of acquired companies are included in AbbVie's results of operations beginning on the respective acquisition dates and that assets acquired and liabilities assumed are recognized at fair value as of the acquisition date. Any excess of the fair value of consideration transferred over the fair values of the net assets acquired is recognized as goodwill. Contingent consideration liabilities are recognized at the estimated fair value on the acquisition date. Subsequent changes to the fair value of contingent consideration liabilities are recognized in other expense, net in the consolidated statements of earnings. The fair value of assets acquired and liabilities assumed in certain cases may be subject to revision based on the final determination of fair value during a period of time not to exceed 12 months from the acquisition date. Legal costs, due diligence costs, business valuation costs and all other business acquisition costs are expensed when incurred.

Goodwill and Intangible Assets

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

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

The company tests its goodwill for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying amount. If the company concludes it is more likely than not that the fair value of the reporting unit is less than its carrying amount, a quantitative impairment test is performed. AbbVie tests indefinite-lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying amount. If the company concludes it is more likely than not that the fair value is less than its carrying amount, a quantitative impairment test is performed. For its quantitative impairment tests, the company uses an estimated future cash flow approach that requires significant judgment with respect to future volume, revenue and expense growth rates, changes in working capital use, the selection of an appropriate discount rate, asset groupings and other assumptions and estimates. The estimates and

assumptions used are consistent with the company's business plans and a market participant's views. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of the assets and potentially result in different impacts to the company's results of operations. Actual results may differ from the company's estimates.

Acquired In-Process Research and Development

In an asset acquisition, the initial costs of rights to IPR&D projects acquired are expensed as IPR&D in the consolidated statements of earnings unless the project has an alternative future use. These costs include initial payments incurred prior to regulatory approval in connection with research and development collaboration agreements that provide rights to develop, manufacture, market and/or sell pharmaceutical products. In a business combination, the fair value of IPR&D projects acquired are capitalized and accounted for as indefinite-lived intangible assets until the underlying project receives regulatory approval, at which point the intangible asset will be accounted for as a definite-lived intangible asset, or discontinuation, at which point the intangible asset will be written off. R&D costs incurred after the acquisition are expensed as incurred.

Foreign Currency Translation

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

Derivatives

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

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

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

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

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

ASU No. 2016-02

In February 2016, the Financial Accounting Standards Board (FASB) issued 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 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 consolidated balance sheet primarily related to the recognition of liabilities and corresponding right-of-use assets for operating leases. The adjustment to the 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 consolidated balance sheet were insignificant.

Adoption of the standard did not have a significant impact on AbbVie's consolidated statement of earnings in 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 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 has completed its assessment of the new standard as of December 31, 2019 and concluded that the adoption will not have a material impact on its consolidated financial statements based on the company's current portfolio of financial assets.

ASU No. 2019-12

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740)*. The standard includes simplifications related to accounting for income taxes including removing certain exceptions related to the approach for intraperiod tax allocation and the recognition of deferred tax liabilities for outside basis differences. The standard also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard will be effective for AbbVie starting with the first quarter of 2021, with early adoption permitted. AbbVie is currently assessing the impact and timing of adopting this guidance on its consolidated financial statements.

Note 3 Supplemental Financial Information

Interest Expense, Net

years ended December 31 (in millions)	2019	2018	2017
Interest expense	\$1,784	\$1,348	\$1,150
Interest income	(275)	(204)	(146)
Interest expense, net	\$1,509	\$1,144	\$1,004

Accounts Payable and Accrued Liabilities

as of December 31 (in millions)	2019	2018
Sales rebates	\$ 4,484	\$ 3,939
Dividends payable	1,771	1,607
Accounts payable	1,452	1,546
Salaries, wages and commissions	830	787
Royalty and license arrangements	324	304
Other	2,971	3,748
Accounts payable and accrued liabilities	\$11,832	\$11,931

Other Long-Term Liabilities

as of December 31 (in millions)	2019	2018
Contingent consideration liabilities	\$ 7,201	\$ 4,306
Income taxes payable	3,453	4,311
Pension and other post-employment benefits	2,949	1,840
Liabilities for unrecognized tax benefits	2,772	2,726
Other	1,222	1,307
Other long-term liabilities	\$17,597	\$14,490

Note 4 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)	Years ended December 31,		
	2019	2018	2017
Basic EPS			
Net earnings	\$7,882	\$5,687	\$5,309
Earnings allocated to participating securities	40	30	26
Earnings available to common shareholders	\$7,842	\$5,657	\$5,283
Weighted-average basic shares outstanding	1,481	1,541	1,596
Basic earnings per share	\$ 5.30	\$ 3.67	\$ 3.31
Diluted EPS			
Net earnings	\$7,882	\$5,687	\$5,309
Earnings allocated to participating securities	40	30	26
Earnings available to common shareholders	\$7,842	\$5,657	\$5,283
Weighted-average shares of common stock outstanding	1,481	1,541	1,596
Effect of dilutive securities	3	5	7
Weighted-average diluted shares outstanding	1,484	1,546	1,603
Diluted earnings per share	\$ 5.28	\$ 3.66	\$ 3.30

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

Note 5 Licensing, Acquisitions and Other Arrangements

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. On October 14, 2019, Allergan shareholders approved the proposed transaction.

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 aesthetics, eye care, neuroscience, gastroenterology and women's health.

The transaction is subject to customary closing conditions and regulatory approvals. In September 2019, AbbVie and Allergan each received a Request for Additional Information (Second Request) from the Federal Trade Commission (FTC) in connection with the transaction. AbbVie and Allergan are cooperating fully with the FTC. In January 2020, the European Commission approved the proposed acquisition of Allergan by AbbVie conditional upon the divestiture of brazikumab, Allergan's IL-23 inhibitor pipeline product. In January 2020, Allergan entered into a definitive agreement to divest brazikumab contingent upon regulatory approvals and closing of AbbVie's acquisition of Allergan.

In anticipation of the proposed acquisition, AbbVie entered into several debt and financing arrangements in 2019. See Note 10 for additional information.

Other Licensing & Acquisitions Activity

Cash outflows related to other acquisitions and investments totaled \$1.1 billion in 2019, \$736 million in 2018 and \$308 million in 2017. AbbVie recorded acquired IPR&D charges of \$385 million in 2019, \$424 million in 2018 and \$327 million in 2017. Significant arrangements impacting 2019, 2018 and 2017, some of which require contingent milestone payments, are summarized below.

Reata Pharmaceuticals, Inc.

In October 2019, AbbVie and Reata Pharmaceuticals, Inc. (Reata) entered into an amended and restated license agreement. Under the terms of the agreement, Reata reacquired exclusive development, manufacturing and commercialization rights concerning its proprietary Nrf2 activator product platform originally licensed to AbbVie for territories outside of the United States with respect to bardoxolone methyl and worldwide with respect to omaveloxolone and other next-generation Nrf2 activators. As consideration for the rights reacquired by Reata, AbbVie will receive a total of \$330 million in cash payable in three installments through 2021, which was recognized in other operating expense (income) in the fourth quarter of 2019. In addition, AbbVie will receive low single-digit, tiered royalties from worldwide sales of omaveloxolone and certain next-generation Nrf2 activators.

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 is 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 2018, AbbVie recorded \$500 million in other operating expense (income) in the consolidated statement of earnings related to its commitments under the agreement.

Alector, Inc.

In October 2017, AbbVie entered into a global strategic collaboration with Alector, Inc. (Alector) to develop and commercialize medicines to treat Alzheimer's disease and other neurodegenerative disorders. AbbVie and Alector have agreed to research a portfolio of antibody targets, and AbbVie has an option to global development and commercial rights to two targets. The terms of the arrangement included an initial upfront payment of \$205 million, which was expensed to IPR&D in the fourth quarter of 2017. Alector will conduct exploratory research, drug discovery and development for lead programs up to the conclusion of the proof of concept studies. If the option is exercised, AbbVie will lead development and commercialization activities and could make additional payments to Alector of up to \$986 million upon achievement of certain development and regulatory milestones. Alector and AbbVie will co-fund development and commercialization and will share global profits equally.

Other Arrangements

In addition to the significant arrangements described above, AbbVie entered into several other arrangements resulting in charges to IPR&D of \$385 million in 2019, \$424 million in 2018 and \$122 million in 2017. In connection with the other individually insignificant early-stage arrangements entered into in 2019, AbbVie could make additional payments of up to \$5.8 billion upon the achievement of certain development, regulatory and commercial milestones.

Note 6 Collaboration with Janssen Biotech, Inc.

In December 2011, Pharmacyclics, 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:

years ended December 31 (in millions)	2019	2018	2017
United States—Janssen's share of profits (included in cost of products sold)	\$1,803	\$1,372	\$1,001
International—AbbVie's share of profits (included in net revenues)	844	622	429
Global—AbbVie's share of other costs (included in respective line items)	321	326	288

AbbVie's receivable from Janssen, included in accounts receivable, net, was \$235 million at December 31, 2019 and \$177 million at December 31, 2018. AbbVie's payable to Janssen, included in accounts payable and accrued liabilities, was \$455 million at December 31, 2019 and \$376 million at December 31, 2018.

Note 7 Goodwill and Intangible Assets

Goodwill

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

(in millions)	
Balance as of December 31, 2017	\$15,785
Foreign currency translation	(122)
Balance as of December 31, 2018	15,663
Foreign currency translation	(59)
Balance as of December 31, 2019	\$15,604

The company performs its annual goodwill impairment assessment in the third quarter, or earlier if impairment indicators exist. As of December 31, 2019, there were no accumulated goodwill impairment losses.

Intangible Assets, Net

The following table summarizes intangible assets:

as of December 31 (in millions)	2019			2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangible assets						
Developed product rights	\$19,547	\$(6,405)	\$13,142	\$15,872	\$(5,614)	\$10,258
License agreements	7,798	(2,291)	5,507	7,865	(1,810)	6,055
Total definite-lived intangible assets	27,345	(8,696)	18,649	23,737	(7,424)	16,313
Indefinite-lived research and development	—	—	—	4,920	—	4,920
Total intangible assets, net	\$27,345	\$(8,696)	\$18,649	\$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.

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.

During the fourth quarter of 2018, the company made a decision to stop enrollment for the TAHOE trial, a Phase 3 study evaluating rovalpituzumab tesirine (Rova-T) as a second-line therapy for advanced small-cell lung cancer following a recommendation from an Independent Data Monitoring Committee. This decision lowered the probabilities of success of achieving regulatory approval across Rova-T and other early-stage assets and represented a triggering event which required the company to evaluate for impairment the IPR&D assets associated with the Stemcentrx acquisition. The company utilized multi-period excess earnings models of the "income approach" and determined that the fair value was \$1.0 billion as of December 31, 2018, which was lower than the carrying value of \$6.1 billion and resulted in an impairment charge of

\$5.1 billion. This impairment charge was recorded to R&D expense in the consolidated statement of earnings for the year ended December 31, 2018. In the third quarter of 2019, following the announcement of the decision to terminate the Rova-T research and development program, the company recorded an impairment charge of \$1.0 billion which represented the remaining value of the IPR&D acquired as part of the 2016 Stemcentrx acquisition. This impairment charge was recorded to R&D expense in the consolidated statement of earnings for the year ended December 31, 2019.

No indefinite-lived intangible asset impairment charges were recorded in 2017.

Definite-Lived Intangible Assets

Definite-lived intangible assets are amortized over their estimated useful lives, which range between 2 to 16 years with an average of 11 years for both developed product rights and license agreements. Amortization expense was \$1.6 billion in 2019, \$1.3 billion in 2018 and \$1.1 billion in 2017 and was included in cost of products sold in the consolidated statements of earnings. The anticipated annual amortization expense for definite-lived intangible assets recorded as of December 31, 2019 is as follows:

(in billions)	2020	2021	2022	2023	2024
Anticipated annual amortization expense	\$1.8	\$2.0	\$2.3	\$2.4	\$2.5

No definite-lived intangible asset impairment charges were recorded in 2019 or 2018. In 2017, an impairment charge of \$354 million was recorded related to ZINBRYTA that reduced both the gross carrying amount and net carrying amount of the underlying intangible assets due to lower expected future cash flows for the product. The impairment charge was based on discounted cash flow analyses and was included in cost of products sold in the consolidated statements of earnings.

Note 8 Restructuring Plans

AbbVie continuously evaluates its operations to identify opportunities to optimize its manufacturing and R&D operations, commercial infrastructure and administrative costs and to respond to changes in its business environment. As a result, AbbVie management periodically approves individual restructuring plans to achieve these objectives. In 2019, 2018 and 2017, no such plans were individually significant. Restructuring charges recorded were \$234 million in 2019, \$70 million in 2018 and \$86 million in 2017 and were primarily related to employee severance and contractual obligations. These charges were recorded in cost of products sold, R&D expense and SG&A expenses in the consolidated statements of earnings based on the classification of the affected employees or operations.

The following table summarizes the cash activity in the restructuring reserve for 2019, 2018 and 2017:

(in millions)	
Accrued balance as of December 31, 2016	\$ 87
2017 restructuring charges	86
Payments and other adjustments	(87)
Accrued balance as of December 31, 2017	86
2018 restructuring charges	59
Payments and other adjustments	(46)
Accrued balance as of December 31, 2018	99
2019 restructuring charges	219
Payments and other adjustments	(178)
Accrued balance as of December 31, 2019	\$ 140

Note 9 Leases

AbbVie's lease portfolio primarily consists of real estate properties, vehicles and equipment. The following table summarizes the amounts and location of operating and finance leases on the consolidated balance sheet:

(in millions)	Balance sheet caption	December 31, 2019
Assets		
Operating	Other assets	\$344
Finance	Property and equipment, net	23
Total lease assets		\$367
Liabilities		
Operating		
Current	Accounts payable and accrued liabilities	\$109
Noncurrent	Other long-term liabilities	251
Finance		
Current	Current portion of long-term debt and finance lease obligations	7
Noncurrent	Long-term debt and finance lease obligations	20
Total lease liabilities		\$387

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

year ended December 31 (in millions)	2019
Operating lease cost	\$124
Short-term lease cost	34
Variable lease cost	62
Total lease cost	\$220

Sublease income and finance lease costs were insignificant in 2019. Lease expense prior to the adoption of ASU No. 2016-02 was \$161 million in 2018 and \$169 million in 2017.

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

	December 31, 2019
Weighted-average remaining lease term (years)	
Operating	5
Finance	3
Weighted-average discount rate	
Operating	3.9%
Finance	3.9%

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

year ended December 31 (in millions)	2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$125
Right-of-use assets obtained in exchange for new operating lease liabilities	26

Finance lease cash flows were insignificant in 2019.

The following table summarizes the future maturities of AbbVie's operating and finance lease liabilities as of December 31, 2019:

(in millions)	Operating leases	Finance leases	Total ^{(a)(b)}
2020	\$119	\$10	\$129
2021	104	9	113
2022	59	8	67
2023	38	1	39
2024	22	—	22
Thereafter	58	—	58
Total lease payments	400	28	428
Less: Interest	40	1	41
Present value of lease liabilities	\$360	\$27	\$387

- (a) Total lease payments exclude approximately \$350 million of contractual minimum lease payments for leases executed but not yet commenced. These leases will commence in 2020 with lease terms of approximately 11 years.
- (b) Lease payments recognized as part of lease liabilities for optional renewal periods are insignificant.

Future minimum lease payments for non-cancelable operating leases and capital leases as of December 31, 2018 prior to the adoption of ASU No. 2016-02 did not differ materially from future lease payments, inclusive of payments for leases executed but not yet commenced, under the new standard.

Note 10 Debt, Credit Facilities and Commitments and Contingencies

The following table summarizes long-term debt:

as of December 31 (dollars in millions)	Effective interest rate in 2019 ^(a)	2019	Effective interest rate in 2018 ^(a)	2018
Senior notes issued in 2012				
2.90% notes due 2022	2.97%	\$ 3,100	2.97%	\$ 3,100
4.40% notes due 2042	4.46%	2,600	4.46%	2,600
Senior notes issued in 2015				
2.50% notes due 2020	2.65%	3,750	2.65%	3,750
3.20% notes due 2022	3.28%	1,000	3.28%	1,000
3.60% notes due 2025	3.66%	3,750	3.66%	3,750
4.50% notes due 2035	4.58%	2,500	4.58%	2,500
4.70% notes due 2045	4.73%	2,700	4.73%	2,700
Senior notes issued in 2016				
2.30% notes due 2021	2.40%	1,800	2.40%	1,800
2.85% notes due 2023	2.91%	1,000	2.91%	1,000
3.20% notes due 2026	3.28%	2,000	3.28%	2,000
4.30% notes due 2036	4.37%	1,000	4.37%	1,000
4.45% notes due 2046	4.50%	2,000	4.50%	2,000
Senior Euro notes issued in 2016				
0.375% notes due 2019 (€1,400 principal)	0.55%	—	0.55%	1,604
1.375% notes due 2024 (€1,450 principal)	1.46%	1,625	1.46%	1,661
2.125% notes due 2028 (€750 principal)	2.18%	840	2.18%	859
Senior notes issued in 2018				
3.375% notes due 2021	3.51%	1,250	3.51%	1,250
3.75% notes due 2023	3.84%	1,250	3.84%	1,250
4.25% notes due 2028	4.38%	1,750	4.38%	1,750
4.875% notes due 2048	4.94%	1,750	4.94%	1,750
Senior Euro notes issued in 2019				
0.75% notes due 2027 (€750 principal)	0.86%	840	—	—
1.25% notes due 2031 (€650 principal)	1.30%	728	—	—
Senior notes issued in 2019				
Floating rate notes due May 2021	2.08%	750	—	—
Floating rate notes due November 2021	2.12%	750	—	—
Floating rate notes due 2022	2.29%	750	—	—
2.15% notes due 2021	2.23%	1,750	—	—
2.30% notes due 2022	2.42%	3,000	—	—
2.60% notes due 2024	2.69%	3,750	—	—
2.95% notes due 2026	3.02%	4,000	—	—
3.20% notes due 2029	3.25%	5,500	—	—
4.05% notes due 2039	4.11%	4,000	—	—
4.25% notes due 2049	4.29%	5,750	—	—
Other		27		36
Fair value hedges		(48)		(466)
Unamortized bond discounts		(161)		(120)
Unamortized deferred financing costs		(323)		(163)
Total long-term debt and finance lease obligations		66,728		36,611
Current portion		3,753		1,609
Noncurrent portion		\$62,975		\$35,002

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

Allergan-Related Financing

In connection with the proposed acquisition of Allergan, in November 2019, the company issued \$30.0 billion aggregate principal amount of unsecured senior notes, consisting of \$750 million aggregate principal amount of floating rate senior notes due May 2021, \$750 million aggregate principal amount of floating rate senior notes due November 2021, \$750 million aggregate principal amount of floating rate senior notes due 2022, \$1.75 billion aggregate principal amount of 2.15% senior notes due 2021, \$3.0 billion aggregate principal amount of 2.30% senior notes due 2022, \$3.75 billion aggregate principal amount of 2.60% senior notes due 2024, \$4.0 billion aggregate principal amount of 2.95% senior notes due 2026, \$5.5 billion aggregate principal amount of 3.20% senior notes due 2029, \$4.0 billion aggregate principal amount of 4.05% senior notes due 2039 and \$5.75 billion aggregate principal amount of 4.25% senior notes due 2049. These senior notes rank equally with all other unsecured and unsubordinated indebtedness of the company. AbbVie may redeem the fixed-rate senior notes prior to maturity at a redemption price equal to the greater of the principal amount or the sum of present values of the remaining scheduled payments of principal and interest on the fixed-rate senior notes to be redeemed plus a make-whole premium. With exception of the fixed-rate notes due 2021 and 2022, AbbVie may also redeem the fixed-rate senior notes at par between one and six months prior to maturity. In connection with the offering, debt issuance costs incurred totaled \$173 million and debt discounts totaled \$52 million, which are being amortized over the respective terms of the notes to interest expense, net in the consolidated statements of earnings. AbbVie expects to use the net proceeds to fund a portion of the aggregate cash consideration due to Allergan shareholders in connection with the proposed acquisition described in Note 5 and to pay related fees and expenses. Pending the consummation of the proposed Allergan acquisition, the net proceeds from the offering are permitted to be invested temporarily in short-term investments. All of the notes are subject to special mandatory redemption at a redemption price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest if the proposed acquisition of Allergan is not completed by January 30, 2021 or the company notifies the trustee in respect of the notes that it will not pursue the consummation of the proposed Allergan acquisition.

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. In connection with the agreements, debt issuance costs incurred totaled \$242 million and were recorded to interest expense, net in the consolidated statements of earnings. Upon commencement of the \$6.0 billion term loan credit agreement and upon issuance of the \$30.0 billion aggregate principal amount of senior notes, commitments under the bridge credit agreement were reduced to \$2.0 billion. No amounts were drawn under the bridge credit agreement or term loan credit agreement at December 31, 2019. In February 2020, the remaining commitments under the bridge credit agreement were reduced to \$0 as a result of cash on hand at AbbVie. AbbVie subsequently terminated the bridge credit agreement in its entirety as permitted under its terms.

On October 25, 2019, AbbVie commenced offers to exchange any and all outstanding notes of certain series issued by Allergan for up to \$15.5 billion aggregate principal amount and €3.7 billion aggregate principal amount of new notes to be issued by AbbVie and cash, subject to conditions including the closing of the pending acquisition of Allergan. Concurrently with the offers to exchange the Allergan notes for AbbVie notes, the company solicited consents to adopt certain proposed amendments to each of the indentures governing the Allergan notes to, among other things, eliminate substantially all of the restrictive covenants in such indentures. In November 2019, the company announced that the requisite number of consents had been received to adopt the proposed amendments with respect to all Allergan notes and that Allergan executed a supplemental indenture with respect to each Allergan indenture implementing the amendments, which will become operative only upon settlement of the exchange offers. The expiration of the exchange offers is expected to occur on or about the closing date of AbbVie's acquisition of Allergan.

Other Long-Term Debt

In September 2019, the company issued €1.4 billion aggregate principal amount of unsecured senior Euro notes, consisting of €750 million aggregate principal amount of 0.75% senior notes due 2027 and €650 million aggregate principal amount of 1.25% senior notes due 2031. These senior notes rank equally with all other unsecured and unsubordinated indebtedness of the company. AbbVie may redeem the senior notes prior to maturity at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium and may redeem the senior notes at par between one and three months prior to maturity. In connection with the offering, debt issuance costs incurred totaled \$9 million and debt discounts totaled \$5 million and are being amortized over the respective terms of the notes to interest expense, net in the consolidated statements of earnings. In October 2019, the company used the proceeds to redeem €1.4 billion aggregate principal amount of 0.375% senior Euro notes that were due to mature in November 2019.

In September 2018, the company issued \$6.0 billion aggregate principal amount of unsecured senior notes, consisting of \$1.25 billion aggregate principal amount of 3.375% senior notes due 2021, \$1.25 billion aggregate principal amount of 3.75% senior notes due 2023, \$1.75 billion aggregate principal amount of 4.25% senior notes due 2028 and \$1.75 billion aggregate principal amount of 4.875% senior notes due 2048. These senior notes rank equally with all other unsecured and unsubordinated indebtedness of the company. AbbVie may redeem the senior notes prior to maturity at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium, and except for the 3.375% notes due 2021, AbbVie may redeem the senior notes at par between one and six months prior to maturity. In connection with the offering, debt issuance costs incurred totaled \$37 million and debt discounts totaled \$37 million and are being amortized over the respective terms of the senior notes to interest expense, net in the consolidated statements of earnings. Of the \$5.9 billion net proceeds, \$2.0 billion was used to repay the company's outstanding three-year term loan credit agreement in September 2018 and \$1.0 billion was used to repay the aggregate principal amount of 2.00% senior notes at maturity in November 2018. The company used the remaining proceeds to repay term loan obligations in 2019 as they became due.

In May 2018, the company also repaid \$3.0 billion aggregate principal amount of 1.80% senior notes at maturity.

AbbVie has outstanding €2.2 billion aggregate principal amount of unsecured senior Euro notes which were issued in 2016. AbbVie may redeem the senior notes prior to maturity at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium and AbbVie may redeem the senior notes at par between one and three months prior to maturity.

AbbVie has outstanding \$7.8 billion aggregate principal amount of unsecured senior notes which were issued in 2016 and \$13.7 billion aggregate principal amount of unsecured senior notes which were issued in 2015. AbbVie may redeem the senior notes, at any time, prior to maturity at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium and AbbVie may redeem the senior notes at par between one and six months prior to maturity.

AbbVie has outstanding \$5.7 billion aggregate principal amount of unsecured senior notes which were issued in 2012. AbbVie may redeem all of the senior notes of each series, at any time, or some of the senior notes of each series, from time to time, at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium.

At December 31, 2019, the company was in compliance with its senior note covenants and term loan covenants.

Short-Term Borrowings

Short-term borrowings included commercial paper borrowings of \$699 million as of December 31, 2018. There were no commercial paper borrowings as of December 31, 2019. The weighted-average interest rate on commercial paper borrowings was 2.5% in 2019, 2.0% in 2018 and 1.3% in 2017.

In August 2019, AbbVie entered into an amended and restated \$4.0 billion five-year revolving credit facility that matures in August 2024. This amended facility enables the company to borrow funds on an unsecured basis at variable interest rates and contains various covenants, all of which the company was in compliance with as of December 31, 2019. Commitment fees under AbbVie's revolving credit facilities were insignificant in 2019, 2018 and 2017. No amounts were outstanding under the company's credit facilities as of December 31, 2019 and December 31, 2018.

In March 2019, AbbVie repaid a \$3.0 billion 364-day term loan credit agreement that was drawn on in June 2018 and was scheduled to mature in June 2019.

Maturities of Long-Term Debt

The following table summarizes AbbVie's debt maturities as of December 31, 2019:

as of and for the years ending December 31 (in millions)

2020	\$ 3,750
2021	6,300
2022	7,850
2023	2,250
2024	5,375
Thereafter	41,708
Total obligations and commitments	67,233
Fair value hedges, unamortized bond discounts, deferred financing costs and finance lease obligations	(505)
Total long-term debt and finance lease obligations	\$66,728

Contingencies and Guarantees

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

Note 11 Financial Instruments and Fair Value Measures

Risk Management Policy

The company is exposed to foreign currency exchange rate and interest rate risks related to its business operations. AbbVie's hedging policy attempts to manage these risks to an acceptable level based on the company's judgment of the appropriate trade-off between risk, opportunity and costs. The company uses derivative and nonderivative instruments to reduce its exposure to foreign currency exchange rates. AbbVie also periodically enters into interest rate swaps in which the company agrees to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an

agreed-upon notional amount. Derivative instruments are not used for trading purposes or to manage exposure to changes in interest rates for investment securities, and none of the company's outstanding derivative instruments contain credit risk related contingent features; collateral is generally not required.

Financial Instruments

Various AbbVie foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany transactions denominated in a currency other than the functional currency of the local entity. These contracts, with notional amounts totaling \$957 million at December 31, 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 eighteen months. Accumulated gains and losses as of December 31, 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.

In the third quarter of 2019, the company entered into treasury rate lock agreements with notional amounts totaling \$10.0 billion to hedge exposure to variability in future cash flows resulting from changes in interest rates related to the issuance of long-term debt in connection with the proposed acquisition of Allergan. The treasury rate lock agreements were designated as cash flow hedges and recorded at fair value. The agreements were net settled upon issuance of the senior notes in November 2019 resulting in a gain of \$383 million recognized in other comprehensive income (loss). This gain will be reclassified to interest expense, net over the lives of the related debt.

In the fourth quarter of 2019, the company entered into interest rate swap contracts with notional amounts totaling \$2.3 billion at December 31, 2019. The effect of the hedge contracts is to change a floating-rate interest obligation to a fixed rate for that portion of the floating-rate debt. The contracts were designated as cash flow hedges and are recorded at fair value. Realized and unrealized gains or losses are included in AOCI and will be reclassified to interest expense, net over the lives of the floating-rate debt.

The company also enters into foreign currency forward exchange contracts to manage its exposure to foreign currency denominated trade payables and receivables and intercompany loans. These contracts are not designated as hedges and are recorded at fair value. Resulting gains or losses are reflected in net foreign exchange loss in the consolidated statements of earnings and are generally offset by losses or gains on the foreign currency exposure being managed. These contracts had notional amounts totaling \$7.1 billion at December 31, 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 had €3.6 billion aggregate principal amount of senior Euro notes designated as net investment hedges at December 31, 2019 and December 31, 2018. In the third quarter of 2019, the company issued €1.4 billion aggregate principal amount of senior Euro notes and designated the principal amounts of this foreign denominated debt as net investment hedges. Concurrently, the company elected to de-designate hedge accounting for €1.4 billion aggregate principal amount of existing senior Euro notes which were subsequently repaid in October 2019. In addition, in 2019, the company entered into foreign currency forward exchange contracts and designated the instruments as net investment hedges. These contracts had notional amounts totaling €971 million, £204 million and CHF62 million at December 31, 2019. 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 swap contracts designated as fair value hedges with notional amounts totaling \$10.8 billion at December 31, 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 consolidated balance sheets:

as of December 31 (in millions)	Fair value—Derivatives in asset position			Fair value—Derivatives in liability position		
	Balance sheet caption	2019	2018	Balance sheet caption	2019	2018
Foreign currency forward exchange contracts						
Designated as cash flow hedges	Prepaid expenses and other	\$ 3	\$113	Accounts payable and accrued liabilities	\$ 14	\$ —
Designated as net investment hedges	Prepaid expenses and other	—	—	Accounts payable and accrued liabilities	24	—
Not designated as hedges	Prepaid expenses and other	19	19	Accounts payable and accrued liabilities	18	26
Interest rate swap contracts						
Designated as cash flow hedges	Other assets	3	—	Other long-term liabilities	—	—
Designated as fair value hedges	Prepaid expenses and other	—	—	Accounts payable and accrued liabilities	2	—
Designated as fair value hedges	Other assets	28	—	Other long-term liabilities	74	466
Total derivatives		\$53	\$132		\$132	\$492

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

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

years ended in December 31 (in millions)	2019	2018	2017
Foreign currency forward exchange contracts			
Designated as cash flow hedges	\$ (5)	\$175	\$(250)
Designated as net investment hedges	33	—	—
Interest rate swap contracts designated as cash flow hedges	4	—	—
Treasury rate lock agreements designated as cash flow hedges	383	—	—

Assuming market rates remain constant through contract maturities, the company expects to transfer pre-tax losses of \$10 million into cost of products sold for foreign currency cash flow hedges, pre-tax gains of \$7 million into interest expense, net for interest rate swap cash flow hedges and pre-tax gains of \$24 million into interest expense, net for treasury rate lock agreement 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) pre-tax gains of \$90 million in 2019, pre-tax gains of \$178 million in 2018 and pre-tax losses of \$537 million in 2017.

The following table summarizes the pre-tax amounts and location of derivative instrument net gains (losses) recognized in the consolidated statements of earnings, including the net gains (losses) reclassified out of AOCI into net earnings. See Note 13 for the amount of net gains (losses) reclassified out of AOCI.

years ended December 31 (in millions)	Statement of earnings caption	2019	2018	2017
Foreign currency forward exchange contracts				
Designated as cash flow hedges	Cost of products sold	\$ 167	\$(161)	\$118
Designated as net investment hedges	Interest expense, net	27	—	—
Not designated as hedges	Net foreign exchange loss	(70)	83	(96)
Treasury rate lock agreements designated as cash flow hedges	Interest expense, net	3	—	—
Interest rate swap contracts				
Designated as cash flow hedges	Interest expense, net	1	—	—
Designated as fair value hedges	Interest expense, net	418	(71)	(63)
Debt designated as hedged item in fair value hedges	Interest expense, net	(418)	71	63

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 consolidated balance sheet as of December 31, 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)
Assets				
Cash and equivalents	\$39,924	\$1,542	\$38,382	\$ —
Debt securities	3	—	3	—
Equity securities	24	24	—	—
Interest rate swap contracts	31	—	31	—
Foreign currency contracts	22	—	22	—
Total assets	\$40,004	\$1,566	\$38,438	\$ —
Liabilities				
Interest rate swap contracts	\$ 76	\$ —	\$ 76	\$ —
Foreign currency contracts	56	—	56	—
Contingent consideration	7,340	—	—	7,340
Total liabilities	\$ 7,472	\$ —	\$ 132	\$7,340

The following table summarizes the bases used to measure certain assets and liabilities carried at fair value on a recurring basis on the 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)
Assets				
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	\$ —
Liabilities				
Interest rate swap contracts	\$ 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. The derivatives entered into by the company were valued using observable market inputs including published interest rate curves and both forward and spot prices for foreign currencies. 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. The potential contingent consideration payments are estimated by applying a probability-weighted expected payment model for contingent milestone payments and a Monte Carlo simulation model for contingent royalty payments, which are then discounted to present value. 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 certain of these inputs. Changes to the inputs described above could have a material impact on the company's financial position and results of operations in any given period. At December 31, 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 \$280 million. Additionally, at December 31, 2019, a five percentage point increase/decrease in the assumed probability of success across all potential indications would have increased/decreased the value of the contingent consideration liabilities by approximately \$150 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:

years ended December 31 (in millions)	2019	2018	2017
Beginning balance	\$4,483	\$4,534	\$4,213
Change in fair value recognized in net earnings	3,091	49	626
Payments	(234)	(100)	(305)
Ending balance	\$7,340	\$4,483	\$4,534

The change in fair value recognized in net earnings is recorded in other expense, net in the 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. During the third quarter of 2019, the company recorded a \$91 million decrease in the Stemcentrx contingent consideration liability due to the termination of the Rova-T research and development program. During the fourth quarter of 2018, the company recorded a \$428 million decrease in the Stemcentrx contingent consideration liability due to a reduction in probabilities of success of achieving regulatory approval.

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 December 31, 2019 are shown in the table below:

(in millions)	Book value	Approximate fair values	Basis of fair value measurement		
			Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Liabilities					
Current portion of long-term debt and finance lease obligations, excluding fair value hedges	\$ 3,755	\$ 3,760	\$ 3,753	\$ 7	\$—
Long-term debt and finance lease obligations, excluding fair value hedges	63,021	66,651	66,631	20	—
Total liabilities	\$66,776	\$70,411	\$70,384	\$27	\$—

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 values	Basis of fair value measurement		
			Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable Inputs (Level 3)
Liabilities					
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	—
Total liabilities	\$40,776	\$39,362	\$35,633	\$3,729	\$—

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 \$66 million as of December 31, 2019 and \$84 million as of December 31, 2018. No significant cumulative upward or downward adjustments have been recorded for these investments as of December 31, 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. In the third quarter of 2019, the company sold substantially all of its investments in debt securities. There were no debt securities classified as short-term as of December 31, 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 based on prices obtained from commercial pricing services.

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 December 31, 2019. Net realized gains and losses were insignificant in 2019 and 2018. Net realized gains were \$90 million in 2017.

Concentrations of Risk

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

Of total net accounts receivable, three U.S. wholesalers accounted for 68% as of December 31, 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 in 2019, 61% in 2018 and 65% in 2017.

Note 12 Post-Employment Benefits

AbbVie sponsors various pension and other post-employment benefit plans, including defined benefit, defined contribution and termination indemnity plans, which cover most employees worldwide. In addition, AbbVie provides medical benefits, primarily to eligible retirees in the United States and Puerto Rico, through other post-retirement benefit plans. Net obligations for these plans have been reflected on the consolidated balance sheets as of December 31, 2019 and 2018.

The following table summarizes benefit plan information for the global AbbVie-sponsored defined benefit and other post-employment plans:

as of and for the years ended December 31 (in millions)	Defined benefit plans		Other post-employment plans	
	2019	2018	2019	2018
Projected benefit obligations				
Beginning of period	\$ 6,618	\$ 6,985	\$ 561	\$ 813
Service cost	269	285	25	26
Interest cost	259	227	29	25
Employee contributions	2	2	—	—
Actuarial (gain) loss	1,703	(614)	451	(287)
Benefits paid	(206)	(191)	(17)	(16)
Other, primarily foreign currency translation adjustments	1	(76)	1	—
End of period	8,646	6,618	1,050	561
Fair value of plan assets				
Beginning of period	5,637	5,399	—	—
Actual return on plan assets	946	(384)	—	—
Company contributions	727	873	17	16
Employee contributions	2	2	—	—
Benefits paid	(206)	(191)	(17)	(16)
Other, primarily foreign currency translation adjustments	10	(62)	—	—
End of period	7,116	5,637	—	—
Funded status, end of period	\$(1,530)	\$ (981)	\$(1,050)	\$(561)
Amounts recognized on the consolidated balance sheets				
Other assets	\$ 395	\$ 321	\$ —	\$ —
Accounts payable and accrued liabilities	(8)	(8)	(18)	(15)
Other long-term liabilities	(1,917)	(1,294)	(1,032)	(546)
Net obligation	\$(1,530)	\$ (981)	\$(1,050)	\$(561)
Actuarial loss, net	\$ 3,633	\$ 2,516	\$ 469	\$ 25
Prior service cost (credit)	10	11	(16)	(22)
Accumulated other comprehensive loss	\$ 3,643	\$ 2,527	\$ 453	\$ 3

Actuarial losses for 2019 in the table above were primarily driven by lower discount rates.

The projected benefit obligations (PBO) in the table above included \$2.3 billion at December 31, 2019 and \$1.9 billion at December 31, 2018, related to international defined benefit plans.

For plans reflected in the table above, the accumulated benefit obligations (ABO) were \$7.6 billion at December 31, 2019 and \$6.0 billion at December 31, 2018. For those plans reflected in the table above in which the ABO exceeded plan assets at December 31, 2019, the ABO was \$5.8 billion, the PBO was \$6.7 billion and aggregate plan assets were \$4.8 billion.

Amounts Recognized in Other Comprehensive Income (Loss)

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

years ended December 31 (in millions)	2019	2018	2017
Defined benefit plans			
Actuarial loss	\$1,231	\$ 209	\$ 412
Amortization of actuarial loss and prior service cost	(109)	(140)	(107)
Foreign exchange loss (gain) and other	(6)	(13)	46
Total loss	\$1,116	\$ 56	\$ 351
Other post-employment plans			
Actuarial loss (gain)	\$ 451	\$(287)	\$ 149
Amortization of actuarial loss and prior service credit	(1)	(1)	—
Total loss (gain)	\$ 450	\$(288)	\$ 149

The pre-tax amounts included in AOCI at December 31, 2019 expected to be recognized in net periodic benefit cost in 2020 consisted of \$219 million of expense related to actuarial losses and prior service costs for defined benefit plans and \$25 million of income related to actuarial losses and prior service credits for other post-employment plans.

Net Periodic Benefit Cost

years ended December 31 (in millions)	2019	2018	2017
Defined benefit plans			
Service cost	\$ 269	\$ 285	\$ 236
Interest cost	259	227	204
Expected return on plan assets	(474)	(439)	(382)
Amortization of actuarial loss and prior service cost	109	140	107
Net periodic benefit cost	\$ 163	\$ 213	\$ 165
Other post-employment plans			
Service cost	\$ 25	\$ 26	\$ 26
Interest cost	29	25	24
Amortization of actuarial loss and prior service credit	1	1	—
Net periodic benefit cost	\$ 55	\$ 52	\$ 50

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

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

as of December 31	2019	2018
Defined benefit plans		
Discount rate	3.0%	4.0%
Rate of compensation increases	4.6%	4.6%
Other post-employment plans		
Discount rate	3.6%	4.6%

The assumptions used in calculating the December 31, 2019 measurement date benefit obligations will be used in the calculation of net periodic benefit cost in 2020.

Weighted-Average Assumptions Used in Determining Net Periodic Benefit Cost

years ended December 31	2019	2018	2017
Defined benefit plans			
Discount rate for determining service cost	4.0%	3.4%	3.9%
Discount rate for determining interest cost	4.0%	3.1%	3.7%
Expected long-term rate of return on plan assets	7.6%	7.7%	7.8%
Expected rate of change in compensation	4.6%	4.4%	4.4%
Other post-employment plans			
Discount rate for determining service cost	4.7%	4.0%	4.9%
Discount rate for determining interest cost	4.3%	3.7%	4.1%

For the December 31, 2019 post-retirement health care obligations remeasurement, the company assumed a 6.4% pre-65 (7.0% post-65) annual rate of increase in the per capita cost of covered health care benefits. The rate was assumed to decrease gradually to 4.5% in 2050 and remain at that level thereafter. For purposes of measuring the 2019 post-retirement health care costs, the company assumed a 6.6% pre-65 (7.3% post-65) annual rate of increase in the per capita cost of covered health care benefits. The rate was assumed to decrease gradually to 4.5% for 2050 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. As of December 31, 2019, a one percentage point change in assumed health care cost trend rates would have the following effects:

year ended December 31, 2019 (in millions) (brackets denote a reduction)	One percentage point	
	Increase	Decrease
Service cost and interest cost	\$ 13	\$ (10)
Projected benefit obligation	244	(186)

Defined Benefit Pension Plan Assets

as of December 31 (in millions)	2019	Basis of fair value measurement		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities				
U.S. large cap ^(a)	\$ 884	\$ 884	\$ —	\$—
U.S. mid cap ^(b)	138	138	—	—
International ^(c)	349	349	—	—
Fixed income securities				
U.S. government securities ^(d)	149	21	128	—
Corporate debt instruments ^(d)	372	112	260	—
Non-U.S. government securities ^(d)	202	84	118	—
Other ^(d)	320	318	2	—
Absolute return funds ^(e)	296	4	292	—
Real assets	9	9	—	—
Other ^(f)	132	132	—	—
Total	\$2,851	\$2,051	\$800	\$—
Total assets measured at NAV	4,265			
Fair value of plan assets	\$7,116			

as of December 31 (in millions)	2018	Basis of fair value measurement		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equities				
U.S. large cap ^(a)	\$ 719	\$ 719	\$ —	\$—
U.S. mid cap ^(b)	67	67	—	—
International ^(c)	226	226	—	—
Fixed income securities				
U.S. government securities ^(d)	140	21	119	—
Corporate debt instruments ^(d)	385	123	262	—
Non-U.S. government securities ^(d)	175	48	127	—
Other ^(d)	232	225	7	—
Absolute return funds ^(e)	261	3	258	—
Real assets	7	7	—	—
Other ^(f)	147	147	—	—
Total	\$2,359	\$1,586	\$773	\$—
Total assets measured at NAV	3,278			
Fair value of plan assets	\$5,637			

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

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

- (c) A mix of index funds and actively managed equity accounts that are benchmarked to various non-U.S. equity indices in both developed and emerging markets.
- (d) Securities held by actively managed accounts, index funds and mutual funds.
- (e) Primarily funds having global mandates with the flexibility to allocate capital broadly across a wide range of asset classes and strategies, including but not limited to equities, fixed income, commodities, financial futures, currencies and other securities, with objectives to outperform agreed upon benchmarks of specific return and volatility targets.
- (f) Investments in cash and cash equivalents.

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

The investment mix of equity securities, fixed income and other asset allocation strategies is based upon achieving a desired return, balancing higher return, more volatile equity securities and lower return, less volatile fixed income securities. Investment allocations are established for each plan and are generally made across a range of markets, industry sectors, capitalization sizes and in the case of fixed income securities, maturities and credit quality. The 2019 target investment allocation for the AbbVie Pension Plan was 35% in equity securities, 20% in fixed income securities and 45% in asset allocation strategies and other holdings. There are no known significant concentrations of risk in the plan assets of the AbbVie Pension Plan or of any other plans.

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

Expected Benefit Payments

The following table summarizes total benefit payments expected to be paid to plan participants including payments funded from both plan and company assets:

years ending December 31 (in millions)	Defined benefit plans	Other post-employment plans
2020	\$ 221	\$ 18
2021	235	21
2022	251	24
2023	268	26
2024	286	29
2025 to 2029	1,737	186

Defined Contribution Plan

AbbVie's principal defined contribution plan is the AbbVie Savings Plan. AbbVie recorded expense of \$102 million in 2019, \$89 million in 2018 and \$82 million in 2017 related to this plan. AbbVie provides certain other post-employment benefits, primarily salary continuation arrangements, to qualifying employees and accrues for the related cost over the service lives of the employees.

Note 13 Equity

Stock-Based Compensation

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

AbbVie measures compensation expense for stock-based awards based on the grant date fair value of the awards and the estimated number of awards that are expected to vest. Forfeitures are estimated based on historical experience at the time of grant and are revised in subsequent periods if actual forfeitures differ from those estimates. Compensation cost for stock-based awards is amortized over the service period, which could be shorter than the vesting period if an employee is retirement eligible. Retirement eligible employees generally are those who are age 55 or older and have at least 10 years of service.

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

(in millions)	Years ended December 31,		
	2019	2018	2017
Cost of products sold	\$ 29	\$ 27	\$ 23
Research and development	171	169	159
Selling, general and administrative	230	225	183
Pre-tax compensation expense	430	421	365
Tax benefit	80	73	73
After-tax compensation expense	\$350	\$348	\$292

Realized excess tax benefits associated with stock-based compensation totaled \$15 million in 2019, \$78 million in 2018 and \$71 million in 2017.

Stock Options

Stock options awarded to employees typically have a contractual term of 10 years and generally vest in one-third increments over a three-year period. The exercise price is equal to at least 100% of the market value on the date of grant. The fair value is determined using the Black-Scholes model. The weighted-average grant-date fair values of stock options granted were \$12.54 in 2019, \$21.63 in 2018 and \$9.80 in 2017.

The following table summarizes AbbVie stock option activity in 2019:

(options in thousands, aggregate intrinsic value in millions)	Options	Weighted-average exercise price	Weighted-average remaining life (in years)	Aggregate intrinsic value
Outstanding at December 31, 2018	6,143	\$55.05	6.2	\$242
Granted	1,002	79.02		
Exercised	(375)	23.72		
Lapsed	(9)	20.09		
Outstanding at December 31, 2019	6,761	\$60.39	5.9	\$207
Exercisable at December 31, 2019	4,924	\$51.90	4.9	\$186

The total intrinsic value of options exercised was \$22 million in 2019, \$215 million in 2018 and \$371 million in 2017. The total fair value of options vested during 2019 was \$13 million. As of December 31, 2019, \$6 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

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

The majority of the equity awards AbbVie grants to its senior executives and other key employees are performance-based. Equity awards granted to senior executives and other key employees consist of a combination of performance-vested RSUs and performance shares as well as non-qualified stock options described above. The performance-vested RSUs have the potential to vest in one-third increments during a three-year performance period based on AbbVie's ROE relative to a defined peer group of pharmaceutical, biotech and life sciences companies. The recipient may receive one share of AbbVie common stock for each vested award. The performance shares have the potential to vest over a three-year performance period and may be earned based on AbbVie's EPS achievement and AbbVie's total stockholder return (TSR) (a market condition) relative to a defined peer group of pharmaceutical, biotech and life sciences companies. Dividend equivalents on performance-vested RSUs and performance shares accrue during the performance period and are payable at vesting only to the extent that shares are earned.

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

The following table summarizes AbbVie RSU and performance share activity for 2019:

(share units in thousands)	Share units	Weighted-average grant date fair value
Outstanding at December 31, 2018	9,868	\$79.90
Granted	5,584	78.03
Vested	(4,616)	71.30
Forfeited	(604)	82.19
Outstanding at December 31, 2019	10,232	\$81.72

The fair market value of RSUs and performance shares (as applicable) vested was \$371 million in 2019, \$583 million in 2018 and \$348 million in 2017.

As of December 31, 2019, \$327 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

Cash dividends declared per common share totaled \$4.39 in 2019, \$3.95 in 2018 and \$2.63 in 2017. The following table summarizes quarterly cash dividends declared during 2019, 2018 and 2017:

2019			2018			2017		
Date Declared	Payment Date	Dividend Per Share	Date Declared	Payment Date	Dividend Per Share	Date Declared	Payment Date	Dividend Per Share
11/01/19	02/14/20	\$1.18	11/02/18	02/15/19	\$1.07	10/27/17	02/15/18	\$0.71
09/06/19	11/15/19	\$1.07	09/07/18	11/15/18	\$0.96	09/08/17	11/15/17	\$0.64
06/20/19	08/15/19	\$1.07	06/14/18	08/15/18	\$0.96	06/22/17	08/15/17	\$0.64
02/21/19	05/15/19	\$1.07	02/15/18	05/15/18	\$0.96	02/16/17	05/15/17	\$0.64

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 in 2019. AbbVie's remaining stock repurchase authorization was approximately \$4.0 billion as of December 31, 2019.

On February 15, 2018, AbbVie's board of directors authorized a new \$10.0 billion stock repurchase program, which superseded AbbVie's previous stock repurchase program. On December 13, 2018, AbbVie's board of directors authorized a \$5.0 billion increase to the existing \$10.0 billion stock repurchase program. Under this authorization, AbbVie repurchased approximately 109 million shares for \$10.7 billion in 2018.

Under previous stock repurchase programs, AbbVie made open-market share repurchases of approximately 11 million shares for \$1.3 billion in 2018 and approximately 13 million shares for \$1.0 billion in 2017.

Accumulated Other Comprehensive Loss

The following table summarizes the changes in each component of accumulated other comprehensive loss, net of tax, for 2019, 2018 and 2017:

(in millions) (brackets denote losses)	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, 2016	\$(1,435)	\$ 140	\$(1,513)	\$ 46	\$ 176	\$(2,586)
Other comprehensive income (loss) before reclassifications	680	(343)	(480)	29	(230)	(344)
Net losses (gains) reclassified from accumulated other comprehensive loss	316	—	74	(75)	(112)	203
Net current-period other comprehensive income (loss)	996	(343)	(406)	(46)	(342)	(141)
Balance as of December 31, 2017	(439)	(203)	(1,919)	—	(166)	(2,727)
Other comprehensive income (loss) before reclassifications	(391)	138	84	(14)	156	(27)
Net losses reclassified from accumulated other comprehensive loss	—	—	113	4	157	274
Net current-period other comprehensive income (loss)	(391)	138	197	(10)	313	247
Balance as of December 31, 2018	(830)	(65)	(1,722)	(10)	147	(2,480)
Other comprehensive income (loss) before reclassifications	(98)	95	(1,330)	12	298	(1,023)
Net losses (gains) reclassified from accumulated other comprehensive loss	—	(21)	87	(2)	(157)	(93)
Net current-period other comprehensive income (loss)	(98)	74	(1,243)	10	141	(1,116)
Balance as of December 31, 2019	\$ (928)	\$ 9	\$(2,965)	\$ —	\$ 288	\$(3,596)

Other comprehensive loss included foreign currency translation adjustments totaling losses of \$98 million in 2019 and \$391 million in 2018 which were principally due to the impact of the weakening of the Euro on the translation of the company's Euro-denominated assets.

In 2017, AbbVie reclassified \$316 million of historical currency translation losses from AOCI related to the liquidation of certain foreign entities following the enactment of U.S. tax reform. These losses were included in net foreign exchange loss in the consolidated statement of earnings and had no related income tax impacts. Other comprehensive loss in 2017 also included foreign currency translation adjustments totaling a gain of \$680 million, which was principally due to the impact of the strengthening of the Euro on the translation of the company's Euro-denominated assets.

Other comprehensive loss for 2019 included pension and post-employment benefit plan losses of \$1.2 billion primarily due to an actuarial loss driven by lower discount rates. See Note 12 for additional information.

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

years ended December 31 (in millions) (brackets denote gains)	2019	2018	2017
Net investment hedging activities			
Gains on derivative amount excluded from effectiveness testing ^(a)	\$ (27)	\$ —	\$ —
Tax expense	6	—	—
Total reclassifications, net of tax	\$ (21)	\$ —	\$ —
Pension and post-employment benefits			
Amortization of actuarial losses and other ^(b)	\$ 110	\$141	\$ 107
Tax benefit	(23)	(28)	(33)
Total reclassifications, net of tax	\$ 87	\$113	\$ 74
Cash flow hedging activities			
Losses (gains) on foreign currency forward exchange contracts ^(c)	\$(167)	\$161	\$(118)
Gains on treasury rate lock agreements and interest rate swap contracts ^(a)	(4)	—	—
Tax expense (benefit)	14	(4)	6
Total reclassifications, net of tax	\$(157)	\$157	\$(112)

(a) Amounts are included in interest expense, net (see Note 11).

(b) Amounts are included in the computation of net periodic benefit cost (see Note 12).

(c) Amounts are included in cost of products sold (see Note 11).

Other

In addition to common stock, AbbVie's authorized capital includes 200 million shares of preferred stock, par value \$0.01. As of December 31, 2019, no shares of preferred stock were issued or outstanding.

Note 14 Income Taxes

Earnings Before Income Tax Expense

years ended December 31 (in millions)	2019	2018	2017
Domestic	\$ (2,784)	\$ (4,274)	\$ (2,678)
Foreign	11,210	9,471	10,405
Total earnings before income tax expense	\$ 8,426	\$ 5,197	\$ 7,727

Income Tax Expense

years ended December 31 (in millions)	2019	2018	2017
Current			
Domestic	\$ 102	\$ 593	\$ 6,204
Foreign	320	434	376
Total current taxes	\$ 422	\$ 1,027	\$ 6,580
Deferred			
Domestic	\$(137)	\$(1,497)	\$(4,898)
Foreign	259	(20)	736
Total deferred taxes	\$ 122	\$(1,517)	\$(4,162)
Total income tax expense (benefit)	\$ 544	\$ (490)	\$ 2,418

Impacts Related to U.S. Tax Reform

The Tax Cuts and Jobs Act (the Act) was signed into law in December 2017, resulting in significant changes to the U.S. corporate tax system. The Act reduced the U.S. federal corporate tax rate from 35% to 21% and required companies to pay a one-time transition tax on a mandatory deemed repatriation of earnings of certain foreign subsidiaries that were previously untaxed. These changes were generally effective for tax years beginning in 2018.

The Act also created a minimum tax on certain foreign sourced earnings. The company's accounting policy for the minimum tax on foreign sourced earnings is to report the tax effects on the basis that the minimum tax will be recognized in tax expense in the year it is incurred as a period expense.

Additionally, the Act significantly changed the timing and manner in which earnings of foreign subsidiaries are subject to U.S. tax. Therefore, unremitted foreign earnings previously considered indefinitely reinvested that were subject to the Act's transition tax are no longer considered indefinitely reinvested. Post-2017 earnings subject to the U.S. minimum tax on foreign sourced earnings and the 100 percent foreign dividends received deduction are also not considered indefinitely reinvested earnings. As such, the company records foreign withholding tax liabilities related to the future cash repatriation of such earnings. However, the company considers instances of outside basis differences in foreign subsidiaries that would incur additional U.S. tax upon reversal (e.g., capital gain distribution) to be permanent in duration. The unrecognized tax liability is not practicable to determine.

Effective Tax Rate Reconciliation

years ended December 31	2019	2018	2017
Statutory tax rate	21.0%	21.0%	35.0%
Effect of foreign operations	(8.4)	(28.7)	(12.2)
U.S. tax credits	(3.3)	(7.3)	(4.0)
Impacts related to U.S. tax reform	(1.6)	8.2	12.0
Stock-based compensation excess tax benefit	(0.2)	(1.5)	(0.9)
Tax audit settlements	(4.7)	(2.5)	(1.2)
Deferred tax remeasurements due to change in tax rate	3.1	—	—
All other, net	0.6	1.4	2.6
Effective tax rate	6.5%	(9.4)%	31.3%

The effective income tax rate fluctuates year to year due to the allocation of the company's taxable earnings among jurisdictions, as well as certain discrete factors and events in each year, including changes

in tax law, acquisitions and collaborations. The effective income tax rates in 2019, 2018 and 2017 differed from the statutory tax rate principally due to changes in enacted tax rates and laws, 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, business development activities, the cost of repatriation decisions, Boehringer Ingelheim accretion on contingent consideration and Stemcentrx impairment related expenses. The effective tax rates for these periods also reflected the benefit from U.S. tax credits principally related to research and development credits, the orphan drug tax credit and Puerto Rico excise tax credits. The Puerto Rico excise tax credits relate to legislation enacted by Puerto Rico that assesses an excise tax on certain products manufactured in Puerto Rico. The tax is levied on gross inventory purchases from entities in Puerto Rico and is included in cost of products sold in the consolidated statements of earnings. The majority of the tax is creditable for U.S. income tax purposes.

The effective income tax rate in 2019, 2018 and 2017 included impacts related to U.S. tax reform. In 2018, there was a favorable impact of the effective date of provisions of the Act related to the earnings from certain foreign subsidiaries. For 2019, the impact of the Act affected the full year earnings of these subsidiaries, resulting in additional tax expense compared to prior year. The 2019 effective income tax rate also reflects the effects of deferred tax remeasurement due to a change in foreign tax law, accretion for contingent consideration and impairment related expenses. In addition, the company recognized a net tax benefit of \$400 million in 2019, \$131 million in 2018 and \$91 million in 2017 related to the resolution of various tax positions pertaining to prior years.

Deferred Tax Assets and Liabilities

as of December 31 (in millions)	2019	2018
Deferred tax assets		
Compensation and employee benefits	\$ 810	\$ 529
Accruals and reserves	371	371
Chargebacks and rebates	477	417
Advance payments	615	867
Net operating losses and other credit carryforwards	838	228
Other	406	353
Total deferred tax assets	3,517	2,765
Valuation allowances	(731)	(103)
Total net deferred tax assets	2,786	2,662
Deferred tax liabilities		
Excess of book basis over tax basis of intangible assets	(2,712)	(2,940)
Excess of book basis over tax basis in investments	(249)	(211)
Other	(440)	(250)
Total deferred tax liabilities	(3,401)	(3,401)
Net deferred tax liabilities	\$ (615)	\$ (739)

As of December 31, 2019, gross state net operating losses were \$1.0 billion and tax credit carryforwards were \$188 million. The state tax carryforwards expire between 2020 and 2039. As of December 31, 2019, foreign net operating loss carryforwards were \$2.9 billion. Foreign net operating loss carryforwards of \$2.8 billion expire between 2020 and 2036 and the remaining do not have an expiration period.

The company had valuation allowances of \$731 million as of December 31, 2019 and \$103 million as of December 31, 2018. These were principally related to foreign and state net operating losses and credit carryforwards that are not expected to be realized.

Unrecognized Tax Benefits

years ended December 31 (in millions)	2019	2018	2017
Beginning balance	\$2,852	\$2,701	\$1,168
Increase due to current year tax positions	113	163	1,768
Increase due to prior year tax positions	499	110	16
Decrease due to prior year tax positions	(21)	(36)	(2)
Settlements	(749)	(79)	(233)
Lapse of statutes of limitations	(33)	(7)	(16)
Ending balance	\$2,661	\$2,852	\$2,701

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

If recognized, the net amount of potential tax benefits that would impact the company's effective tax rate is \$2.4 billion in 2019 and \$2.7 billion in 2018. Of the unrecognized tax benefits recorded in the table above as of December 31, 2019, AbbVie would be indemnified for approximately \$83 million. The "Increase due to current year tax positions" and "Increase due to prior year tax positions" in the table above include amounts related to federal, state and international tax items.

AbbVie recognizes interest and penalties related to income tax matters in income tax expense in the consolidated statements of earnings. AbbVie recognized gross income tax expense of \$51 million in 2019, \$73 million in 2018 and \$24 million in 2017, for interest and penalties related to income tax matters. AbbVie had an accrual for the payment of gross interest and penalties of \$191 million at December 31, 2019, \$190 million at December 31, 2018 and \$120 million at December 31, 2017.

The company is routinely audited by the tax authorities in significant jurisdictions and a number of audits are currently underway. It is reasonably possible during the next 12 months that uncertain tax positions may be settled, which could result in a decrease in the gross amount of unrecognized tax benefits. Due to the potential for resolution of federal, state and foreign examinations and the expiration of various statutes of limitation, the company's gross unrecognized tax benefits balance may change within the next 12 months up to \$54 million. All significant federal, state, local and international matters have been concluded for years through 2012. The company believes adequate provision has been made for all income tax uncertainties.

Note 15 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 \$290 million as of December 31, 2019 and approximately \$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. In addition, other operating income in 2019 included \$550 million of income from a legal settlement related to an intellectual property dispute with a third party. 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, LLC, Solvay Pharmaceuticals, Inc. (a company Abbott acquired in February 2010 and now known as AbbVie Products LLC) and others remained 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. Three of those lawsuits were settled in December 2019 and will be dismissed.

In September 2014, the FTC filed a lawsuit, *FTC v. AbbVie Inc., et al.*, 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. In July 2018, a purported class action was filed in the United States District Court for the Eastern District of Pennsylvania on behalf of direct AndroGel purchasers based on the trial court's ruling in the FTC's case. In September 2019, two individual direct AndroGel purchasers substituted in as the plaintiffs in that lawsuit and withdrew the class allegations. That case, which was pending as *Rochester Drug Co-Operative, Inc., et al. v. AbbVie Inc., et al.*, was settled in December 2019 and will be dismissed.

In August 2019, direct purchasers of AndroGel filed a lawsuit, *King Drug Co. of Florence, Inc., et al. v. AbbVie Inc., et al.*, against AbbVie and others in the United States District Court for the Eastern District of Pennsylvania, making allegations similar to those in *In re: AndroGel Antitrust Litigation (No. II)*, MDL No. 2084 (above) and *FTC v. AbbVie Inc.* (above).

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 August 2019, the court certified a class of direct purchasers of Niaspan. 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.

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. The court consolidated these lawsuits as *In re: Humira (Adalimumab) Antitrust Litigation*.

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 included violations of the federal RICO Act and state consumer fraud and deceptive trade practices laws. The complaint sought monetary damages and injunctive relief. In July 2018, the court denied the plaintiff's motion for class certification. In November 2019, the United States Court of Appeals for the Seventh Circuit affirmed the district court's grant of the defendants' summary judgment motion.

In July 2019, the New Mexico Attorney General filed a lawsuit, *State of New Mexico ex rel. Balderas v. AbbVie Inc., et al.*, in New Mexico District Court for Santa Fe County against AbbVie and other companies alleging their marketing of AndroGel violated New Mexico's Unfair Practices Act.

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 October 2019, the court granted final approval to the parties' class 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 2019 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 3,500 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 175 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 120 cases are pending in the United States District Court for the Southern District of Illinois, and approximately 14 others are pending in various federal and state courts. Plaintiffs generally seek compensatory and punitive damages. Approximately eighty 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. In January 2020, the Court of Appeals for the Federal Circuit affirmed the decisions.

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.

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 16 Segment and Geographic Area Information

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

years ended December 31 (in millions)		2019	2018	2017
Immunology				
HUMIRA	United States	\$14,864	\$13,685	\$12,361
	International	4,305	6,251	6,066
	Total	\$19,169	\$19,936	\$18,427
SKYRIZI	United States	\$ 311	\$ —	\$ —
	International	44	—	—
	Total	\$ 355	\$ —	\$ —
RINVOQ	United States	\$ 47	\$ —	\$ —
	International	—	—	—
	Total	\$ 47	\$ —	\$ —
Hematologic Oncology				
IMBRUVICA	United States	\$ 3,830	\$ 2,968	\$ 2,144
	Collaboration revenues	844	622	429
	Total	\$ 4,674	\$ 3,590	\$ 2,573
VENCLEXTA	United States	\$ 521	\$ 247	\$ 89
	International	271	97	33
	Total	\$ 792	\$ 344	\$ 122
HCV				
MAVYRET	United States	\$ 1,473	\$ 1,614	\$ 277
	International	1,420	1,824	213
	Total	\$ 2,893	\$ 3,438	\$ 490
VIEKIRA	United States	\$ —	\$ 3	\$ 61
	International	36	175	723
	Total	\$ 36	\$ 178	\$ 784
Other Key Products				
Creon	United States	\$ 1,041	\$ 928	\$ 831
Lupron	United States	\$ 720	\$ 726	\$ 669
	International	167	166	160
	Total	\$ 887	\$ 892	\$ 829
Synthroid	United States	\$ 786	\$ 776	\$ 781
Synagis	International	\$ 718	\$ 726	\$ 738
Duodopa	United States	\$ 97	\$ 80	\$ 61
	International	364	350	294
	Total	\$ 461	\$ 430	\$ 355
Sevoflurane	United States	\$ 74	\$ 74	\$ 78
	International	274	317	332
	Total	\$ 348	\$ 391	\$ 410
Kaletra	United States	\$ 38	\$ 55	\$ 71
	International	245	281	352
	Total	\$ 283	\$ 336	\$ 423
AndroGel	United States	\$ 172	\$ 469	\$ 577
ORLISSA	United States	\$ 91	\$ 11	\$ —
	International	2	—	—
	Total	\$ 93	\$ 11	\$ —
All other		\$ 511	\$ 308	\$ 876
Total net revenues		\$33,266	\$32,753	\$28,216

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

years ended December 31 (in millions)	2019	2018	2017
United States	\$23,907	\$21,524	\$18,251
Japan	1,211	1,591	764
Germany	909	1,292	1,157
Canada	813	730	659
France	695	783	730
Spain	472	611	521
United Kingdom	372	855	807
Italy	372	652	475
Brazil	359	350	410
The Netherlands	163	352	362
All other countries	3,993	4,013	4,080
Total net revenues	\$33,266	\$32,753	\$28,216

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

as of December 31 (in millions)	2019	2018
United States and Puerto Rico	\$2,026	\$1,993
Europe	646	599
All other	290	291
Total long-lived assets	\$2,962	\$2,883

Note 17 Quarterly Financial Data (unaudited)

(in millions except per share data)	2019	2018
First Quarter		
Net revenues	\$7,828	\$ 7,934
Gross margin	6,134	6,007
Net earnings ^(a)	2,456	2,783
Basic earnings per share	\$ 1.65	\$ 1.74
Diluted earnings per share	\$ 1.65	\$ 1.74
Cash dividends declared per common share	\$ 1.07	\$ 0.96
Second Quarter		
Net revenues	\$8,255	\$ 8,278
Gross margin	6,436	6,344
Net earnings ^(b)	741	1,983
Basic earnings per share	\$ 0.49	\$ 1.26
Diluted earnings per share	\$ 0.49	\$ 1.26
Cash dividends declared per common share	\$ 1.07	\$ 0.96
Third Quarter		
Net revenues	\$8,479	\$ 8,236
Gross margin	6,559	6,401
Net earnings ^(c)	1,884	2,747
Basic earnings per share	\$ 1.27	\$ 1.81
Diluted earnings per share	\$ 1.26	\$ 1.81
Cash dividends declared per common share	\$ 1.07	\$ 0.96
Fourth Quarter		
Net revenues	\$8,704	\$ 8,305
Gross margin	6,698	6,283
Net earnings (loss) ^(d)	2,801	(1,826)
Basic earnings (loss) per share	\$ 1.88	\$ (1.23)
Diluted earnings (loss) per share	\$ 1.88	\$ (1.23)
Cash dividends declared per common share	\$ 1.18	\$ 1.07

- (a) First quarter results in 2019 included after-tax charges of \$171 million related to the change in fair value of contingent consideration liabilities and restructuring charges of \$133 million. First quarter results in 2018 included an after-tax benefit of \$148 million related to the change in fair value of contingent consideration liabilities partially offset by after-tax litigation reserves charges of \$100 million.
- (b) Second quarter results in 2019 included an after-tax charge of \$2.3 billion related to the change in fair value of contingent consideration liabilities resulting from the April 2019 regulatory approvals of SKYRIZI for the treatment of moderate to severe plaque psoriasis. Second quarter results in 2018 included after-tax charges of \$500 million as a result of a collaboration agreement extension with Calico and \$485 million related to the change in fair value of contingent consideration liabilities.
- (c) Third quarter results in 2019 included after-tax charges of \$912 million related to intangible asset impairment and \$182 million related to the change in fair value of contingent consideration liabilities. Third quarter results in 2018 included after-tax litigation reserves charges of \$176 million and \$95 million related to the change in fair value of contingent consideration liabilities.
- (d) Fourth quarter results in 2019 included an after-tax charge of \$438 million related to the change in fair value of contingent consideration liabilities offset by after-tax income of \$435 million from a legal settlement related to an intellectual property dispute with a third party and \$297 million from an amended and restated license agreement between AbbVie and Reata. Fourth quarter results in 2018 included an after-tax intangible asset impairment charge of \$4.5 billion partially offset by an after-tax benefit of \$375 million related to the change in fair value of contingent consideration liabilities.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of AbbVie Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AbbVie Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of earnings, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Sales rebate accruals for Medicaid, Medicare and managed care programs

Description of the Matter

As discussed in Note 2 to the consolidated financial statements under the caption “Revenue Recognition,” the Company established provisions for sales rebates in the same period as the related product is sold. At December 31, 2019, the Company had \$4,484 million in sales rebate accruals, a large portion of which were for rebates provided to pharmacy benefit managers, state government Medicaid programs, insurance companies that administer Medicare drug plans and private entities for Medicaid, Medicare and managed care programs. In order to establish these sales rebate accruals, the Company estimated its rebates based upon the identification of the products subject to a rebate, the applicable price and rebate terms and the estimated lag time between the sale and payment of the rebate.

Auditing the Medicaid, Medicare and managed care sales rebate accruals was complex and required significant auditor judgment because the accruals consider multiple subjective and complex estimates and assumptions. These estimates and assumptions included the estimated inventory in the distribution channel, which impacts the lag time between the sale to the customer and payment of the rebate and the final payer related to product sales, which impacts the applicable price and rebate terms. In deriving these estimates and assumptions, the Company used both internal and external sources of information to estimate product in the distribution channels, payer mix, prescription volumes and historical experience. Management supplemented its historical data analysis with qualitative adjustments based upon changes in rebate trends, rebate programs and contract terms, legislative changes, or other significant events which indicate a change in the reserve is appropriate.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s sales rebate accruals for Medicaid, Medicare and managed care programs. This included testing controls over management’s review of the significant assumptions and other inputs used in the estimation of Medicaid, Medicare and managed care rebates, among others, including the significant assumptions discussed above. The testing was inclusive of management’s controls to evaluate the accuracy of its reserve judgments to actual rebates paid, rebate validation and processing, and controls to ensure that the data used to evaluate and support the significant assumptions was complete, accurate and, where applicable, verified to external data sources.

To test the sales rebate accruals for Medicaid, Medicare, and managed care programs, our audit procedures included, among others, understanding and evaluating the significant assumptions and underlying data used in management’s calculations. Our testing of significant assumptions included corroboration to external data sources. We evaluated the reasonableness of assumptions in light of industry and economic trends, product profiles, and other regulatory factors. We assessed the historical accuracy of management’s estimates by comparing actual activity to previous estimates and performed analytical procedures, based on internal and external data sources, to evaluate the completeness of the reserves. For Medicaid, we involved a specialist with an understanding of statutory reimbursement requirements to assess the consistency of the Company’s calculation methodologies with applicable government regulations and policy.

Valuation of contingent consideration

Description of the Matter

As discussed in Note 2 to the consolidated financial statements under the caption “Business Combinations” and in Note 11 under the caption “Financial Instruments and Fair Value Measures,” the Company recognized contingent consideration liabilities at the estimated fair value on the acquisition date in connection with applying the acquisition method of accounting for business combinations. Subsequent changes to the fair value of the contingent consideration liabilities were recorded within the consolidated statement of earnings in the period of change. At December 31, 2019, the Company had \$7,340 million in contingent consideration liabilities, which represented a ‘Level 3’ fair value measurement in the fair value hierarchy due to the significant unobservable inputs used in determining the fair value and the use of management judgment about the assumptions market participants would use in pricing the liabilities.

Auditing the valuation of contingent consideration liabilities was complex and required significant auditor judgment due to the use of a Monte Carlo simulation model and the high degree of subjectivity in evaluating certain assumptions required to estimate the fair value of contingent royalty payments. In particular, the fair value measurement was sensitive to the significant assumptions underlying the estimated amount of future sales of the acquired products. Management utilized its expertise within the industry and knowledge of clinical development and regulatory approval processes to determine certain of these assumptions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company’s contingent consideration liabilities process including, among others, management’s process to establish the significant assumptions and measure the liability. This included testing controls over management’s review of the significant assumptions and other inputs used in the determination of fair value. The testing was inclusive of key management review controls to monitor and evaluate clinical development of the acquired products and estimated future sales, and controls to ensure that the data used to evaluate and support the significant assumptions was complete, accurate and, where applicable, verified to external data sources.

To test the estimated fair value of contingent consideration liabilities, our audit procedures included, among others, inspecting the terms of the executed agreement, assessing the Monte Carlo simulation model used and testing the key contractual inputs and significant assumptions discussed above. We evaluated the assumptions and judgments in light of observable industry and economic trends and standards, external data sources and regulatory factors. Estimated amounts of future sales were evaluated for reasonableness in relation to internal and external analyses, clinical development progress and timelines, probability of success benchmarks, and regulatory notices. Our procedures included evaluating the data sources used by management in determining its assumptions and, where necessary, included an evaluation of available information that either corroborated or contradicted management’s conclusions. We involved a valuation specialist to assess the Company’s Monte Carlo simulation model and to perform corroborative fair value calculations.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2013.

Chicago, Illinois

February 21, 2020

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures; Internal Control Over Financial Reporting

Evaluation of disclosure controls and procedures. The Chief Executive Officer, Richard A. Gonzalez, and the Chief Financial Officer, 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 Securities Exchange Act of 1934 is accumulated and communicated to AbbVie's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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

Management's annual report on internal control over financial reporting. Management of AbbVie is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. AbbVie's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States. However, all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and reporting.

Management assessed the effectiveness of AbbVie's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013 framework). Based on that assessment, management concluded that AbbVie maintained effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

The effectiveness of AbbVie's internal control over financial reporting as of December 31, 2019 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their attestation report below, which expresses an unqualified opinion on the effectiveness of AbbVie's internal control over financial reporting as of December 31, 2019.

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

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of AbbVie Inc.

Opinion on Internal Control over Financial Reporting

We have audited AbbVie Inc. and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, AbbVie Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of AbbVie Inc. and subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of earnings, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated February 21, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations on Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Chicago, Illinois
February 21, 2020

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated herein by reference are “Information Concerning Director Nominees,” “The Board of Directors and its Committees—Committees of the Board of Directors,” and “Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting” to be included in the 2020 AbbVie Inc. Proxy Statement. The 2020 Definitive Proxy Statement will be filed on or about March 19, 2020. Also incorporated herein by reference is the text found in this Form 10-K under the caption, “Information about Our Executive Officers.”

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

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

AbbVie has a chief ethics and compliance officer who reports to the Vice Chairman, External Affairs and Chief Legal Officer and to the public policy committee. The chief ethics and compliance officer is responsible for overseeing, administering and monitoring AbbVie’s compliance program.

ITEM 11. EXECUTIVE COMPENSATION

The material to be included in the 2020 AbbVie Inc. Proxy Statement under the headings “Director Compensation,” “Executive Compensation,” and “Compensation Committee Report” is incorporated herein by reference. The 2020 Definitive Proxy Statement will be filed on or about March 19, 2020.

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

(a) *Equity Compensation Plan Information.*

The following table presents information as of December 31, 2019 about AbbVie’s equity compensation plans under which AbbVie common stock has been authorized for issuance:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	(b) Weighted-average exercise price of outstanding options, warrants and rights ⁽²⁾	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) ⁽³⁾
Equity compensation plans approved by security holders	16,991,269	\$60.39	62,161,107
Equity compensation plans not approved by security holders	—	—	—
Total	16,991,269	\$60.39	62,161,107

(1) Includes 837,960 shares issuable under AbbVie’s Incentive Stock Program pursuant to awards granted by Abbott and adjusted into AbbVie awards in connection with AbbVie’s separation from Abbott.

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

(3) Excludes shares issuable upon the exercise of stock options and pursuant to other rights granted under the Stemcentrx 2011 Equity Incentive Plan, which was assumed by AbbVie upon the consummation of its acquisition of Stemcentrx, Inc. As of December 31, 2019, 103,874 options remained outstanding under this plan. The options have a weighted-average exercise price of \$16.36. No further awards will be granted under this plan.

(b) *Information Concerning Security Ownership.* Incorporated herein by reference is the material under the heading “Securities Ownership—Securities Ownership of Executive Officers and Directors” in the 2020 AbbVie Inc. Proxy Statement. The 2020 Definitive Proxy Statement will be filed on or about March 19, 2020.

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

The material to be included in the 2020 AbbVie Inc. Proxy Statement under the headings “The Board of Directors and its Committees,” “Corporate Governance Materials,” and “Procedures for Approval of Related Person Transactions” is incorporated herein by reference. The 2020 Definitive Proxy Statement will be filed on or about March 19, 2020.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The material to be included in the 2020 AbbVie Inc. Proxy Statement under the headings “Audit Fees and Non-Audit Fees” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Registered Public Accounting Firm” is incorporated herein by reference. The 2020 Definitive Proxy Statement will be filed on or about March 19, 2020.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

- (1) *Financial Statements:* See Item 8, “Financial Statements and Supplementary Data,” on page 52 hereof, for a list of financial statements.
- (2) *Financial Statement Schedules:* All schedules omitted are inapplicable or the information required is shown in the consolidated financial statements or notes thereto.
- (3) *Exhibits Required by Item 601 of Regulation S-K:* The information called for by this paragraph is set forth in Item 15(b) below.

(b) *Exhibits:*

Exhibit Number	Exhibit Description
2.1	*Transaction Agreement, dated as of June 25, 2019, between AbbVie Inc., Allergan plc and Venice Subsidiary, LLC (incorporated by reference to Exhibit 2.1 of the company’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 the company’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 Inc. and Allergan plc (incorporated by reference to Exhibit 2.3 of the company’s Current Report on Form 8-K filed on June 25, 2019).
2.4	*Agreement and Plan of Merger, dated as of April 25, 2016, by and among Stemcentrx, Inc., AbbVie Inc., Sirius Sonoma Corporation, AbbVie Stemcentrx LLC (formerly Sirius Sonoma LLC) and, solely for the purposes set forth therein, Fertile Valley LLC (incorporated by reference to Exhibit 2.1 of the company’s Current Report on Form 8-K/A filed on May 6, 2016).
2.5	*Amendment No. 1, dated as of May 28, 2016, to the Agreement and Plan of Merger, dated as of April 25, 2016, by and among Stemcentrx, Inc., AbbVie Inc., Sirius Sonoma Corporation, AbbVie Stemcentrx LLC (formerly Sirius Sonoma LLC) and, solely for the purposes set forth therein, Fertile Valley LLC (incorporated by reference to Exhibit 2.2 of the company’s Current Report on Form 8-K filed on June 1, 2016).
2.6	*Agreement and Plan of Reorganization by and among AbbVie Inc., Oxford Amherst Corporation, Oxford Amherst LLC and Pharmacyclics, Inc. dated as of March 4, 2015 (incorporated by reference to Exhibit 2.1 of the company’s Current Report on Form 8-K filed on March 6, 2015).
2.7	*Amendment No. 1 to Agreement and Plan of Reorganization by and among AbbVie Inc., Oxford Amherst Corporation, Oxford Amherst LLC and Pharmacyclics, Inc. dated as of March 22, 2015 (incorporated by reference to Exhibit 2.1 of the company’s Current Report on Form 8-K filed on March 23, 2015).
3.1	*Amended and Restated Certificate of Incorporation of AbbVie Inc. (incorporated by reference to Exhibit 3.1 of the company’s Current Report on Form 8-K filed on January 2, 2013).
3.2	*Amended and Restated By-Laws of AbbVie Inc. (incorporated by reference to Exhibit 3.1 of the company’s Current Report on Form 8-K filed on October 22, 2019).

Exhibit Number	Exhibit Description
4.1	Description of the company's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.
4.2	*Indenture dated as of November 8, 2012 between AbbVie Inc. and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 of Amendment No. 5 to the company's Registration Statement on Form 10 filed on November 16, 2012).
4.3	*Supplemental Indenture No. 1 dated as of November 8, 2012 among AbbVie Inc. and U.S. Bank National Association, including forms of notes (incorporated by reference to Exhibit 4.2 of Amendment No. 5 to the company's Registration Statement on Form 10 filed on November 16, 2012).
4.4	*Supplemental Indenture No. 2 dated May 14, 2015, between AbbVie Inc. and U.S. Bank National Association, as trustee, including forms of notes (incorporated by reference to Exhibit 4.1 of the company's Current Report on Form 8-K filed on May 14, 2015).
4.5	*Supplemental Indenture No. 3 dated May 12, 2016, between AbbVie Inc. and U.S. Bank National Association, as trustee, including forms of notes (incorporated by reference to Exhibit 4.1 of the company's Current Report on Form 8-K filed on May 12, 2016).
4.6	*Supplemental Indenture No. 4, dated as of November 17, 2016, among AbbVie Inc., U.S. Bank National Association, as trustee, Elavon Financial Services DAC, U.K. Branch, as paying agent and Elavon Financial Services DAC, as transfer agent and registrar, including forms of notes (incorporated by reference to Exhibit 4.1 of the company's Current Report on Form 8-K filed on November 17, 2016).
4.7	*Supplemental Indenture No. 5, dated September 18, 2018, between AbbVie Inc. and U.S. Bank National Association, as trustee, including forms of notes (incorporated by reference to Exhibit 4.2 of the company's Current Report on Form 8-K filed on September 18, 2018).
4.8	*Supplemental Indenture No. 6, dated September 26, 2019, among AbbVie Inc., U.S. Bank National Association, as trustee, transfer agent and registrar, and Elavon Financial Services DAC, UK Branch, as paying agent, including forms of notes (incorporated by reference to Exhibit 4.2 of the company's Current Report on Form 8-K filed on September 26, 2019).
4.9	*Supplemental Indenture No. 7, dated November 21, 2019, by and between AbbVie Inc. and U.S. Bank National Association, as trustee, including forms of notes (incorporated by reference to Exhibit 4.2 of the company's Current Report on Form 8-K filed on November 26, 2019).
4.10	*Agency Agreement, dated as of November 17, 2016, among AbbVie Inc., U.S. Bank National Association, as trustee, Elavon Financial Services DAC, U.K. Branch, as paying agent and Elavon Financial Services DAC, as transfer agent and registrar (incorporated by reference to Exhibit 4.2 of the company's Current Report on Form 8-K filed on November 17, 2016).
4.11	*Agency Agreement, dated September 26, 2019, among AbbVie Inc., U.S. Bank National Association, as trustee, transfer agent and registrar, and Elavon Financial Services DAC, UK Branch, as paying agent (incorporated by reference to Exhibit 4.3 of the company's Current Report on Form 8-K filed on September 26, 2019).
4.12	*Registration Rights Agreement, dated November 21, 2019, among AbbVie Inc. and Morgan Stanley & Co. LLC, BofA Securities, Inc. and Barclays Capital Inc. (acting for themselves and as representatives of the several initial purchasers) (incorporated by reference to Exhibit 4.13 of the company's Current Report on Form 8-K filed on November 26, 2019).

Exhibit Number	Exhibit Description
10.1	*Form of Agreement Regarding Change in Control by and between AbbVie Inc. and its named executive officers (incorporated by reference to Exhibit 10.13 of Amendment No. 5 to the Company's Registration Statement on Form 10 filed on November 16, 2012).**
10.2	*AbbVie 2013 Incentive Stock Program (incorporated by reference to Exhibit A to the AbbVie Inc. Definitive Proxy Statement on Schedule 14A dated March 15, 2013).**
10.3	*AbbVie Inc. 2013 Incentive Stock Program Second Amendment (incorporated by reference to Exhibit 10.5 of the company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019).**
10.4	*AbbVie Performance Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.4 of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015).**
10.5	*AbbVie Deferred Compensation Plan, as amended and restated (incorporated by reference to Exhibit 10.5 of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016).**
10.6	*AbbVie Inc. Supplemental Pension Plan, as amended and restated (incorporated by reference to Exhibit 10.2 of the company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019).**
10.7	*AbbVie Inc. Supplemental Savings Plan, as amended and restated (incorporated by reference to Exhibit 10.8 of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015).**
10.8	*Form of AbbVie Inc. Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.7 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013).**
10.9	*Form of AbbVie Inc. Non-Employee Director Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.10	*Form of AbbVie Inc. Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016).**
10.11	*Form of AbbVie Inc. Non-Employee Director Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017).**
10.12	*Form of AbbVie Inc. Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017).**
10.13	*Form of AbbVie Inc. Performance Share Award Agreement (incorporated by reference to Exhibit 10.3 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017).**
10.14	*Form of AbbVie Inc. Performance-Vested Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017).**

Exhibit Number	Exhibit Description
10.15	*Form of AbbVie Inc. Performance Share Award Agreement (incorporated by reference to Exhibit 10.25 of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017).**
10.16	*Stemcentrx 2011 Equity Incentive Plan (incorporated by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 filed on June 16, 2016).**
10.17	*Form of AbbVie Inc. Performance Share Award Agreement (incorporated by reference to Exhibit 10.2 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018).**
10.18	*Form of AbbVie Inc. Performance-Vested Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018).**
10.19	*Form of AbbVie Inc. Non-Employee Director RSU Agreement (US) (incorporated by reference to Exhibit 10.3 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018).**
10.20	*Form of AbbVie Inc. Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.4 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018).**
10.21	*Form of AbbVie Inc. Performance Share Award Agreement (incorporated by reference to Exhibit 10.2 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019).**
10.22	*Form of AbbVie Inc. Performance-Vested Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.1 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019).**
10.23	*AbbVie Non-Employee Directors' Fee Plan, as amended and restated (incorporated by reference to Exhibit 10.2 of the company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019).**
10.24	*Form of AbbVie Inc. Non-Employee Director RSU Agreement (US) (incorporated by reference to Exhibit 10.3 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019).**
10.25	*Form of AbbVie Inc. Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.4 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019).**
10.26	*Pharmacyclics, Inc. 2014 Equity Incentive Award Plan (incorporated by reference to Exhibit 4.1 of the company's Registration Statement on Form S-8 filed on May 27, 2015).**
10.27	*Amended and Restated Revolving Credit Agreement, dated as of August 27, 2019, among AbbVie Inc., the lenders and other parties party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the company's Current Report on Form 8-K filed on August 30, 2019).
10.28	*364-Day Bridge Credit Agreement, dated as of June 25, 2019, among AbbVie Inc., Morgan Stanley Senior Funding, Inc. and the lenders party thereto (incorporated by reference to Exhibit 10.1 of the company's Current Report on Form 8-K filed on June 25, 2019).

Exhibit Number	Exhibit Description
10.29	*Term Loan Credit Agreement, dated as of July 12, 2019, among AbbVie Inc., certain lenders party thereto and Morgan Stanley Senior Funding, Inc., as administrative agent (incorporated by reference to Exhibit 10.1 of the company's Current Report on Form 8-K filed on July 16, 2019).
10.30	*Underwriting Agreement, dated September 17, 2019, among AbbVie Inc. and Morgan Stanley & Co. International plc, HSBC Bank plc and Merrill Lynch International (acting for themselves and as representatives of the several underwriters named therein) (incorporated by reference to Exhibit 1.1 of the company's Current Report on Form 8-K filed on September 23, 2019).
10.31	*Purchase Agreement, dated November 12, 2019, among AbbVie Inc. and Morgan Stanley & Co. LLC, BofA Securities, Inc. and Barclays Capital Inc. (acting for themselves and as representatives of the several initial purchasers named therein) (incorporated by reference to Exhibit 1.1 of the company's Current Report on Form 8-K filed on November 13, 2019).
21	Subsidiaries of AbbVie Inc.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements and notes from the AbbVie Inc. Annual Report on Form 10-K for the year ended December 31, 2019 filed on February 21, 2020, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Earnings; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Balance Sheets; (iv) Consolidated Statements of Equity; (v) Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (the cover page from the AbbVie Inc. Annual Report on Form 10-K formatted as Inline XBRL and contained in Exhibit 101). The AbbVie Inc. 2020 Definitive Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 19, 2020.

* 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.

Exhibits 32.1 and 32.2, above, are furnished herewith and should not be deemed to be "filed" under the Securities Exchange Act of 1934. AbbVie will furnish copies of any of the above exhibits to a stockholder upon written request to the Secretary, AbbVie Inc., 1 North Waukegan Road, North Chicago, Illinois 60064.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

AbbVie Inc.

By: /s/ RICHARD A. GONZALEZ

Name: Richard A. Gonzalez
Title: Chairman of the Board and
Chief Executive Officer

Date: February 21, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of AbbVie Inc. on February 21, 2020 in the capacities indicated below.

/s/ RICHARD A. GONZALEZ

Richard A. Gonzalez
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

/s/ ROBERT A. MICHAEL

Robert A. Michael
Executive Vice President,
Chief Financial Officer
(Principal Financial Officer)

/s/ BRIAN L. DURKIN

Brian L. Durkin
Vice President, Controller
(Principal Accounting Officer)

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

Robert J. Alpern, M.D.
Director of AbbVie Inc.

/s/ ROXANNE S. AUSTIN

Roxanne S. Austin
Director of AbbVie Inc.

/s/ WILLIAM H.L. BURNSIDE

William H.L. Burnside
Director of AbbVie Inc.

/s/ BRETT J. HART

Brett J. Hart
Director of AbbVie Inc.

/s/ EDWARD M. LIDDY

Edward M. Liddy
Director of AbbVie Inc.

/s/ MELODY B. MEYER

Melody B. Meyer
Director of AbbVie Inc.

/s/ EDWARD J. RAPP

Edward J. Rapp
Director of AbbVie Inc.

/s/ REBECCA B. ROBERTS

Rebecca B. Roberts
Director of AbbVie Inc.

/s/ GLENN F. TILTON

Glenn F. Tilton
Director of AbbVie Inc.

/s/ FREDERICK H. WADDELL

Frederick H. Waddell
Director of AbbVie Inc.

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 8, 2020

The Annual Meeting of Stockholders of AbbVie Inc. (the “Annual Meeting”) will be held on Friday, May 8, 2020 at 9:00 a.m. CT. The safety of our stockholders is important to us, and given the current guidance by public health officials surrounding COVID-19 and group gatherings, this year’s Annual Meeting will be a “virtual meeting” of stockholders. You will be able to attend the Annual Meeting, vote, and submit questions via live webcast by visiting www.virtualshareholdermeeting.com/ABBV2020. The Annual Meeting will be held for the following purposes:

- To elect four directors to hold office until the 2023 Annual Meeting or until their successors are elected (Item 1),
- To ratify the appointment of Ernst & Young LLP as AbbVie’s independent registered public accounting firm for 2020 (Item 2),
- To vote on an advisory vote on the approval of executive compensation (Item 3),
- To vote on a management proposal to eliminate supermajority voting (Item 4), and
- To transact such other business as may properly come before the meeting, including consideration of three stockholder proposals, if presented at the meeting (Items 5, 6, and 7).

Your Vote Is Important

Please promptly vote your shares by telephone, using the Internet, or by signing and returning your proxy in the enclosed envelope if you received a printed version of the proxy card.

The board of directors recommends that you vote FOR Items 1, 2, 3, and 4 on the proxy card.

The board of directors recommends that you vote AGAINST Items 5, 6, and 7 on the proxy card.

The close of business on March 13, 2020, has been fixed as the record date for determining the stockholders entitled to receive notice of and to vote at the Annual Meeting.

AbbVie’s 2020 Proxy Statement and 2019 Annual Report on Form 10-K are available at www.abbvieinvestor.com. If you are a registered stockholder, you may access your proxy card by either:

- Going to the following website: www.proxyvote.com, entering the information requested on your computer screen and following the simple instructions, or
- Calling (in the United States, U.S. territories, and Canada) toll free 1-800-690-6903 on a touch-tone telephone and following the simple instructions provided by the recorded message.

To be admitted to the Annual Meeting at www.virtualshareholdermeeting.com/ABBV2020, you must enter the control number found on your proxy card, voting instruction form or notice you received. You may vote during the Annual Meeting by following the instructions available on the meeting website during the meeting.

By order of the board of directors.

Laura J. Schumacher
Secretary

March 23, 2020



PROXY STATEMENT

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PROXY STATEMENT SUMMARY

The accompanying proxy is solicited on behalf of the board of directors for use at the Annual Meeting of Stockholders. The Annual Meeting will be held on Friday, May 8, 2020 at 9:00 a.m. CT. The safety of our stockholders is important to us, and given the current guidance by public health officials surrounding COVID-19 and group gatherings, this year's Annual Meeting will be a "virtual meeting" of stockholders. You will be able to attend the Annual Meeting, vote, and submit questions via live webcast by visiting www.virtualshareholdermeeting.com/ABBV2020.

This summary highlights selected information in the proxy statement. Please review the entire proxy statement and the AbbVie 2019 Annual Report before voting.

2020 Annual Meeting of Stockholders

Date and Time: May 8, 2020 9:00 a.m. CT

Location: The Annual Meeting will be a "virtual meeting" of stockholders. You will be able to attend the Annual Meeting, vote, and submit questions via live webcast by visiting www.virtualshareholdermeeting.com/ABBV2020.

Record Date: March 13, 2020

How to Vote: Stockholders as of the record date are entitled to vote via the Internet at www.proxyvote.com; by telephone at 1-800-690-6903; by returning a completed proxy card; or during the Annual Meeting of Stockholders.

Voting Items and Board Recommendations

	Board Recommendations
Item 1 Election of Directors	FOR All Nominees
Item 2 Ratification of Independent Auditor	FOR
Item 3 Say on Pay—Advisory Vote on the Approval of Executive Compensation	FOR
Item 4 Management Proposal to Eliminate Supermajority Voting	FOR
Item 5 Stockholder Proposal on Lobbying Report	AGAINST
Item 6 Stockholder Proposal on Independent Chair	AGAINST
Item 7 Stockholder Proposal on Compensation Committee Drug Pricing Report	AGAINST

Business Overview and Performance Highlights

Business Overview

Since becoming a public company in 2013, AbbVie's mission has been to create an innovation-driven, patient-focused biopharmaceutical company capable of achieving sustainable top-tier performance through outstanding execution and a consistent stream of new medicines. In 2019, AbbVie achieved several new product approvals and continued to advance its robust mid-and late-stage pipeline. Collectively, the new medicines that AbbVie has introduced since inception—including new therapies in rheumatoid arthritis, psoriasis, hematologic oncology and hepatitis C virus—represented more than a quarter of AbbVie's total sales in 2019 and will be important contributors in 2020 and beyond. AbbVie delivered another year of outstanding performance in 2019, which reflects the continued strength of its execution across business priorities.

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 and human immunodeficiency virus; 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 investments in cystic fibrosis and women's health.

In June 2019, AbbVie announced that it entered into a definitive transaction agreement under which AbbVie will acquire Allergan plc (AGN). 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 aesthetics, eye care, neuroscience, gastroenterology, and women's health.

Business Performance Highlights

AbbVie has Delivered Robust Financial Results since Inception

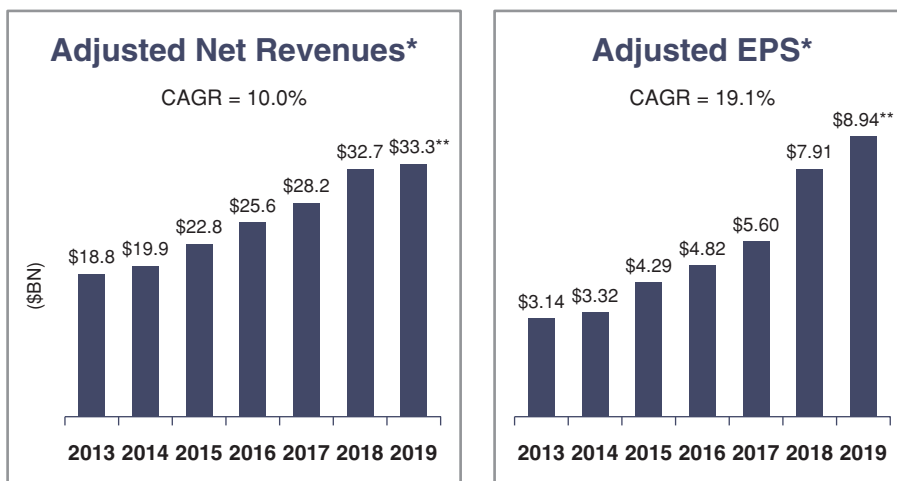
Performance from 2013 Inception to 2019 Year End	
10.0%	Adjusted net revenues - compound annual growth rate*
Approximately \$9BN	Revenues in 2019 from products launched since inception Brought to market six new medicines: IMBRUVICA, MAVYRET, ORILISSA, RINVOQ, SKYRIZI, VENCLEXTA
19.1%	Adjusted diluted earnings per share - compound annual growth rate*
1,100 Basis points	Operating margin expansion, adjusted*
240.2%	7-year total stockholder return
\$77BN	Increase in market capitalization Added significant stockholder value
195%	Increase in quarterly dividend Raised quarterly dividend to \$1.18 per share from \$0.40 per share at inception
Approximately 60	Active clinical development programs Approximately 30 new products or indications in mid- and late-stage development or under regulatory review

The measures set forth above were calculated as of December 31, 2019.

* Net revenues, diluted earnings per share and operating margin are adjusted to exclude certain specified items and are non-GAAP measures, which are reconciled in Appendix B.

AbbVie has delivered a strong compound annual growth rate (CAGR) since inception on adjusted net revenues and adjusted diluted earnings per share (EPS), placing AbbVie in the top quartile of its Health Care Peer Group. Additionally, AbbVie is committed to a robust return of capital to stockholders with an increase of 195% in its quarterly dividend since 2013 as part of a balanced and disciplined capital allocation program. AbbVie’s total stockholder return (TSR) since inception of 240.2% also places AbbVie at the top of its Health Care Peer Group, and more than 78 percentage points above the Standard & Poor’s 500 Index and more than 124 percentage points above the NYSE Arca Pharmaceutical Index over the same time period.

AbbVie has Significantly Grown Revenue and EPS Since 2013



* Net revenues and diluted earnings per share are adjusted for specified items, including the impact of intangible asset amortization, and are non-GAAP measures, which are reconciled in Appendix B.

**Year-over-year growth in adjusted net revenues and EPS from 2018-2019 despite significant biosimilar competition for HUMIRA outside the United States.

AbbVie has Demonstrated an Outstanding Track Record, Consistently Delivering Top-Tier Financial Results

% Revenue Growth ABBV Rank vs. Peer Group ⁽¹⁾		% Adjusted EPS Growth ABBV Rank vs. Peer Group ⁽¹⁾		Total Shareholder Return ABBV Rank vs. Peer Group ⁽¹⁾	
Period	Rank	Period	Rank	Period	Rank
2019	#4 of 10	2019	#3 of 10	2019	#9 of 10
3 Years (*17,'18,'19)	#2 of 10	3 Years (*17,'18,'19)	#1 of 10	3 Years (*17,'18,'19)	#5 of 10
5 Years (*15,'16,'17,'18,'19)	#1 of 10	5 Years (*15,'16,'17,'18,'19)	#1 of 10	5 Years (*15,'16,'17,'18,'19)	#4 of 10

(1) AbbVie’s peer group above includes: Amgen, Inc., Bristol-Myers Squibb Company, Eli Lilly and Company, Gilead Sciences, Inc., GlaxoSmithKline plc, Johnson & Johnson, Merck & Company, Inc., Novartis AG and Pfizer Inc.

AbbVie also Delivered Strong Business Performance in 2019

AbbVie has built a strong foundation for its business and 2019 was an exceptional year, as evidenced by a number of business highlights:

- **Net Revenues:** AbbVie reported full-year net revenues of \$33.3 billion. Adjusted net revenues increased 2.7% over 2018, excluding the impact of foreign exchange. Excluding the unfavorable impact of international HUMIRA net revenues due to biosimilar competition, full year adjusted net revenues grew 9.9% operationally.
- **HUMIRA:** AbbVie delivered global HUMIRA sales of \$19.2 billion, a decrease of 3.9% on a reported basis, or a decrease of 2.9% excluding the impact of foreign exchange. HUMIRA'S performance was impacted by direct biosimilar competition in certain international geographies.
- **IMBRUVICA:** Global IMBRUVICA net revenue was \$4.7 billion, an increase of 30.2%, driven by market share growth in front-line chronic lymphocytic leukemia and other approved indications.
- **Gross and Operating Margins:** In 2019, AbbVie reported a gross margin of 77.6% on a GAAP basis or 82.4% of net revenues on an adjusted basis. AbbVie's operating margin was 39.0% on a GAAP basis or 47.3% of net revenues on an adjusted basis. The adjusted operating margin reflects an improvement of 270 basis points versus 2018.
- **Earnings Per Share:** AbbVie reported full-year diluted EPS of \$5.28 on a GAAP basis and adjusted diluted EPS of \$8.94, up 13.0%. For 2020, AbbVie provided a diluted EPS guidance range of \$7.66 to \$7.76 on a GAAP basis and \$9.61 to \$9.71 on an adjusted basis. The midpoint of the adjusted guidance represents growth of 8.1% over 2019, reflecting strong operating dynamics in the underlying business.
- **Regulatory Milestones:** AbbVie also achieved a number of regulatory milestones in markets worldwide for several key products, including regulatory approvals for SKYRIZI for the treatment of moderate to severe plaque psoriasis in adults who are candidates for systemic therapy or phototherapy, RINVOQ for the treatment of adults with moderately to severely active rheumatoid arthritis who have had an inadequate response or intolerance to methotrexate; IMBRUVICA in combination with GAZYVA (obinutuzumab) for adult patients with previously untreated chronic lymphocytic leukemia (CLL)/small lymphocytic lymphoma (SLL); and VENCLEXTA in combination with GAZYVA for adult patients with previously untreated CLL/SLL. AbbVie also submitted regulatory applications for ELAGOLIX in uterine fibroids and IMBRUVICA in combination with rituximab for the first-line treatment of younger patients with CLL or SLL.
- **Pipeline Development:** With approximately 30 programs in mid- and late-stage development, AbbVie made significant pipeline advancements in 2019. The company initiated several important Phase 3 programs including studies for upadacitinib in giant cell arteritis and axial spondyloarthritis, risankizumab in psoriatic arthritis, and ABBV-951 in Parkinson's disease. AbbVie also reported positive data from Phase 3 studies in other areas of the pipeline including veliparib in both breast cancer and ovarian cancer and upadacitinib in psoriatic arthritis.

Corporate Governance Highlights

Our board of directors is committed to strong corporate governance tailored to meet the needs of AbbVie and its stockholders to enhance long-term stockholder value. In connection with our ongoing, proactive engagement with stockholders (as described in greater detail on page 37), AbbVie's board of directors:

- **approved a management proposal to eliminate supermajority voting** in this proxy statement (Item 4) to seek stockholder approval to amend the company's Amended and Restated Certificate of Incorporation to provide for a simple majority of shares outstanding for all provisions previously subject to a supermajority

provision, as described in Item 4 and previously submitted the same supermajority proposal to stockholder vote in 2019 and 2018 as well as a declassification management proposal to a stockholder vote in 2018, 2017, and 2016;

- **approved and implemented in 2016 a proxy access by-law** provision to permit a stockholder, or a group of up to 20 stockholders, owning at least 3% of the company’s outstanding common stock continuously for at least 3 years to nominate and include in the company’s proxy materials director nominees constituting up to 25% of the board of directors, as further detailed in the company’s By-Laws;
- **shared our board skills matrix beginning in 2016**, which contains the skills considered by the nominations and governance committee to be the most relevant to the board’s oversight role with respect to AbbVie’s business and affairs and to drive our culture of innovation and responsibility;
- **incorporated an overview of AbbVie’s corporate responsibility** approach and initiatives in the proxy statement beginning in 2018; and
- **reviewed detailed feedback from AbbVie’s investor engagement program**, which reaches out to stockholders holding approximately 45% of the company’s outstanding shares to discuss investor priorities, including board oversight of company culture, board and workforce diversity, executive compensation, and corporate responsibility.

Highlights of our governance practices include:

Governance Practice	For more information
Independent lead director with robust responsibilities is selected by the board	p. 19
All members of the audit, compensation, and nominations and governance committees are independent	p. 18
Ten of AbbVie’s eleven directors are independent and regularly meet in executive session	p. 18
Adopted a proxy access By-Law provision for 3%/3 years	p. 79
Policy prohibiting hedging and pledging	p. 46
Robust stock ownership guidelines	p. 45
Disclosure of our corporate political contributions and our trade association dues and oversight process	http://www.abbvie.com/responsibility/transparency-policies/corporate-political-participation.html
Broad clawback authority to recover incentive plan awards	p. 46
For inclusion on the board, the nominations and governance committee considers diversity of ethnicity, gender, and geography	p. 21
Related person transaction policy to ensure appropriate oversight	p. 77
We do not have a stockholder rights plan or “poison pill”	Certificate of Incorporation and By-Laws
Our directors are elected by a majority vote of our stockholders for uncontested elections and we have a resignation policy if the director fails to receive a majority of the votes cast	p. 12
We hold an annual say-on-pay advisory vote on executive compensation	p. 67
Our governance guidelines restrict the number of boards our directors may serve on to prevent overboarding	Corporate Governance Guidelines
Annual board and committee self-assessments and annual succession planning	Corporate Governance Guidelines
We are guided by strong ethics programs and supplier guidelines	http://www.abbvie.com/responsibility/home.html

Corporate Responsibility 2019 Highlights

At AbbVie, we strive to make a remarkable impact on patients and drive sustainable growth by discovering and delivering a consistent stream of innovative medicines that address serious health problems. In order to drive the long-term sustainability of our business we will continue to make responsible pricing decisions for these medicines, and this is reflected in our long-range plan. Our growth is primarily driven by reaching more patients with innovative new medicines, not increases in price.

In 2019, we launched our company Principles, which anchor our culture and what we believe in. Aligned to our Principles, our corporate responsibility priorities guide the ways we advance our business strategy. Key highlights for the year on these corporate responsibility priorities include:

Principles:	Responsibility Priority:
Transforming lives	Use our expertise to improve health Creating real health improvement is our mission and the premise of our business. To be a leading health care innovator, we must attract, retain and support a diverse workforce and invest in their efforts to develop medicines that bring value for patients.
Embracing diversity & inclusion	
Driving innovation	

Attracting and retaining a diverse and inclusive workforce:

- In 2019, we implemented our new global Equality, Diversity and Inclusion strategy across the organization. This includes a five-year roadmap that defines key global focus areas, objectives and associated initiatives, and implementation plans by function and geography. Our senior leaders have taken formal 2020 goals aligned with executing this strategy.
- We continued to advance equality and diversity across the organization. At the end of 2019, women represented 48% of our management positions globally. In the United States, 32% of our workforce was comprised of historically underrepresented populations. Both proportions increased since last year. Our annual U.S. compensation assessment found our pay practices to be equitable across genders and ethnicities.
- An important part of our strategy is to instill an inclusive mindset in all leaders and employees, so we can realize the full value of our diverse workforce. This year we launched a new toolkit for people who manage others, to reinforce the importance of equality, diversity and inclusion to our business, educate leaders on inclusive recruiting practices and modeling inclusive behavior, and encourage participation in our inclusive culture learning opportunities.
- Our Employee Resource Groups (ERGs) also help us nurture an inclusive culture, by building community, hosting awareness events and providing leadership and career opportunities. In 2019 we created a seventh ERG, Ability at AbbVie, to address the needs and concerns of individuals with disabilities and their caregivers.

Delivering innovative medicines that offer significant health benefit:

- In 2019, AbbVie achieved nine new product or indication approvals or expansions. These included treatments for rheumatoid arthritis, moderate to severe plaque psoriasis, and previously untreated chronic lymphocytic leukemia.
- ABBV-4083, an investigational compound that AbbVie is co-developing on a pro-bono basis, had a successful end of phase 1 meeting with the U.S. Food and Drug Administration. A Phase 2 study in patients with river

blindness will be conducted by our partner, Drugs for Neglected Diseases initiative, with drug product and pro-bono technical support from AbbVie.

- myAbbVie Assist, our U.S. patient assistance program, is one of the ways we help patients who may be having trouble paying for their AbbVie medicine. In 2019, more than 89,000 patients—up from nearly 81,000 in 2018—received their AbbVie medicines at no cost through myAbbVie Assist. Broader eligibility criteria and a new awareness campaign supported the expansion of the program.
- AbbVie is committed to working toward the World Health Organization’s 2030 hepatitis C virus (HCV) elimination goal. We support HCV micro-elimination projects around the world. In 2019, AbbVie partnered with the Washington State Health Care Authority with the shared goal of eliminating HCV in the entire state. The partnership is a modified subscription-type plan for our pan-genotypic medicine, with additional support from AbbVie that will help the state control costs while also increasing the potential to care for HCV patients.

Principles:	Responsibility Priority:
Acting with Integrity	<p>Steward our ethical and sustainable business</p> <p>We recognize that health is of fundamental importance to all people. To participate over the long term in the provision of health care, we must earn and maintain the trust of patients, health care providers, regulators, policymakers, and the public.</p>

Advancing our environmental sustainability priorities:

- 2019 marked the inaugural year for a new environmental sustainability strategy focused on reducing our environmental footprint, growing sustainably and inspiring, educating and engaging our workforce to steward sustainability within and beyond AbbVie. On Earth Day, we launched an employee sustainability awareness campaign called “Sustainable Steps Today. Healthy, Bright Tomorrows,” to encourage sustainable behavior at work and home.
- We launched the SPARK Innovation Accelerator, an incubator for employee-driven AbbVie sustainability proposals. In its first year, the accelerator received over 100 proposals and selected 10 new environmental sustainability projects to support.
- We continued to make progress against our 2025 environmental targets.
 - Since 2015 we have reduced our absolute carbon dioxide emissions (scope 1 and 2) by more than 16%, over halfway to our 2025 target of 25%.
 - We increased the percentage of purchased electricity that is from renewable sources to more than 24%, up from 9% in 2016 and almost halfway to our 2025 target of 50%.

Stewarding our ethical business:

- As part of our longstanding commitment to acting with integrity, we recently launched a Leading with Integrity communication campaign. People who manage others set the day-to-day expectations for our employees and provide the most visible example of our culture. The campaign is our latest step in driving a culture of integrity, which is essential to strong business performance because it supports high levels of

quality, compliance and safety, builds trust and underpins strong partnerships. The program reinforces the ways each manager can support integrity:

- honoring our Principles and our Code of Business Conduct,
 - modeling and explaining good decision-making,
 - encouraging questions, discussion and reporting of ethics or compliance concerns,
 - promoting an inclusive environment, and
 - ensuring employee data privacy.
- All employees received AbbVie’s annual training on our Code of Business Conduct, and employees in relevant functions received mandatory training on topics such as anti-corruption and anti-bribery, conflicts of interest, recognizing and reporting safety information, appropriate product promotion, and appropriate interactions with health care providers and patient groups. Our compliance training is continually reviewed and updated as necessary to ensure employees are receiving the most relevant and timely information on these important topics.

Leading the industry in workplace safety:

- Since our launch as an independent company, AbbVie has been the Dow Jones Sustainability Index (DJSI) leader in occupational health and safety across the biotechnology industry. This reflects our commitment to continuously improving our best-in-class safety programs for the benefit of all of our employees around the globe.

Principles:	Responsibility Priority:
Serving the Community	Support long-term community strength
	The health of our business is intertwined with that of our communities. We can use our unique resources to support well-being, resilience and growth in the communities where we do business and help lay the foundation for broader community vitality.

Supporting communities through economic activity, community engagement and philanthropy:

- Our North America Supplier Diversity Program is designed to integrate small and diverse businesses into our supply chain. We create meaningful opportunities for historically underutilized populations, including minorities, women, military veterans and others, to do business with AbbVie. In 2019, AbbVie was named Corporation of the Year by Diversity Alliance for Science, in recognition of our ongoing commitment to mentorship and development of small and diverse suppliers.
- In 2018, AbbVie established or enhanced strategic relationships with partners making long-term impacts on community strength by investing an additional \$350 million in priority focus areas. In 2019, these partnerships, supported by funding from AbbVie, advanced shared goals in three areas:
 - Helping families of sick children thrive by supporting family-centered care: Our partner Ronald McDonald House Charities completed expansions of 24 Houses, adding more than 162,465 family nights close to hospital care. Additional expansions continue. Family Reach expanded its financial support services to 25 new hospitals in 23 states, serving an additional 2,966 families in immediate need.

- **Strengthening K-12 education in underserved communities:** City Year expanded math and literacy support to another 16,000 students in Chicago and provided new curricula and training to more than 85 partner schools nationwide. Communities In Schools launched a new Student Supports Institute and University of Chicago Education Lab developed new pilot programs in nine schools in partnership with the Superintendent of Chicago Public Schools.
- **Supporting disaster relief and resilience in Puerto Rico:** With support from AbbVie, Direct Relief repaired and strengthened 14 community health centers and provided 17 mobile medical units to help clinics reach the most remote and vulnerable populations. Nearly 800 emergency packs have been supplied to the Medical Reserve Corps and other healthcare providers to enhance preparedness. New solar power installations support 12 health facilities and 14 community water pumps. Our partner Habitat for Humanity International completed 129 substantial home repairs, trained 194 local workers in OSHA certified building practices and created an island-wide title clearance initiative to address barriers to recovery.

We also align our commitments to the United Nations’ Sustainable Development Goals (SDGs). We focus on Good Health & Well-Being (SDG 3), Quality Education (SDG 4), Gender Equality (SDG 5), Decent Work & Economic Growth (SDG 8), Responsible Production and Consumption (SDG 12), and Climate Action (SDG 13). To further explore our support for the SDGs, please visit globalhealthprogress.org.

For more information about our corporate responsibility efforts, please visit abbvie.com/responsibility.

DiversityInc. Top 50 Companies for Diversity	FORTUNE 100 Best Companies to Work For	Great Places to Work World's Best Workplaces	Human Rights Campaign Corporate Equality Index	Working Mother 100 Best Companies	Dow Jones Sustainability World Index	FTSE4Good Index	EcoVadis CSR Rating Gold Medal	Corporate Responsibility Magazine 100 Best Corporate Citizens
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Executive Compensation Highlights

AbbVie’s board of directors believes a well-designed compensation program should align executive interests with the drivers of stockholder returns and profitable growth, support achievement of the company’s primary business goals, and attract and retain world-class executives whose talents and contributions sustain the growth in long-term stockholder value. Consequently, the compensation committee of the board has designed and implemented an executive compensation program in which a substantial majority of named executive officer (NEO) compensation at AbbVie is performance-based.

When determining NEO compensation, the committee first considers the median of the competitive marketplace (as derived primarily from the Health Care Peer Group approved by the committee) as an initial benchmark for assessing compensation. The committee then takes into account the company’s overall performance against the financial, operating and strategic objectives that were established at the start of the performance period. Finally, specific pay determinations are made for each NEO based on his or her individual performance against goals and contributions to the short- and long-term performance of the company.

Three primary components make up AbbVie’s executive pay program: base salary, short-term incentives and long-term incentives. The structure of each component is tailored to serve a specific function and purpose. The following is a summary of the key components of our compensation program.

Base Salary	<ul style="list-style-type: none"> • Designed to be competitive with market and industry norms, and to reflect individual performance • Individual salaries are established relative to market median based on each NEO’s individual performance, skills, experience, and internal equity, as well as the company’s annual operating budget
Short-Term Incentives	<ul style="list-style-type: none"> • Plan utilizes non-GAAP financial goals as well as an assessment of individual performance against strategic objectives: <ul style="list-style-type: none"> — Net revenues — Income before taxes — Operating margin — Return on assets — Strategic and leadership goals
Long-Term Incentives	<ul style="list-style-type: none"> • Long-term incentive annual awards are granted in the form of: <ul style="list-style-type: none"> — Performance shares and performance-vested restricted stock units (80% of NEO’s LTI award) — Non-qualified stock options (20% of NEO’s LTI award) • Level of awards NEOs receive varies according to plan design and individual performance as reviewed by our compensation committee

- Targets are based on expected business, market and regulatory conditions, including expectations for our pipeline
- Compensation committee establishes maximum award allocations for plan participants each year as a percentage of consolidated net earnings, and the plan imposes a maximum of 200% of target
- Compensation committee uses a payout matrix based on financial performance to define and cap the range of awards at or below the plan maximum when making its final determinations

- Awards are based on LTI program goals and company business performance, as well as individual factors
- Compensation committee determines grants for each NEO based on its assessment of performance and progress against strategic milestones
- Annual award design incorporates multi-year performance periods and multiple performance metrics, including relative total stockholder return

INFORMATION ABOUT THE ANNUAL MEETING

Who Can Vote

Stockholders of record at the close of business on March 13, 2020 will be entitled to notice of and to vote during the Annual Meeting. As of March 13, 2020, AbbVie had 1,476,672,808 outstanding shares of common stock, which are AbbVie's only outstanding voting securities. Each stockholder has one vote per share. Stockholders do not have the right to vote cumulatively in electing directors.

Notice and Access

In accordance with the Securities and Exchange Commission (SEC) e-proxy rules, AbbVie mailed a Notice of Internet Availability of Proxy Materials (the "Notice") to stockholders in March 2020. The Notice describes the matters to be considered at the Annual Meeting and how stockholders can access the proxy materials online. It also provides instructions on how stockholders can vote their shares. If you received the Notice, you will not receive a printed version of the proxy materials unless you request one. If you would like to receive a printed version of the proxy materials, free of charge, please follow the instructions on the Notice.

Voting by Proxy

AbbVie's stockholders may vote their shares by telephone, the Internet, or during the Annual Meeting. If you vote by telephone or the Internet, you do not need to return your proxy card. The instructions for voting can be found on the Notice, on the website listed in the Notice, and, if you received one, on your proxy card. If you requested a printed version of the proxy card, you may also vote by mail.

Revoking a Proxy

You may revoke your proxy by voting during the Annual Meeting or, at any time prior to the meeting:

- by delivering a written notice to the secretary of AbbVie,
- by delivering an authorized proxy with a later date, or
- by voting by telephone or the Internet after you have given your proxy.

Discretionary Voting Authority

Unless otherwise specified in accordance with the instructions on the proxy, the persons named in the proxy will vote the shares of AbbVie common stock covered by proxies they receive to elect the four nominees named in Item 1 on the proxy card. If a nominee becomes unavailable to serve, the shares will be voted for a substitute designated by the board of directors or for fewer than four nominees if, in the judgment of the proxy holders, such action is necessary or desirable.

Where a stockholder has specified a choice for or against the proposals to be presented at the Annual Meeting or if the stockholder has chosen to abstain, the shares of AbbVie common stock represented by the proxy will be voted (or not voted) as specified. Where no choice has been specified, the proxy will be voted FOR the ratification of Ernst & Young LLP as auditors, FOR the approval of executive compensation, FOR the management proposal to eliminate supermajority voting, and AGAINST each of the stockholder proposals.

The board of directors is not aware of any other issue that may properly be brought before the meeting. If other matters are properly brought before the meeting, the accompanying proxy will be voted in accordance with the judgment of the proxy holders.

Quorum and Vote Required to Approve Each Item on the Proxy

A majority of the outstanding shares entitled to vote generally in the election of directors, represented in person or by proxy, constitutes a quorum. Directors are elected by stockholders in an uncontested election if a majority of the votes cast are “for” a director’s re-election at the Annual Meeting, excluding abstentions and broker non-votes. For other matters, the affirmative vote of a majority of the shares represented, in person or by proxy, at the meeting and entitled to vote on a matter shall be the act of the stockholders with respect to that matter; except for the management proposal to eliminate supermajority voting, which requires the affirmative vote of shares representing not less than eighty percent (80%) of the outstanding shares of capital stock of AbbVie entitled to vote generally in the election of directors pursuant to Article XI of AbbVie’s Amended and Restated Certificate of Incorporation.

Effect of Broker Non-Votes and Abstentions

A proxy submitted by an institution such as a broker or bank that holds shares for the account of a beneficial owner may indicate that all or a portion of the shares represented by that proxy are not being voted with respect to a particular matter. This could occur, for example, when the broker or bank is not permitted to vote those shares in the absence of instructions from the beneficial owner of the stock. These “non-voted shares” will be considered shares not present and, therefore, not entitled to vote on those matters, although these shares may be considered present and entitled to vote for other purposes. Brokers and banks have discretionary authority to vote shares in the absence of instructions on matters the New York Stock Exchange considers “routine,” such as the ratification of the appointment of the auditors. They do not have discretionary authority to vote shares in absence of instructions on “non-routine” matters. The election of directors, the advisory vote on the approval of executive compensation, the management proposal to eliminate supermajority voting, and the stockholder proposals are considered “non-routine” matters. Non-voted shares will not affect the determination of the outcome of the vote on any matter to be decided at the meeting. Shares represented by proxies that are present and entitled to vote on a matter but that have elected to abstain from voting on that matter, other than the election of directors, will have the effect of votes against that matter.

Inspectors of Election

The inspectors of election and the tabulators of all proxies, ballots, and voting tabulations that identify stockholders are independent and are not AbbVie employees.

Cost of Soliciting Proxies

AbbVie will bear the cost of making solicitations from its stockholders and will reimburse banks and brokerage firms for out-of-pocket expenses incurred in connection with this solicitation. Proxies may be solicited by mail, telephone, Internet, or in person by directors, officers, or employees of AbbVie and its subsidiaries.

AbbVie has retained Alliance Advisors LLC to aid in the solicitation of proxies, at an estimated cost of \$15,000 plus reimbursement for reasonable out-of-pocket expenses.

AbbVie Savings Plan

Participants in the AbbVie Savings Plan will receive voting instructions for their shares of AbbVie common stock held in the AbbVie Savings Plan Trust. The Trust is administered by both a trustee and an investment committee. The trustee is The Northern Trust Company. The members of the investment committee are William H.S. Preece, Scott T. Reents and Michael J. Thomas, employees of AbbVie. The voting power with respect to the shares is held by and shared between the investment committee and the participants. The investment committee must solicit voting instructions from the participants and follow the voting instructions it receives. The investment committee may use its own discretion with respect to those shares of AbbVie common stock for which no voting instructions are received.

INFORMATION CONCERNING DIRECTOR NOMINEES (ITEM 1)

The board of directors consists of three classes currently comprised of three directors in Class I, four directors in Class II, and four directors in Class III. Directors of one class are elected each year for a term of three years. The Class II directors are presented for re-election to hold office until the expiration of their term at the 2023 annual meeting of stockholders and until their successors are elected and qualified or until their earlier death or resignation.

Directors are elected by stockholders if a majority of the votes cast are “for” a director’s re-election at the Annual Meeting, excluding abstentions and broker non-votes. For more information on the director majority vote standard, see AbbVie’s By-Laws as listed as an exhibit to AbbVie’s 2019 Annual Report on Form 10-K. All of the nominees are currently serving as directors.

Class II—Directors Whose Terms Expire in 2020



Robert J. Alpern, M.D.

Ensign Professor of Medicine, Professor of Internal Medicine, and Former Dean of Yale School of Medicine

Dr. Alpern has served as the Ensign Professor of Medicine and Professor of Internal Medicine at Yale School of Medicine since June 2004. He served as Dean of Yale School of Medicine from June 2004 to January 2020. From July 1998 to May 2004, Dr. Alpern was the Dean of The University of Texas Southwestern Medical Center. Dr. Alpern served on the board of Yale-New Haven Hospital from October 2005 to January 2020. Dr. Alpern also serves as a director of Abbott Laboratories and Tricida, Inc.

Committees:
Nominations &
Governance
Public Policy

Director since: 2013
Age: 69

Key Contributions to the Board: Through his position as Ensign Professor of Medicine, Professor of Internal Medicine, as well as his previous service as Dean of Yale School of Medicine, Dean of The University of Texas Southwestern Medical Center, and on the board of Yale-New Haven Hospital, Dr. Alpern contributes valuable insights to the board through his medical and scientific expertise and his knowledge of the health care environment and the scientific nature of AbbVie’s key research and development initiatives.



Edward M. Liddy

Retired Chairman & CEO, The Allstate Corporation

Mr. Liddy served as a partner in the private equity investment firm Clayton, Dubilier & Rice, LLC from January 2010 to December 2015. At the request of the Secretary of the U.S. Department of the Treasury, Mr. Liddy served as interim chairman and chief executive officer of American International Group, Inc. (AIG), a global insurance and financial services holding company, from September 2008 to August 2009. From January 1999 to April 2008, Mr. Liddy served as chairman of the board of The Allstate Corporation (insurance). He served as chief executive officer of Allstate from January 1999 to December 2006, president from January 1995 to May 2005, and chief operating officer from August 1994 to January 1999. Mr. Liddy currently serves on the board of directors of Abbott Laboratories, 3M Company, and The Boeing Company. Mr. Liddy has reached the mandatory retirement age for directors at both Boeing and 3M and will not stand for re-election at either company’s 2020 annual meeting.

Committees:
Compensation
Public Policy

Director since: 2013
Age: 74

Key Contributions to the Board: Mr. Liddy’s executive leadership at Allstate and AIG and his board service at several Fortune 100 companies enable him to provide our board with valuable insights on corporate strategy, risk management, corporate governance and other issues facing large, global enterprises. Additionally, as a former chief financial officer, audit committee chair at Goldman Sachs and 3M, and a private equity firm partner, Mr. Liddy provides our board with significant knowledge and understanding of corporate finance, capital markets, financial reporting and accounting matters.



Melody B. Meyer

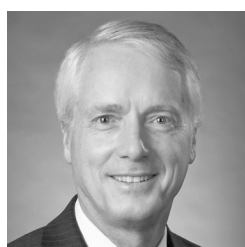
Retired President, Chevron Asia Pacific Exploration and Production

Ms. Meyer is president of Melody Meyer Energy, LLC, a private consulting firm, a position she has held since June 2016. From March 2011 to April 2016, Ms. Meyer served as the president of Chevron Asia Pacific Exploration and Production Company. She previously served as president of Chevron Energy Technology Company from 2008 to 2011, in addition to various other roles over her thirty-seven year career at Chevron. Ms. Meyer is also a director at BP p.l.c. and National Oilwell Varco, Inc.

Committees:
Audit
Public Policy

Director since: 2017
Age: 62

Key Contributions to the Board: As a result of her tenure at Chevron, Ms. Meyer has acquired operational, management, strategic planning, and financial expertise with extensive global experience and provides an informed perspective to the board on financial and operational matters faced by a complex international company.



Frederick H. Waddell

Former Chairman of the Board and Chief Executive Officer of Northern Trust Corporation and The Northern Trust Company

Mr. Waddell served as chairman of the board of Northern Trust Corporation and The Northern Trust Company from November 2009 until his retirement in January 2019. He previously served as chief executive officer from 2008 through 2017, as president from 2006 to 2011 and again from October to December 2016, and chief operating officer from 2006 to 2008. Mr. Waddell is also a director of International Business Machines Corporation.

Committees:
Audit
Compensation

Director since: 2013
Age: 66

Key Contributions to the Board: As former chairman and chief executive officer of Northern Trust Corporation and The Northern Trust Company, Mr. Waddell contributes broad financial services experience with a strong record of leadership in a highly regulated industry.

Class III—Directors Whose Terms Expire in 2021



Roxanne S. Austin

President, Austin Investment Advisors

Ms. Austin is president of Austin Investment Advisors, a private investment and consulting firm, and chairs the U.S. Mid-market Investment Advisory Committee of EQT Partners. Previously, Ms. Austin also served as the president and chief executive officer of Move Networks, Inc., a provider of Internet television services. Ms. Austin served as president and chief operating officer of DIRECTV, Inc. Ms. Austin also served as executive vice president and chief financial officer of Hughes Electronics Corporation and as a partner of Deloitte & Touche LLP. Ms. Austin is also a director of Abbott Laboratories, CrowdStrike, Inc., Target Corporation, and Teledyne Technologies, Inc. Ms. Austin has informed Target she will not stand for re-election when her current term concludes in June 2020. Ms. Austin also served as a director of Telefonaktiebolaget LM Ericsson from 2008 to 2016.

Committees:
Audit
Compensation

Director since: 2013
Age: 59

Key Contributions to the Board: Through her extensive management and operating roles, including her financial roles, Ms. Austin contributes significant oversight and leadership experience to the board, including financial expertise and knowledge of financial statements, corporate finance and accounting matters.



Richard A. Gonzalez

Chairman of the Board and Chief Executive Officer, AbbVie Inc.

Mr. Gonzalez is the chairman and chief executive officer of AbbVie. He served as Abbott's executive vice president of the pharmaceutical products group from July 2010 to December 2012, and was responsible for Abbott's worldwide pharmaceutical business, including commercial operations, research and development, and manufacturing. He also served as president, Abbott Ventures Inc., Abbott's medical technology investment arm, from 2009 to 2011. Mr. Gonzalez joined Abbott in 1977 and held various management positions before briefly retiring in 2007, including: Abbott's president and chief operating officer; president, chief operating officer of Abbott's Medical Products Group; senior vice president and president of Abbott's former Hospital Products Division; vice president and president of Abbott's Health Systems Division; and divisional vice president and general manager for Abbott's Diagnostics Operations in the United States and Canada.

Director since: 2013
Age: 66

Key Contributions to the Board: As a result of his service as Abbott's executive vice president, Pharmaceutical Products Group, his previous service as Abbott's president and chief operating officer and his more than 30-year career at Abbott, Mr. Gonzalez has developed valuable business, management and leadership experience, as well as extensive knowledge of AbbVie and its global operations. Mr. Gonzalez's experience and knowledge enable him to contribute to AbbVie's board key insights into strategic, management, and operational matters.



Rebecca B. Roberts

Retired President of Chevron Pipe Line Company

Ms. Roberts served as president of Chevron Pipe Line Company from 2006 until her retirement in 2011. She previously served as the president of Chevron Global Power Generation from 2003 to 2006, in addition to various technical and management positions during her thirty-six year career with Chevron. Ms. Roberts began her career as a chemist and research scientist. Ms. Roberts currently serves on the board of directors at Black Hills Corporation and MSA Safety Incorporated. Ms. Roberts served as a director of Enbridge, Inc. from 2015 to 2018.

Committees:
Nominations &
Governance
Public Policy

Director since: 2018
Age: 67

Key Contributions to the Board: Ms. Roberts brings management, operational, safety, and strategy development expertise with a scientific background and extensive global experience at Chevron. She provides an informed perspective to the board on regulatory and operational matters faced by a complex international company.

**Glenn F. Tilton**

Retired Chairman and Chief Executive Officer of the UAL Corporation

Mr. Tilton was chairman of the Midwest for JPMorgan Chase & Co. from 2011 until his retirement in 2014. From October 2010 to December 2012, Mr. Tilton also served as the non-executive chairman of the board of United Continental Holdings, Inc. From September 2002 to October 2010, he served as chairman, president and chief executive officer of UAL Corporation, and chairman and chief executive officer of United Air Lines, Inc., its wholly owned subsidiary. Prior to becoming the vice chairman of Chevron Texaco following the merger of Texaco Inc. and Chevron Corp., Mr. Tilton enjoyed a 30-year multi-disciplinary career with Texaco Inc., culminating in his election as chairman and chief executive officer. Mr. Tilton is also a director of Abbott Laboratories and Phillips 66. Mr. Tilton also served on the board of directors of Lincoln National Corporation from 2002 to 2007, of TXU Corporation from 2005 to 2007, of Corning Incorporated from 2010 to 2012, and of United Continental Holdings, Inc. from 2010 to 2012.

Committees:

Audit
 Compensation
 Nominations &
 Governance
 Public Policy

Lead Independent Director

Director since: 2013
Age: 71

Key Contributions to the Board: As chairman of the Midwest for JPMorgan Chase & Co. and having previously served as non-executive chairman of the board of United Continental Holdings, Inc., and chairman, president, and chief executive officer of UAL Corporation and United Air Lines, vice chairman of Chevron Texaco and as interim chairman of Dynegy, Inc., Mr. Tilton acquired strong management experience overseeing complex multinational businesses operating in highly regulated industries, as well as expertise in finance and capital markets matters. His experience as non-executive chairman of the board of United Continental Holdings, Inc. also enhances his contributions as AbbVie's lead independent director.

Class I—Directors Whose Terms Expire in 2022

**William H.L. Burnside**

Retired Senior Vice President and Director at The Boston Consulting Group

Mr. Burnside is a retired senior vice president and director at The Boston Consulting Group (BCG), where he currently serves as an advisor. Prior to becoming managing partner of BCG's Los Angeles office in 1987, he worked in BCG's London and Chicago offices, servicing clients in telecommunications, media, defense, financial services, and manufacturing.

Committees:

Audit
 Nominations &
 Governance

Director since: 2013
Age: 68

Key Contributions to the Board: Through his experience with The Boston Consulting Group, Mr. Burnside contributes knowledge and understanding of corporate finance and capital markets matters to the board, as well as global and domestic strategic advisory experience across a broad base of industries.



Brett J. Hart

Executive Vice President and Chief Administrative Officer, United Airlines Holdings, Inc.

Mr. Hart is the executive vice president and chief administrative officer of United Airlines Holdings, Inc. (UAL) and United Airlines, Inc. He served as executive vice president, chief administrative officer and general counsel between May 2017 and March 2019 and as executive vice president and general counsel between February 2012 and May 2017. Mr. Hart also served as acting chief executive officer of UAL and United Airlines, Inc. from October 2015 to March 2016. From December 2010 to February 2012, he served as senior vice president, general counsel and secretary of UAL, United and Continental. From June 2009 to December 2010, Mr. Hart served as executive vice president, general counsel and corporate secretary at Sara Lee Corporation.

Committees:
Nominations &
Governance
Public Policy

Director since: 2016

Age: 50

Key Contributions to the Board: As an executive vice president and general counsel for two large public companies with international operations and having served as an acting CEO, Mr. Hart contributes operational and strategic acumen with expertise in risk management, legal strategic matters, government and regulatory affairs, customer and external facing matters, corporate governance, and compliance.



Edward J. Rapp

Retired Group President for Resource Industries of Caterpillar Inc.

Mr. Rapp served as the Caterpillar Inc. group president for resource industries from 2014 until his retirement in mid-2016. He previously served at Caterpillar as group president based in Singapore in 2013 and 2014 and as the chief financial officer from 2010 to 2013, and he was named a group president in 2007. He is currently a member of the University of Missouri College of Business Advisory Board. Mr. Rapp previously served as a director of FM Global.

Committees:
Audit
Nominations &
Governance

Director since: 2013

Age: 62

Key Contributions to the Board: As a result of his tenure as group president and chief financial officer at Caterpillar Inc., Mr. Rapp has acquired management, operational, and financial expertise with extensive global experience and provides the board with an informed perspective on financial and operational matters faced by a complex international company.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors

The board of directors held eleven meetings in 2019. The average attendance of all incumbent directors at board and committee meetings in 2019 was ninety-nine percent, and each director attended at least seventy-five percent of the total number of board meetings and meetings of the committees of which he or she served. AbbVie encourages its board members to attend the annual stockholder meeting. All of AbbVie's directors attended the 2019 annual stockholder meeting.

The board has determined that each of the following individuals is independent in accordance with the New York Stock Exchange (NYSE) listing standards: Dr. Alpern, Ms. Austin, Mr. Burnside, Mr. Hart, Mr. Liddy, Ms. Meyer, Mr. Rapp, Ms. Roberts, Mr. Tilton, and Mr. Waddell. To determine independence, the board applied the AbbVie Inc. director independence guidelines. The board also considered whether a director has any other material relationships with AbbVie or its subsidiaries and concluded that none of these directors had a relationship that impaired the director's independence. This included consideration of the fact that some of the directors are officers or serve on boards of companies or entities to which AbbVie sold products or made contributions or from which AbbVie purchased products and services during the year. This also included consideration of the fact that some of the directors serve on the board of Abbott Laboratories (Abbott), AbbVie's former parent. In making its determination, the board relied on both information provided by the directors and information developed internally by AbbVie.

The board has risk oversight responsibility for AbbVie and administers this responsibility both directly and with assistance from its committees. The board reviews enterprise risks and discusses them with our senior management on a regular basis. AbbVie's risk management program focuses on issues relevant to AbbVie's business, reputation, and strategy, including but not limited to pipeline advancement, healthcare industry dynamics such as pricing and patient access, manufacturing, regulatory and compliance matters, and others. For more details about committee responsibilities and oversight, please see the committee discussion on pages 21-23.

The board also oversees AbbVie's culture, employee engagement, and overall management of human capital. This oversight ensures that AbbVie is attracting, developing, and retaining best-in-class employees dedicated to making a remarkable impact on patients' lives around the world.

The board has determined that the current leadership structure, in which the offices of chairman of the board and chief executive officer are held by one individual with a board appointed lead independent director, ensures the appropriate level of oversight, independence, and responsibility is applied to all board decisions, including risk oversight, and is in the best interests of AbbVie and its stockholders. The lead independent director is chosen by and from the independent members of the board of directors.

The lead independent director responsibilities include:

1. reviews and guides agenda items for board meetings;
2. leads the CEO succession planning process;
3. facilitates communication with the board and presides over regularly conducted executive sessions of the independent directors or sessions where the chairman of the board is not present;
4. reviews and approves matters, such as schedule sufficiency, and, where appropriate, information provided to other board members;
5. serves as the liaison between the chairman of the board and the independent directors;
6. has the authority to call meetings of the independent directors;
7. leads the board's evaluation of the CEO;
8. leads the annual board and committee evaluation process, including discussing evaluations with each director individually;
9. encourages effective director participation by fostering an environment of open dialogue and constructive feedback among independent directors;
10. involved in selection and interviewing of new board members;
11. if requested by major stockholders, ensures that he or she is available for consultation and direct communication as needed;
12. if required, represents independent board members externally; and
13. performs such other duties as the board may determine from time to time.

All directors are encouraged to, and in fact do, consult with the chairman on each of the above topics, as well. The lead director, and each of the other directors, communicates regularly with the chairman of the board and chief executive officer regarding appropriate agenda topics and other board related matters.

AbbVie directors have backgrounds that when combined provide a portfolio of experience and knowledge that serve AbbVie's governance and strategic needs. Director nominees are considered based on a range of criteria including broad-based business knowledge and relationships, prominence and excellent reputations in their primary fields of endeavor, as well as a global business perspective and commitment to good corporate citizenship, and ability to commit sufficient time and attention to the activities of the board. They must have demonstrated experience and ability that is relevant to the board's oversight role with respect to AbbVie's business and affairs. They must also be able and willing to represent the stockholders' economic interests and satisfy their fiduciary duties to stockholders without conflicts of interest. For more details on director qualifications, please see Exhibit A to AbbVie's Governance Guidelines.

Each year, the board and its committees conduct detailed self-evaluations covering topics such as board and committee leadership structure, composition and effectiveness, quality of board and committee materials and discussions, priority agenda items, schedule sufficiency, and board processes. To ensure candid feedback, the evaluations are anonymous. The full board, led by the lead independent director, discusses the evaluation reports to determine what, if any, actions or improvements should be undertaken in the near-term and long-term. The board, committee, and CEO evaluations are discussed in executive session to allow for additional candid discussion.

Each director’s biography includes the particular experience and qualifications that led the board to conclude that the director should serve on the board. The directors’ biographies are in the section of this proxy statement captioned “Information Concerning Director Nominees.”

The following table highlights our directors’ skills and experience. The skills identified below are considered by the nominations and governance committee to be the most relevant to the board’s oversight role with respect to AbbVie’s business and affairs and to drive our culture of innovation and responsibility. The specific importance of each skill also is noted.

Such skills include, among others:

- **Healthcare Industry**—Relevant to an industry understanding and review of our business and strategy for continued innovation.
- **Leadership**—For a board that can successfully advise and oversee the company’s business performance and represent stockholders’ interests.
- **Global Business and Strategy**—For oversight of a complex global organization like AbbVie to successfully advise and oversee the strategic development and direction of the company.
- **Corporate Governance and Public Company Board**—Ensuring directors have background and knowledge to perform oversight and governance roles.
- **Finance or Accounting**—Enabling our directors to analyze our financial statements, oversee our capital structure, and consider financial transactions.
- **Government Relations and Regulatory**—For an understanding of the complex regulatory and governmental environment in which our business operates.

Director Skills, Knowledge and Experience Matrix

	Healthcare Industry	Leadership	Global Business and Strategy	Corporate Governance and Public Company Board	Finance or Accounting	Government Relations and Regulatory
Dr. Alpern	✓	✓	✓	✓		✓
Ms. Austin	✓	✓	✓	✓	✓	✓
Mr. Gonzalez	✓	✓	✓	✓	✓	✓
Mr. Burnside		✓	✓	✓	✓	✓
Mr. Hart		✓	✓	✓		✓
Mr. Liddy	✓	✓	✓	✓	✓	✓
Ms. Meyer		✓	✓		✓	✓
Mr. Rapp		✓	✓	✓	✓	✓
Ms. Roberts		✓	✓	✓		✓
Mr. Tilton	✓	✓	✓	✓	✓	✓
Mr. Waddell		✓	✓	✓	✓	✓

Board Diversity







AbbVie is committed to diversity in its workforce and on its board of directors. In the process of identifying nominees to serve as a member of the board of directors, the nominations and governance committee considers the board's diversity of ethnicity, gender, age, and geography and assesses the effectiveness of the process in achieving that diversity. More details about our workforce diversity are available in the "Corporate Responsibility Highlights" section of this proxy statement.

45%

Members of AbbVie's board who are women or ethnically diverse individuals

Committees of the Board of Directors

The board of directors has five committees established in AbbVie's By-Laws: the audit committee, compensation committee, nominations and governance committee, public policy committee, and executive committee. Each of the members of the audit committee, compensation committee, and nominations and governance committee is independent. Mr. Tilton serves as AbbVie's lead independent director.

	Audit Committee	Compensation Committee	Nominations and Governance Committee	Public Policy Committee
R. Alpern			Member	Member
R. Austin 	Chairperson	Member		
W. Burnside	Member		Member	
B. Hart			Member	Chairperson
E. Liddy		Chairperson		Member
M. Meyer	Member			Member
E. Rapp	Member		Chairperson	
R. Roberts			Member	Member
G. Tilton 	Member	Member	Member	Member
F. Waddell	Member	Member		
Number of meetings	6	4	4	4
				
	Lead Director	Chairperson	Member	Financial Expert

Audit Committee

The audit committee is governed by a written charter. The charter sets forth the purposes of the audit committee, identifies qualifications required for the audit committee members, and describes the committee's authority and responsibilities. The audit committee assists the board of directors in fulfilling its oversight responsibility with respect to AbbVie's accounting and financial reporting practices and the audit process, the quality and integrity of AbbVie's financial statements, including a review of significant accounting policies, the independent auditors' qualifications, independence, and performance, the performance of AbbVie's internal audit function and internal auditors, certain areas of legal and regulatory compliance, and enterprise risk management. Each of the members of the audit committee is

financially literate, as required of audit committee members by the NYSE, and the independence requirements set forth in Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The board of directors has determined that Ms. Austin, the committee’s chairperson, is an “audit committee financial expert.”

Compensation Committee

The compensation committee is governed by a written charter. This committee assists the board of directors in carrying out the board’s responsibilities relating to the compensation of AbbVie’s executive officers and directors. The compensation committee annually reviews the compensation paid to the directors and gives its recommendations to the full board regarding both the amount of director compensation that should be paid and the allocation of that compensation between equity-based awards and cash. In recommending director compensation, the compensation committee takes into account director fees paid by companies in AbbVie’s Health Care Peer Group and reviews any arrangement that could be viewed as indirect director compensation. The processes and procedures used for the consideration and determination of executive compensation are described in the “Compensation Discussion and Analysis” section of this proxy statement. The committee also reviews, approves, and administers the incentive compensation plans in which the AbbVie executive officers participate and all of AbbVie’s equity-based plans. It may delegate the responsibility to administer and make grants under these plans to management, except to the extent that such delegation would be inconsistent with applicable law or regulations or with the listing rules of the New York Stock Exchange. The compensation committee has the sole authority, under its charter, to select, retain and/or terminate independent advisors who may assist the committee in carrying out its responsibilities. The compensation committee reviews and discusses with management and its independent compensation advisor potential risks associated with AbbVie’s compensation policies and practices as discussed in the “Compensation Risk Assessment” section of this proxy statement. Each member of the committee qualifies as a “non-employee director” for purposes of Rule 16b-3 under the Exchange Act and as an “outside director” for purposes of Internal Revenue Code Section 162(m).

The committee has engaged Compensation Advisory Partners (CAP) as its independent compensation consultant. The independent compensation consultant provides counsel and advice to the committee on executive and non-employee director compensation matters. CAP, and its principal, report directly to the chair of the committee. The principal meets regularly, and as needed, with the committee in executive sessions, and has direct access to the committee chair during and between meetings. The committee determines what variables it will instruct CAP to consider, including: peer groups against which performance and pay should be examined, metrics to be used in incentive plans to assess AbbVie’s performance, competitive short- and long-term incentive practices in the marketplace, and compensation levels relative to market benchmarks. The committee negotiates and approves all fees paid to CAP for these services. AbbVie did not engage CAP to perform any other services during 2019.

Based on an assessment of internally developed information and information provided by CAP, the committee has determined that its independent compensation advisor does not have a conflict of interest. A copy of the compensation committee report is included in the “Compensation Committee Report” section of this proxy statement.

Nominations and Governance Committee

The nominations and governance committee is governed by a written charter. This committee assists the board of directors in identifying individuals qualified to become board members and recommends to the board the nominees for election as directors at the next annual meeting of stockholders, recommends to the board the persons to be elected as executive officers of AbbVie, recommends to the board the corporate governance guidelines applicable to AbbVie, oversees the evaluation of the board and management, and serves in an advisory capacity to the board and the chairman of the board on matters of organization, management succession plans, major changes in the organizational structure of AbbVie, and the conduct of board activities. The process used by this committee to identify a nominee to serve as a member of the board of directors depends on the qualities being sought, as described on pages 20-21. From time to time, AbbVie engages an executive search firm to assist the committee in identifying individuals qualified to be board members.

Public Policy Committee

The public policy committee is governed by a written charter. This committee assists the board of directors in fulfilling its oversight responsibility with respect to AbbVie's public policy, certain areas of legal and regulatory compliance, governmental affairs, healthcare compliance, and social responsibility and environmental matters that affect or could affect AbbVie. Other topics within the committee's purview include but are not limited to ethics and compliance matters, government and regulatory trends relevant to AbbVie's business, political contributions, and corporate philanthropy.

Executive Committee

The executive committee members are Mr. Gonzalez, chair, Ms. Austin, Mr. Hart, Mr. Liddy, Mr. Rapp, and Mr. Tilton. This committee may exercise all of the authority of the board in the management of AbbVie, except for matters expressly reserved by law for board action.

Communicating with the Board of Directors

Stockholders and other interested parties may communicate with the board of directors by writing a letter to the chairman of the board, to the lead director, or to the independent directors c/o AbbVie Inc., 1 North Waukegan Road, AP34, North Chicago, Illinois 60064, Attention: corporate secretary. The corporate secretary regularly forwards to the addressee all letters other than mass mailings, advertisements, and other materials not relevant to AbbVie's business. In addition, directors regularly receive a log of all correspondence received by the company that is addressed to a member of the board and may request any correspondence on that log.

DIRECTOR COMPENSATION

AbbVie employees are not compensated for serving on the board or board committees. AbbVie’s non-employee directors are compensated for their service under the AbbVie Non-Employee Directors’ Fee Plan and the AbbVie 2013 Incentive Stock Program. As described in “Committees of the Board of Directors—Compensation Committee,” director compensation is reviewed annually by the compensation committee with the independent compensation consultant, including a review of director compensation against AbbVie’s Health Care Peer Group, and a recommendation is then provided to the full board.

The following table sets forth the non-employee directors’ 2019 compensation.

Name	Fees Earned or Paid in Cash \$(1)	Restricted Stock Unit Awards \$(2)	Option Awards \$(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(4)	All Other Compensation \$(5)	Total (\$)
R. Alpern	\$110,000	\$189,952	\$0	\$50,143	\$25,000	\$375,095
R. Austin	135,000	189,952	0	0	8,475	333,427
W. Burnside	116,000	189,952	0	0	27,755	333,707
B. Hart	121,667	189,952	0	0	25,000	336,619
E. Liddy	130,000	189,952	0	0	0	319,952
M. Meyer	116,000	189,952	0	0	25,000	330,952
E. Rapp	136,000	189,952	0	0	26,077	352,029
R. Roberts	110,000	189,952	0	0	24,800	324,752
G. Tilton	169,750	189,952	0	0	28,043	387,745
F. Waddell	116,000	189,952	0	0	25,000	330,952

(1) Under the Non-Employee Directors’ Fee Plan as in effect during 2019, non-employee directors earned \$110,000 per year for service as a director and \$20,000 per year for service as a chair of a board committee, other than the chair of the audit committee. The chair of the audit committee received \$25,000 per year for service as chair of that committee and the other members of the audit committee received \$500 for each month of service as a committee member. During 2019, the lead director retainer was increased from \$25,000 per year to \$50,000 per year in connection to additional responsibilities for the role identified at the 2019 annual meeting of stockholders. The non-employee director and committee fees are earned monthly for each calendar month or portion thereof that the director holds the position, excluding the month in which the director is first elected to the position.

Fees earned under the AbbVie Non-Employee Directors’ Fee Plan are, at the director’s election, paid in cash, delivered in the form of vested non-qualified stock options (based on an independent appraisal of their fair value), deferred until retirement (as an unfunded AbbVie obligation), or paid currently into an individual grantor trust established by an eligible director. The distribution of deferred fees and amounts held in a director’s grantor trust generally commences at the later of when the director reaches age 65 or upon retirement from the board of directors. Fees deposited in a trust may be credited to a stock equivalent account that earns the same return as if the fees were invested in AbbVie stock or to a guaranteed interest account. If necessary, AbbVie contributes funds

to a director's trust so that as of year-end the stock equivalent account balance (net of taxes) is not less than seventy-five percent of the market value of the related AbbVie common stock at year end.

- (2) The amounts in this column represent the aggregate grant date fair value of the restricted stock unit awards granted during 2019, determined in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. AbbVie determines the grant date fair value of the awards by multiplying the number of units granted by the average of the high and low market prices of one share of AbbVie common stock on the award grant date.

In addition to the fees described in footnote (1), each non-employee director elected to or serving on the board of directors at the 2019 annual stockholder meeting received under the AbbVie 2013 Incentive Stock Program vested restricted stock units with a target grant date value of \$190,000. In 2019, this equated to 2,419 restricted stock units (after rounding the award down to the nearest whole unit), with a reportable value of \$189,952. The non-employee directors receive cash payments equal to the dividends paid on the shares covered by the units at the same rate as other stockholders, but do not otherwise have access to the restricted stock units during their board service. Upon termination or retirement from the board, death, or a change in control of the company, a non-employee director will receive one common share for each restricted stock unit outstanding under the Incentive Stock Program.

The following AbbVie restricted stock units were outstanding as of December 31, 2019: R. Alpern, 26,107; R. Austin, 33,770; W. Burnside, 17,548; B. Hart, 10,062; E. Liddy, 21,534; M. Meyer, 7,088; E. Rapp, 17,548; R. Roberts, 4,318; G. Tilton, 29,754; and F. Waddell, 17,548. These numbers include, where applicable, AbbVie restricted stock units issued with respect to Abbott Laboratories restricted stock units outstanding when AbbVie separated from Abbott on January 1, 2013.

- (3) No AbbVie stock options were outstanding as of December 31, 2019.
- (4) The totals in this column include reportable interest credited under the AbbVie Non-Employee Directors' Fee Plan during 2019.
- (5) Charitable contributions made by AbbVie's non-employee directors are eligible for a matching contribution (up to \$25,000 annually). For 2019 contributions, the AbbVie Foundation made charitable matching contributions on behalf of the following AbbVie directors: R. Alpern, \$25,000; W. Burnside, \$25,000; B. Hart, \$25,000; M. Meyer, \$25,000; E. Rapp, \$25,000; R. Roberts, \$24,800; G. Tilton, \$25,000; and F. Waddell, \$25,000. This column also includes reimbursement for certain taxes.

SECURITIES OWNERSHIP

Securities Ownership of Executive Officers and Directors

The table below reflects the number of shares of AbbVie common stock beneficially owned as of January 31, 2020, by each director and director nominee, the chief executive officer, the chief financial officer, and the three other most highly paid executive officers (NEOs), and by all directors and executive officers of AbbVie as a group. It also reflects the number of stock equivalent units and restricted stock units held by non-employee directors under the AbbVie Non-Employee Directors' Fee Plan.

Name	Shares Beneficially Owned ⁽¹⁾⁽²⁾⁽³⁾	Stock Options Exercisable within 60 days of January 31, 2019	Stock Equivalent Units
R. Gonzalez	334,589	770,199	0
R. Alpern	26,107	0	6,933
R. Austin	117,114	0	0
W. Burnside	17,548	0	0
B. Hart	10,062	0	0
E. Liddy	22,669	0	24,692
M. Meyer	7,088	0	0
E. Rapp	30,662	0	16,872
R. Roberts	4,318	0	0
G. Tilton	42,504	0	32,020
F. Waddell	19,548	0	0
R. Michael	10,913	45,086	0
L. Schumacher	164,480	335,175	0
C. Alban	168,319	525,299	0
M. Severino	115,857	423,254	0
All directors and executive officers as a group ⁽⁴⁾	1,352,824	3,018,896	80,517

(1) The table includes shares held in the executive officers' accounts in the AbbVie Savings Plan as follows: all executive officers as a group, 4,586. Each executive officer has shared voting power and sole investment power with respect to the shares held in his or her account.

(2) The table includes restricted stock units held by the non-employee directors. The directors' units are payable in stock as described in footnote (2) to the Director Compensation table.

(3) The table includes shared voting and/or investment power over shares as follows: R. Gonzalez, 7,615; G. Tilton, 350; C. Alban, 40,442; and all directors and executive officers as a group, 88,457.

(4) The directors and executive officers as a group own less than one percent of the outstanding shares of AbbVie.

Securities Ownership of Principal Stockholders

The table below reports the number of shares of AbbVie common stock beneficially owned as of December 31, 2019 by Capital Research Global Investors, BlackRock, Inc. and The Vanguard Group (directly or through subsidiaries), respectively, the only persons known to AbbVie to own beneficially more than 5% of AbbVie's outstanding common stock. It is based on information contained in Schedules 13G filed with the Securities and Exchange Commission by The Vanguard Group on February 12, 2020, by BlackRock, Inc. on February 5, 2020 and by Capital Research Global Investors on February 14, 2020. The Vanguard Group reported that it had sole voting power with respect to 2,293,312 shares, shared voting power with respect to 402,994 shares, sole dispositive power with respect to 120,014,023 shares and shared dispositive power with respect to 2,560,697 shares. BlackRock, Inc. reported that it had sole voting power with respect to 83,787,858 shares, shared voting power with respect to 0 shares, sole dispositive power with respect to 98,593,810 shares and shared dispositive power with respect to 0 shares. Capital Research Global Investors reported that it had sole voting power with respect to 86,601,345 shares, shared voting power with respect to 0 shares, sole dispositive power with respect to 86,602,693 shares and shared dispositive power with respect to 0 shares.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class
The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	122,574,720	8.3%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	98,593,810	6.7%
Capital Research Global Investors 333 South Hope Street Los Angeles, CA 90071	86,602,693	5.8%

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis (CD&A) describes the pay philosophy established for AbbVie’s named executive officers (NEOs), the design of our compensation programs, the process used to examine performance in the context of executive pay decisions, and the performance goals and results for each NEO:

Richard A. Gonzalez	Chairman of the Board and Chief Executive Officer
Robert A. Michael	Executive Vice President, Chief Financial Officer
Laura J. Schumacher	Vice Chairman, External Affairs and Chief Legal Officer
Carlos Alban	Vice Chairman, Chief Commercial Officer
Michael E. Severino	Vice Chairman and President

Although we describe our programs in the context of the NEOs, it is important to note that our programs generally have broad eligibility and therefore in most cases apply to employee populations outside the NEO group as well.

CD&A Table of Contents

The CD&A is organized as follows:

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I. Executive Summary

Compensation Philosophy

At AbbVie, the board of directors and management believe a well-designed compensation program should align executive interests with the drivers of stockholder returns and profitable growth, support achievement of the company's primary business goals to have a remarkable impact on patients' lives, and attract and retain world-class executives whose talents and contributions sustain the growth in long-term stockholder value. The board believes it has implemented a compensation program that appropriately balances short- and long-term strategic objectives and directly links compensation to stockholder value with more than three-fourths of the total direct compensation paid to NEOs tied to performance. The compensation program also supports the board's philosophy of paying fairly and equitably irrespective of gender and ethnicity.

Business Overview

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 and human immunodeficiency virus; 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 investments in cystic fibrosis and women's health.

In June 2019, AbbVie announced that it entered into a definitive transaction agreement under which AbbVie will acquire Allergan plc (AGN). 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 aesthetics, eye care, neuroscience, gastroenterology, and women's health.

Business Performance Highlights

AbbVie has Delivered Robust Financial Results since Inception

Performance from 2013 Inception to 2019 Year End	
10.0%	Adjusted net revenues - compound annual growth rate*
Approximately \$9BN	Revenues in 2019 from products launched since inception Brought to market six new medicines: IMBRUVICA, MAVYRET, ORILISSA, RINVOQ, SKYRIZI, VENCLEXTA
19.1%	Adjusted diluted earnings per share - compound annual growth rate*
1,100 Basis points	Operating margin expansion, adjusted*
240.2%	7-year total stockholder return
\$77BN	Increase in market capitalization Added significant stockholder value
195%	Increase in quarterly dividend Raised quarterly dividend to \$1.18 per share from \$0.40 per share at inception
Approximately 60	Active clinical development programs Approximately 30 new products or indications in mid- and late-stage development or under regulatory review

The measures set forth above were calculated as of December 31, 2019.

* Net revenues, diluted earnings per share and operating margin are adjusted to exclude certain specified items and are non-GAAP measures, which are reconciled in Appendix B.

AbbVie has delivered a strong compound annual growth rate (CAGR) since inception on adjusted net revenues and adjusted diluted earnings per share (EPS), placing AbbVie in the top quartile of its Health Care Peer Group. Additionally, AbbVie is committed to a robust return of capital to stockholders with an increase of 195% in its quarterly

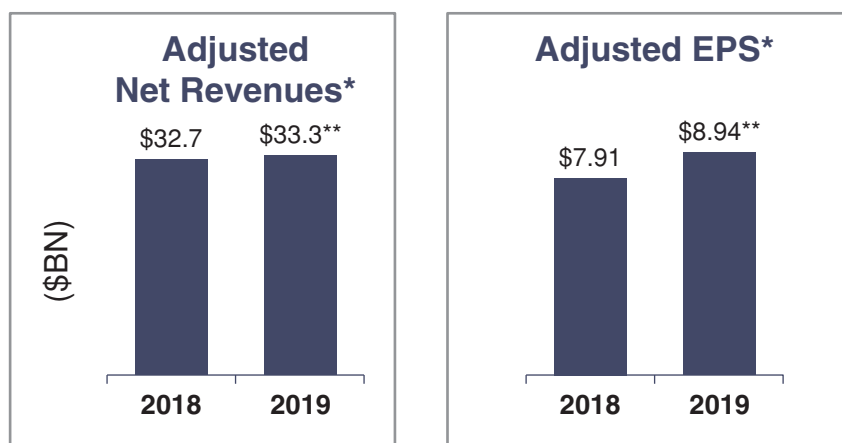
dividend since 2013 as part of a balanced and disciplined capital allocation program. AbbVie's total stockholder return (TSR) since inception of 240.2% also places AbbVie at the top of its Health Care Peer Group, and more than 78 percentage points above the Standard & Poor's 500 Index and more than 124 percentage points above the NYSE Arca Pharmaceutical Index over the same time period.

AbbVie also Delivered Strong Business Performance in 2019

AbbVie has built a strong foundation for its business and 2019 was an exceptional year, as evidenced by a number of business highlights:

- **Net Revenues:** AbbVie reported full-year net revenues of \$33.3 billion. Adjusted net revenues increased 2.7% over 2018, excluding the impact of foreign exchange. Excluding the unfavorable impact of international HUMIRA net revenues due to biosimilar competition, full year adjusted net revenues grew 9.9% operationally.
- **HUMIRA:** AbbVie delivered global HUMIRA sales of \$19.2 billion, a decrease of 3.9% on a reported basis, or a decrease of 2.9% excluding the impact of foreign exchange. HUMIRA'S performance was impacted by direct biosimilar competition in certain international geographies.
- **IMBRUVICA:** Global IMBRUVICA net revenue was \$4.7 billion, an increase of 30.2%, driven by market share growth in front-line chronic lymphocytic leukemia and other approved indications.
- **Gross and Operating Margins:** In 2019, AbbVie reported a gross margin of 77.6% on a GAAP basis or 82.4% of net revenues on an adjusted basis. AbbVie's operating margin was 39.0% on a GAAP basis or 47.3% of net revenues on an adjusted basis. The adjusted operating margin reflects an improvement of 270 basis points versus 2018.
- **Earnings Per Share:** AbbVie reported full-year diluted EPS of \$5.28 on a GAAP basis and adjusted diluted EPS of \$8.94, up 13.0%. For 2020, AbbVie provided a diluted EPS guidance range of \$7.66 to \$7.76 on a GAAP basis and \$9.61 to \$9.71 on an adjusted basis. The midpoint of the adjusted guidance represents growth of 8.1% over 2019, reflecting strong operating dynamics in the underlying business.
- **Regulatory Milestones:** AbbVie also achieved a number of regulatory milestones in markets worldwide for several key products, including regulatory approvals for SKYRIZI for the treatment of moderate to severe plaque psoriasis in adults who are candidates for systemic therapy or phototherapy, RINVOQ for the treatment of adults with moderately to severely active rheumatoid arthritis who have had an inadequate response or intolerance to methotrexate; IMBRUVICA in combination with GAZYVA (obinutuzumab) for adult patients with previously untreated chronic lymphocytic leukemia (CLL)/small lymphocytic lymphoma (SLL); and VENCLEXTA in combination with GAZYVA for adult patients with previously untreated CLL/SLL. AbbVie also submitted regulatory applications for ELAGOLIX in uterine fibroids and IMBRUVICA in combination with rituximab for the first-line treatment of younger patients with CLL or SLL.
- **Pipeline Development:** With approximately 30 programs in mid- and late-stage development, AbbVie made significant pipeline advancements in 2019. The company initiated several important Phase 3 programs including studies for upadacitinib in giant cell arteritis and axial spondyloarthritis, risankizumab in psoriatic arthritis, and ABBV-951 in Parkinson's disease. AbbVie also reported positive data from Phase 3 studies in other areas of the pipeline including veliparib in both breast cancer and ovarian cancer and upadacitinib in psoriatic arthritis.

The graphs below illustrate AbbVie's growth of net revenue and diluted EPS in 2019 versus 2018.



* Net revenues and diluted earnings per share are adjusted for specified items and are non-GAAP measures, which are reconciled in Appendix B.

**Year-over-year growth in adjusted net revenues and EPS from 2018-2019 despite significant biosimilar competition for HUMIRA outside the United States.

Performance Relative to Peer Group

AbbVie is in the top tier of its peers on several financial measures. The chart below outlines AbbVie's six-year performance relative to its Health Care Peer Group.

AbbVie Percentile Rank – 2013-2019

Metric	0 th	25 th	50 th	75 th	100 th
GAAP Sales Growth					92%
Adjusted Operating Income Growth					100%
Adjusted EPS Growth					91%
GAAP Operating Cash Flow Growth					91%
Adjusted Return on Equity					100%

In 2019, AbbVie outperformed its Health Care Peer Group in most of these categories, as demonstrated in the chart below.

AbbVie Percentile Rank – 2019*

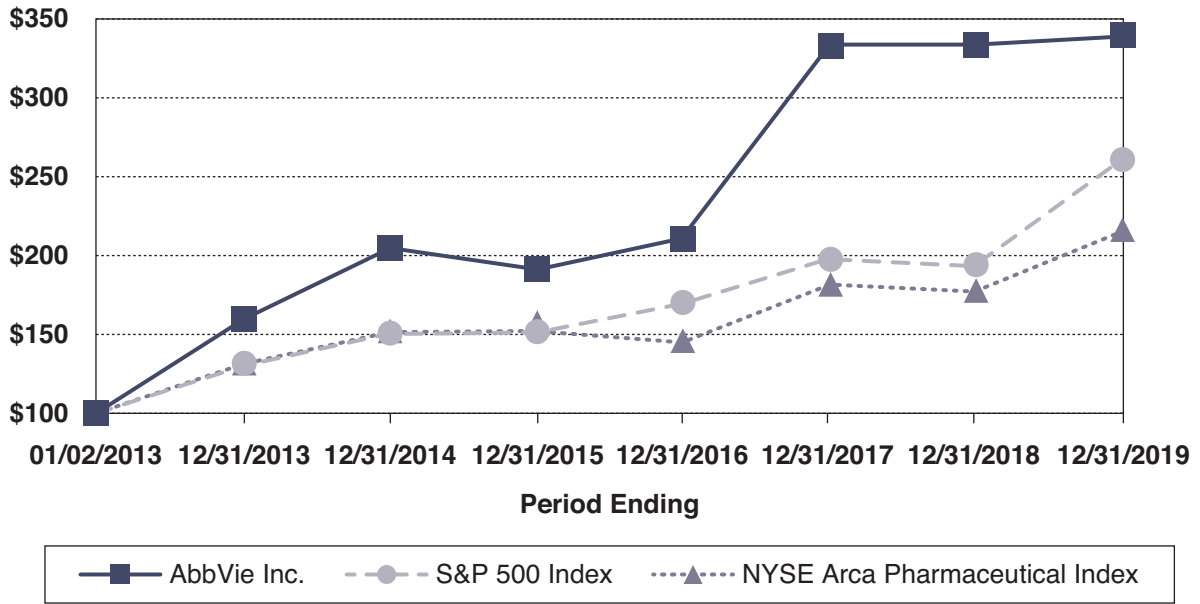
Metric	0th	25th	50th	75th	100th
GAAP Sales Growth		38%			
Adjusted Operating Income Growth			55%		
Adjusted EPS Growth				79%	
GAAP Operating Cash Flow Growth			54%		
Adjusted Return on Equity					100%

* Strong financial performance versus peers in 2019 despite significant biosimilar competition for HUMIRA outside the United States.

Total Stockholder Return (TSR) Performance

Since becoming a public company in 2013, AbbVie has delivered a total stockholder return of 240.2%, which places AbbVie at the top of its Health Care Peers and surpasses the cumulative total returns of the Standard & Poor’s 500 Index and the NYSE Arca Pharmaceutical Index, as shown in the graph below. The graph covers the period from January 2, 2013 (the first day AbbVie’s common stock began “regular-way” trading on the NYSE) through December 31, 2019. The graph assumes \$100 was invested in AbbVie common stock and each index on January 2, 2013 and also assumes the reinvestment of dividends. The stock price performance in the following graph is not necessarily indicative of future stock price performance.

Comparison of Cumulative Total Return since AbbVie’s Launch



AbbVie’s TSR for calendar year 2019 was 1.5%, which did not reflect the company’s top tier operational and financial performance. As the chart above indicates, despite this 1-year result, AbbVie’s returns since launch significantly exceed industry comparisons.

Components of our Compensation Program

The compensation committee of the board oversees our executive compensation program, which includes several compensation elements that have each been tailored to incentivize and reward specific aspects of company performance the board believes are central to delivering long-term stockholder value. Key components of our compensation program are listed below.

Base Salary	<p>Designed to be competitive with market and industry norms, and to reflect individual performance</p> <p>Individual salaries are established relative to market median based on each NEO's individual performance, skills, and experience, and internal equity, as well as the company's annual operating budget</p>
Short-Term Incentives	<p>Performance Incentive Plan (PIP)</p> <p>Based on non-GAAP performance measures such as:</p> <ul style="list-style-type: none"> – Net revenues – Income before taxes – Operating margin – Return on assets – Strategic and leadership goals
Long-Term Incentives	<p>80% Performance shares and performance-vested restricted stock units</p> <p>20% Non-qualified stock options</p>

The committee is dedicated to ensuring that a substantial portion of executive compensation is “at-risk” and variable. Generally, more than three-fourths of our NEOs’ total direct compensation is variable and directly affected by both the company’s and the NEO’s performance.

2019 Performance Results

The performance targets established under our annual and long-term incentive plans are rigorous and calibrated to a range of potential outcomes, with above target payouts for strong performance and below target payouts (including no payout) for below target performance. Targets are based on expected business, market and regulatory conditions, including expectations for our pipeline. The financial goals shown in the following table were carried by all of the NEOs as part of their 2019 performance goals. The specific weightings for each NEO are established at the start of each performance year based on the NEO’s role and anticipated contributions to the company’s annual objectives. Financial goals are set rigorously; achievement of these targets has resulted in top-tier industry performance.

Financial Goals

Goal and Expected Result ⁽¹⁾	2018 Actual	2019 Target	2019 Target vs.		2019 Actual vs.
			2018 Actual	2019 Actual	2019 Target
A. Non-GAAP Net Revenues	\$32.3BN ⁽²⁾	\$32.8BN	102%	\$33.3 BN ⁽²⁾	101%
B. Non-GAAP Income Before Taxes	\$13.3BN ⁽²⁾	\$14.1 BN	106%	\$14.7 BN ⁽²⁾	104%
C. Adjusted Return on Assets	23.9%	30.3%	127%	30.5%	101%
D. Non-GAAP Operating Margin	\$14.4BN ⁽²⁾	\$15.3BN	106%	\$15.8 BN ⁽²⁾	103%

(1) Results achieved reflect certain specified items, which are reconciled in Appendix B.

(2) Evaluated on a constant currency basis.

In addition to the financial goals set forth above, each of our NEOs also has individual performance goals that the committee reviews and ensures are appropriately rigorous and in line with the long-term success of the company. Each NEO achieved or exceeded his or her 2019 goals, which are listed below:

- **Richard A. Gonzalez:** Drive top-tier business performance; execute key strategic initiatives to drive sustainable long-term business performance; deliver value to our stockholders, building investor confidence and credibility; successfully advance mid- and late-stage pipeline assets; continue to drive employee engagement and motivation around AbbVie’s mission and future prospects; and advance our transformation to a biopharmaceutical culture.
- **Robert A. Michael:** Achieve proprietary pharmaceutical pipeline enhancement objectives; and provide support on corporate strategic initiatives and build shareholder value through investor activities.
- **Laura J. Schumacher:** Successfully continue to develop and implement strategies to effectively resolve key litigation matters; achieve proprietary pharmaceutical pipeline enhancement objectives; execute biologics strategic development initiatives; and support research and development initiatives per company strategy.
- **Carlos Alban:** Achieve key product milestones; and successfully adapt and execute market strategies relative to external considerations.
- **Michael E. Severino:** Achieve key research and development milestones per company strategy; and achieve proprietary pipeline enhancement objectives.

Beginning in 2019, our NEOs also took formal 2019 goals aligned to protecting AbbVie’s reputation as a top employer and ensuring its long-term sustainability by driving the company’s culture in a manner consistent with our Principles.

Key achievements included, for example:

- Implementation of our new global Equality, Diversity and Inclusion strategy across the organization. This includes a three-year roadmap that defines key global focus areas, objectives and associated initiatives, and implementation plans by function and geography.
- Being named to prestigious “top employer” lists, including DiversityInc. “Top 50 Companies for Diversity,” Fortune’s “100 Best Companies to Work For,” Great Place to Work’s “World’s Best Workplaces,” Science Magazine’s Top Employers, and Working Mother’s “100 Best Companies,” and achieving a score of 100/100 on Human Rights Campaign’s Corporate Equality Index.
- Maintaining a position on the Dow Jones Sustainability World Index and the FTSE4Good Index, and being a constituent of the newly launched S&P 500 ESG Index.
- Launching a new enterprise-wide environmental sustainability strategy and advancing toward 2025 environmental sustainability targets.
- Launching a new “Leading with Integrity” communication campaign to reinforce the specific ways managers can support a culture of integrity in their day-to-day leadership roles.

Stockholder Engagement

2019 Say on Pay Results

At our 2019 Annual Meeting, the say on pay proposal received support from over 91% of our stockholders. The board and compensation committee are encouraged by the continued, consistent stockholder support for our executive compensation program.

AbbVie is committed to regular, ongoing engagement with stockholders to ensure that we continue to understand stockholder feedback about our compensation program and incorporate that feedback into the compensation decision-making process. To that end, in 2019 AbbVie reached out to stockholders holding approximately 45% of the company's outstanding shares. In these discussions, the aggregate feedback acknowledged the alignment of our executives' pay with AbbVie's performance and expressed support for our compensation program, consistent with the level of stockholder support for our say on pay proposals since inception. The feedback informs the compensation committee's continuous assessment of the program design and ongoing discussions with stockholders, which contribute to the evolution of the program.

Compensation Program Governance Summary

In addition to strong alignment of pay with the performance of the company and our NEOs, we maintain and are committed to good governance practices, including the following:

Balanced Incentive Plan Design

- Annual incentive plan includes financial, operational, and strategic metrics to assess performance
- Annual incentive payout matrix used to define and cap the range for the committee's determinations (at or below the plan maximum of 200% of target)
- Long-term incentive design emphasizing multiple, relative performance metrics and multi-year performance periods
- No duplication of performance metrics in short- and long-term incentives

Pay Equity and Sustainability

- Equitable pay across genders and ethnicities
- Incorporation of reputation and sustainability into the strategic/leadership goals within the annual incentive plan

Strong Governance Practices

- Committee has broad discretion to claw back incentive awards in the unlikely event of a restatement of earnings or material breach of the AbbVie Code of Business Conduct
- Anti-hedging and anti-pledging policies
- Conduct comprehensive compensation program risk review annually
- Independent compensation consultant that performs no other work for the company

Pay for Performance and Stockholder Alignment

- Short- and long-term incentive programs closely align with performance
- Majority of NEO compensation tied to long-term performance
- Proactive stockholder engagement process

Robust Stock Ownership Requirements

- 6x salary for CEO and 3x salary for NEOs
- 5x annual fees for non-employee directors
- NEOs must hold and not sell equity until the minimum stock ownership requirement is satisfied

Responsible Pay Practices

- No single trigger vesting of equity or other benefits in the event of a change in control
- No repricing of stock options without express stockholder approval
- No tax gross-ups in executive compensation program
- No employment contracts
- No guaranteed short-term incentives or equity awards

II. Executive Compensation Process

Commitment to Performance-Based Awards

The majority of AbbVie's NEO pay is performance-based. Specific goals and targets are the foundation of our pay-for-performance process, and this section describes how they apply to each pay component. Though quantitative metrics such as financial and operational results are a central part of our performance assessment, some goals such as leadership and progress against strategic and long-term objectives are difficult to measure using numeric or formulaic criteria. As such, the compensation committee also conducts a qualitative assessment of individual performance to ensure the overall assessment of performance and pay decisions are aligned with the company's true performance over a period of time. A discussion of the decision-making criteria for each pay component follows.

Committee Process for Setting Total Compensation

Each February, the committee, with the assistance of its independent compensation consultant and AbbVie's management team, determines pay levels for NEOs. The process starts with a consideration of compensation levels and the mix of compensation for comparable executives at companies in AbbVie's Health Care Peer Group, which are listed below in the section captioned "Compensation Benchmarking." After this benchmark review, the committee establishes NEO compensation—base salary adjustments, annual incentive awards, and long-term incentive awards—relative to the peer median in each instance. Awards can be differentiated from the peer compensation levels based on each NEO's individual performance, leadership, and contributions to AbbVie's business and strategic performance.

Compensation Benchmarking

To provide the appropriate context for executive pay decisions, the committee, in consultation with its independent compensation consultant, assesses the compensation practices and pay levels of AbbVie's Health Care Peer Group. The committee chooses to focus on the Health Care Peer Group because its constituents share important characteristics with AbbVie, particularly the global emphasis on research-based pharmaceuticals and biopharmaceutical therapies and the regulatory environment within which they operate. Members of the Health Care Peer Group are AbbVie's primary competitors for executive talent and are companies the committee believes chiefly represent our competitive market:

Health Care Peer Group

Amgen, Inc.
 Bristol-Myers Squibb Company
 Eli Lilly and Company
 Gilead Sciences, Inc.
 GlaxoSmithKline plc
 Johnson & Johnson
 Merck & Company, Inc.
 Novartis AG
 Pfizer Inc.

Role of the Compensation Consultant

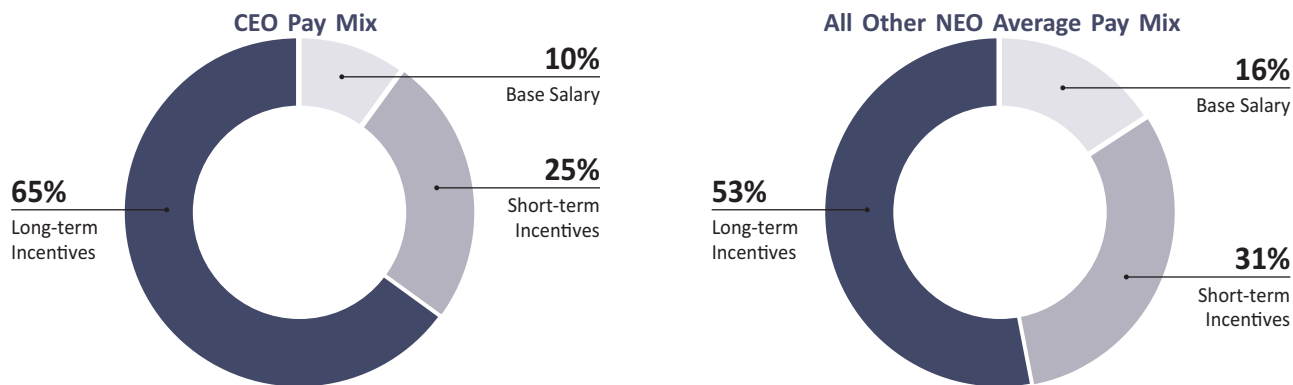
The compensation committee has engaged Compensation Advisory Partners as its independent compensation consultant. The committee's independent consultant reports directly to the chair of the committee. The consultant meets regularly, and as needed, with the committee in executive sessions, has direct access to the chair during and between meetings, and performs no other services for AbbVie or its senior executives. The committee determines what variables it will instruct its consultant to consider, which include: peer groups against which performance and pay should be examined, metrics to be used to assess AbbVie's performance, competitive incentive practices in the marketplace, and compensation levels relative to market benchmarks.

Compensation Risk Oversight

The company has established, and the compensation committee endorses, several controls to address and mitigate compensation-related risk, such as employing a diverse set of performance metrics, maintaining robust stock ownership guidelines for its executives and non-employee directors, and retaining broad discretion to recover incentive awards in the unlikely event that incentive plan award decisions are based on earnings that are subsequently restated. The committee, in collaboration with its independent compensation consultant, identified no material risks in AbbVie's compensation programs in 2019.

III. Compensation Plan Elements

Three primary components make up AbbVie's executive pay program: (1) base salary, (2) short-term incentives and (3) long-term incentives. The structure of each component is tailored to serve a specific function and purpose.



Base Salary

The compensation committee sets appropriate levels of base salary to ensure that AbbVie can attract and retain a leadership team that will continue to meet our commitments to customers and patients and sustain long-term profitable growth for our stockholders. Generally, the committee considers the median of the Health Care Peer Group as an initial benchmark, but also references additional information as needed. Specific pay rates are then established for each NEO relative to his or her market benchmark based on the NEO's performance, experience, unique skills, internal equity with others at AbbVie, and the company's operating budget.

Short-Term Incentives

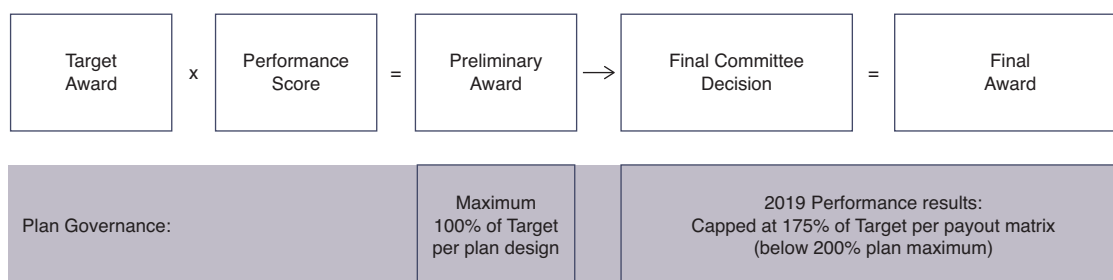
Performance Incentive Plan

Annual cash incentives are paid to NEOs through AbbVie's Performance Incentive Plan (PIP), which rewards executives for achieving key financial and non-financial goals measured at the company and individual levels. AbbVie's PIP structure is designed to align NEOs' interests directly with AbbVie's annual operating strategies to advance our mission, financial goals, and leadership behaviors. In doing so, it provides a direct link between the NEOs' short-term incentives and the company's and the NEOs' annual performance results through measurable financial and operational performance followed by qualitative assessments of clearly defined strategic progress and leadership behaviors.

NEO target incentive amounts are set as a percentage of base salary. Mr. Gonzalez's target is 150% of base salary. For the 2019 performance year, the target for the other NEOs range from 110% to 125% of base salary, based on the positions they held at the time their performance goals were established. The maximum potential payout under the PIP is capped at 200% of target for all participants.

Determining actual incentive amounts is a multi-step process. First, an initial performance score is calculated for each NEO based on performance against weighted financial and strategic/leadership goals. This performance score results in a preliminary award amount of up to 100% of target only. Final awards are determined by the compensation committee based on a qualitative assessment of holistic performance. A formal payout matrix based on net revenues and operating margin guides the committee by capping the range of final awards at or below the plan maximum of 200% of target. This process is more fully described below:

Illustration of 2019 Incentive Calculation



Initial Performance Score

Initial performance scores are calculated for each NEO based on performance against weighted financial and strategic/leadership goals. The goals and their respective weightings are summarized in the chart below. The specific goals and weightings for each NEO (including the CEO) are established at the start of each performance year based on the NEO's role and anticipated contributions to the company's annual objectives.

	Income Before Taxes	Net Revenues, Operating Margin, and Return on Assets	R&D/ Innovation	Business Development	Reputation/ Sustainability	Other
Richard A. Gonzalez	20%	60%	10%		10%	
Robert A. Michael	20%	60%		10%	10%	
Laura J. Schumacher	20%	20%	10%	10%	10%	30%
Carlos Alban	20%	50%			10%	20%
Michael E. Severino	20%	20%	40%	10%	10%	

Assessments of performance against financial results consider the effect of specified adjustments and/or unusual or unpredictable events, and the appropriateness of these adjustments is reviewed annually by the committee. In 2019, specified adjustments included intangible asset amortization, acquisition-related costs, milestones and other research and development expenses, acquired in process research and development, change in fair value of contingent consideration, Reata divestiture, litigation matters, a tax audit settlement, restructuring, and other items, as described in Exhibit 99.1 to AbbVie's Form 8-K filed on February 7, 2020.

Annual Incentive Payout Matrix and Final Committee Decisions

The annual incentive payout matrix establishes a potential range of final incentive outcomes based on net revenues and operating margin performance. For 2019, actual net revenue performance was 101% compared to target,

while actual income before taxes was 104% compared to target. As a result of this performance, the annual incentive payout matrix capped the annual incentives at 175% of target, below the plan maximum of 200% of target.

Annual Incentive Payout Matrix ⁽¹⁾	2018 Actual	2019 Target	2019 Target vs. 2018 Actual	2019 Actual	2019 Actual vs. 2019 Target
Non-GAAP Net Revenues	\$32.3BN ⁽²⁾	\$32.8BN	102%	\$33.3BN ⁽²⁾	101%
Non-GAAP Income Before Taxes	\$13.3BN ⁽²⁾	\$14.1BN	106%	\$14.7BN ⁽²⁾	104%
2019 Payout Matrix Result				Capped at 175% of target (below 200% plan maximum)	

(1) Results achieved reflect certain specified items, which are reconciled in Appendix B.

(2) Evaluated on a constant currency basis.

Final awards are determined by the compensation committee based on a qualitative assessment of holistic performance. While the committee relies heavily on objective, quantitative metrics to determine PIP awards, this qualitative element ensures the review is comprehensive and includes all individual, strategic, and leadership goals for which assessment is not dictated solely by numeric or formulaic applications. Moreover, while each participant has predetermined goals, the committee also considers relative achievements and/or developments in the company, the marketplace, and the global economy that could not have been foreseen when individual goals were established.

	Target Award	Actual Award Paid	Actual Award as a % of Target
Richard A. Gonzalez	\$2,475,000	\$4,335,000	175%
Robert A. Michael	1,045,000	1,800,000	172%
Laura J. Schumacher	1,421,400	2,400,000	169%
Carlos Alban	1,421,400	2,400,000	169%
Michael E. Severino	1,673,750	2,400,000	143%

Long-Term Incentives

The LTI program design aligns AbbVie's long-term incentive compensation with key operational and financial initiatives, including sustained EPS growth and generation of superior investment returns relative to peers. In 2019, NEOs received annual grant LTI awards with the following characteristics:

Long-Term Incentive Program

Award Type	Metric	Performance Period
40% Performance Shares	EPS 3-Year Relative TSR Modifier	3 Years
40% Performance-Vested Restricted Stock	Relative Return on Equity	3 Years
20% Non-Qualified Stock Options	Stock Price Appreciation	10-year term

- Performance Shares (40% of total LTI award)**—These awards have the potential to vest at 0% to 250% of target after a three-year performance period and are earned based on company performance in earnings per share (EPS) and relative total stockholder return (TSR). TSR performance is measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends on performance shares accrue during the performance period and are paid at vesting only to the extent that shares are earned.
- Performance-Vested Restricted Stock (40% of total LTI award)**—These awards have the potential to vest at 0% to 150% of target in one-third increments during a three-year performance period based on AbbVie's return on equity articulated as pre-set goals and measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends accrue during the performance period and are paid at vesting only to the extent that shares are earned.
- Non-Qualified Stock Options (20% of total LTI award)**—These awards have the potential to vest in one-third increments on each of the first three annual anniversaries of the grant date, subject to continued employment with the company. The option exercise price is set at or above fair market value on the grant date. To the extent that the options vest, the award expires ten years after the grant date.

Performance Share and Performance-Vested Restricted Stock Performance Targets and Results

Performance targets and results associated with the 2019 annual grant awards of performance shares and performance-vested restricted stock are shown below. Total shareholder return results are in progress; these results and their impact on final payout will be disclosed following the completion of the three-year performance period.

Performance Objective	Threshold	Target	Maximum	Result	Impact on Payout
Adjusted Diluted EPS ⁽¹⁾	\$8.65	\$8.70	\$8.85	\$8.94	200%
Relative TSR	Relative TSR is measured over a 3-year performance period and used as a modifier				
Relative ROE	50 th - 75 th percentile	75 th - 90 th percentile	>90 th percentile	>90 th percentile	150%

(1) Diluted earnings per share is adjusted to exclude certain specified items and is a non-GAAP measure, which is reconciled in Appendix B.

AbbVie's policy with respect to its annual equity award for all eligible employees, including the NEOs, is to grant the award and set the grant price at the compensation committee's regularly scheduled February meeting each year.

These meeting dates generally are the third Thursday of February and are scheduled two years in advance. The grant price is the average of the highest and lowest trading prices of a common share on the date of the grant (rounded up to the next even penny). The grant price for the 2019 annual grant was \$79.02. The high, low and closing prices of an AbbVie common share on the grant date (February 21, 2019) were \$79.91, \$78.10, and \$78.75 respectively. All LTI awards are subject to a minimum vesting period of 12 months.

AbbVie granted performance shares in 2017 that were subject to a 3-year performance cycle that ended December 31, 2019. The table below describes the performance objectives, outcomes, and shares earned.

Performance Objective	Threshold	Target	Maximum	Actual	Performance Modifier
Relative TSR	15 pts below index	Equal to index performance	15 pts above index	11.2 pts above index	120%

Benefits

Benefits are an important part of retention and capital preservation for all employees, helping to protect against the impact of unexpected catastrophic loss of health and/or earnings potential, as well as providing a means to save and accumulate for retirement or other post-employment needs.

Each of the benefits described below supports the company's objective of providing a market competitive total rewards program. Individual benefits do not directly affect decisions regarding other benefits or pay components, except to the extent that all benefits and pay components must, in aggregate, be competitive, as previously discussed.

Retirement Benefits

All eligible U.S. employees, including NEOs, participate in the AbbVie Pension Plan, the company's principal qualified defined benefit plan. NEOs and certain other employees also participate in the AbbVie Supplemental Pension Plan. These plans are described in greater detail in the section of this proxy statement captioned "Pension Benefits."

The Supplemental Pension Plan is a non-qualified defined benefit plan that cannot be secured in a manner similar to a qualified plan, for which assets are held in trust, so eligible NEOs receive an annual cash payment equal to the increase in the present value of their Supplemental Pension Plan benefit. Eligible NEOs have the option of depositing the annual payment into an individually established grantor trust, net of tax withholdings. Deposited amounts may be credited with the difference between the NEO's actual annual trust earnings and the rate used to calculate trust funding (currently 8 percent). Amounts deposited in the individual trusts are not tax-deferred and the NEOs personally pay the taxes on those amounts without gross-ups.

The manner in which the grantor trust assets are to be distributed to an NEO upon retirement from the company generally follows the distribution method elected by the NEO under the AbbVie Pension Plan. If an NEO (or the NEO's surviving spouse, depending on the pension distribution method elected by the NEO under the AbbVie Pension Plan) lives beyond the actuarial life expectancy age used to determine the Supplemental Pension Plan benefit, and therefore exhausts the trust balance, the Supplemental Pension Plan benefit will be paid to the NEO (or his or her surviving spouse) by AbbVie.

Savings Plans

All U.S. employees, including NEOs, are eligible to defer a portion of their annual base salary under the AbbVie Savings Plan, the company's principal qualified defined contribution plan, up to the IRS contribution limits. Eligible NEOs also may defer up to 18 percent of their base salary, less contributions to the AbbVie Savings Plan, to the AbbVie Supplemental Savings Plan, which is a non-qualified defined contribution plan. Eligible NEOs may defer these amounts to unfunded book accounts or choose to have the amounts paid in cash on a current basis and deposited into individually

established grantor trusts, net of tax withholdings. These amounts are credited annually with earnings. Amounts deposited in the individual trusts are not tax-deferred and the NEOs personally pay the taxes on those amounts without gross-ups.

NEOs elect the manner in which the assets held in their grantor trusts will be distributed to them upon retirement or other separation from the company. These arrangements are described in greater detail in this proxy statement beginning with the section captioned “Summary Compensation Table.”

Financial Planning

NEOs are paid an annual stipend of \$10,000 for estate planning advice, tax preparation and general financial planning fees. The stipend is income to the NEO, who is responsible for payment of all resulting taxes without gross-ups.

Company-Provided Transportation

NEOs are eligible for transportation perquisites that are designed to improve the effectiveness and efficiency of their work, including the use of a company-leased vehicle and access to company-provided air travel, as appropriate. In some circumstances, these benefits may be used for personal travel, which would then be considered part of the NEO's total compensation and treated as taxable income to them under applicable tax laws. The NEOs pay the taxes on such income without gross-ups.

Disability Benefits

In addition to AbbVie's standard disability benefits, NEOs are eligible for a monthly long-term disability benefit, which is described on page 60 of this proxy statement.

Employment Agreements

AbbVie does not have employment agreements with any of its NEOs.

Excise Tax Gross-ups

AbbVie does not provide excise tax gross-ups on NEO compensation.

Change in Control Agreements

AbbVie has entered into change in control agreements with its NEOs to aid in retention and recruitment, encourage continued attention and dedication to assigned duties during periods involving a possible change in control of the company, and to protect the earned benefits of the NEOs against potential adverse changes resulting from a change in control.

The change in control agreements contain a double-trigger feature, meaning that if the NEO's employment is terminated other than for cause or permanent disability, or if the NEO elects to terminate employment for good reason, within two years following a change in control, he or she is entitled to receive certain pay and benefits as described in the section of this proxy statement captioned “Potential Payments upon Termination or Change in Control.”

IV. Other Matters

Stock Ownership Guidelines

AbbVie's stock ownership guidelines are designed to further promote sustained stockholder return and to ensure the company's senior executives remain focused on both short- and long-term objectives. Each senior executive has five years from the date of election or appointment to his or her position to achieve the ownership level associated with his

or her position. NEOs are not allowed to sell stock, except for tax withholding at vesting or exercise, if they do not satisfy the minimum stock ownership requirement. The minimum stock ownership guidelines for the CEO and other NEOs are as follows:

Executive	Stock Ownership Requirement	Requirement Met?
Richard A. Gonzalez	6x Base Salary	Yes
Robert A. Michael	3x Base Salary	Yes
Laura J. Schumacher	3x Base Salary	Yes
Carlos Alban	3x Base Salary	Yes
Michael E. Severino	3x Base Salary	Yes

In addition, AbbVie's non-employee directors are required to own AbbVie stock valued at five times (5x) the annual fee for service as a director under the AbbVie Non-Employee Directors' Fee Plan within five years of joining the board or as soon as practicable thereafter.

Clawback Policy

The committee does not anticipate there would ever be circumstances where a restatement of earnings upon which any incentive plan award decisions were based would occur or circumstances where an executive officer engages in misconduct that would constitute a material breach of the AbbVie Code of Business Conduct. Nevertheless, the committee, in evaluating such circumstances, has broad discretion to take all actions necessary to protect the interests of stockholders, up to and including actions to recover incentive awards. Further, the company is committed to disclosing in its annual proxy statement the occurrence of any recoupment regarding an executive officer when the underlying violation has already been publicly disclosed in company filings with the SEC. For more details, AbbVie's Code of Business Conduct is available in the corporate governance section of AbbVie's investor relations website at www.abbvieinvestor.com.

Anti-Hedging and Anti-Pledging Policies

AbbVie has a formal policy that prohibits directors and officers subject to Section 16 of the Exchange Act, including all of the NEOs, from entering into or engaging in the purchase or sale of financial instruments that are designed to hedge or offset any decrease in the market value of AbbVie equity securities they hold. AbbVie also has a formal policy that prohibits directors and officers subject to Section 16 of the Exchange Act, including all of the NEOs, from pledging AbbVie common stock as collateral for a loan.

In addition, the AbbVie Incentive Stock Program provides that no long-term incentive award may be assigned, alienated, sold or transferred other than by will or by the laws of descent and distribution or as permitted by the compensation committee for estate planning purposes, and no award and no right under any award may be pledged, alienated, attached or otherwise encumbered. All members of senior management, including the company's NEOs and certain other employees, are required to clear any transaction involving company stock with the Legal department prior to entering into such transaction.

Compensation Committee Report

The compensation committee of the board of directors is primarily responsible for reviewing, approving and overseeing AbbVie's compensation plans and practices, and works with management and the committee's independent compensation consultant to establish AbbVie's executive compensation philosophy and programs. The committee reviewed and discussed the Compensation Discussion and Analysis with management and recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee

E. Liddy, Chairman, R. Austin, G. Tilton, and F. Waddell

Compensation Risk Assessment

During 2019, in collaboration with the compensation committee's independent compensation consultant, AbbVie conducted an in-depth risk assessment of its compensation policies and practices, including those related to executive compensation programs for NEOs. The risk assessment included a quantitative and qualitative analysis of AbbVie's executive compensation programs and broader employee incentive compensation plans. AbbVie also considered how these programs compare, from a design perspective, to programs maintained by other companies. Based on this assessment, it was determined that AbbVie's executive compensation programs are balanced and appropriately incent employees, and any risks arising from the compensation policies and practices are not reasonably likely to have a material adverse effect on AbbVie. The following factors were among those considered in making this determination:

- Annually, AbbVie completes a review to ensure pay is equitable across genders and ethnicities among U.S. employees.
- AbbVie's compensation structure contributes to a corporate culture that encourages our NEOs to regard AbbVie as a long-term employer. For example, equity awards vest over multi-year periods, which encourages NEOs to consider the long-term impact of their decisions and align their interests with those of AbbVie's stockholders.
- AbbVie's annual incentive program is based on multiple performance measures, balancing earnings achievement with other factors. Since earnings are a key component of stock price performance, this aspect of AbbVie's compensation plan also promotes alignment with stockholder interests.
- AbbVie does not include certain pay design features that may have the potential to encourage excessive risk-taking, such as: over-weighting toward annual incentives, highly leveraged payout curves, unreasonable thresholds or dramatic changes in payout opportunity at certain performance levels that may encourage inappropriate short-term business decisions to meet payout thresholds. In addition, a limit of 200% of target applies to any awards made under the NEO short-term incentive plan.
- AbbVie's long-term incentive program focuses NEOs on longer-term operating performance and aligns NEOs with stockholder interests through the use of multi-year performance periods and multiple performance measures, including relative total stockholder return. In 2019, AbbVie's NEOs received roughly two-thirds of their total direct compensation in the form of long-term incentives (20% of which are stock options that may vest over a three-year period and 80% of which are performance-based awards that may vest over a three-year performance period).
- AbbVie makes equity awards and sets grant prices at the same time each year, at the compensation committee's regularly scheduled meeting in February. In addition, AbbVie does not award discounted stock options or immediately vesting equity awards.
- AbbVie has robust stock ownership guidelines for its senior executives, which promotes alignment with stockholder interests, and other good governance equity practices such as anti-hedging and anti-pledging policies.
- AbbVie's compensation committee has the ability to exercise downward discretion in determining annual incentive plan payouts.
- AbbVie's compensation committee has broad discretion to claw back incentive compensation that was awarded based on financials that were later restated or based on a material breach of the AbbVie Code of Business Conduct.
- AbbVie requires mandatory training on its code of conduct and policies and procedures to educate its employees on appropriate behaviors and the consequences of taking inappropriate actions.

The risk assessment results were presented to the compensation committee by its independent compensation consultant.

Summary Compensation Table

This section contains compensation information for AbbVie's NEOs for the fiscal year ended December 31, 2019. The following table summarizes compensation awarded to, earned by and/or paid to AbbVie's NEOs in connection with their service to AbbVie during 2019, 2018 and 2017, as applicable. Mr. Michael was not an NEO before 2018. The section of this proxy statement captioned "Compensation Plan Elements" describes in greater detail the information reported in this table.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)(4)(5)	All Other Compensation (\$)(6)	Total (\$)
Richard A. Gonzalez Chairman of the Board and Chief Executive Officer	2019	\$1,650,000	\$0	\$ 8,887,088	\$2,246,253	\$4,335,000	\$3,366,720	\$1,125,537	\$21,610,598
	2018	1,650,000	0	11,509,090	2,760,764	3,898,125	463,205	1,002,403	21,283,587
	2017	1,638,462	0	9,606,360	2,559,270	4,331,250	3,496,704	993,197	22,625,243
Robert A. Michael Executive Vice President, Chief Financial Officer	2019	906,865	0	2,704,766	683,643	1,800,000	2,622,108	55,471	8,772,853
	2018	553,654	0	724,041	173,724	950,000	679,532	37,937	3,118,888
Laura J. Schumacher Vice Chairman, External Affairs and Chief Legal Officer	2019	1,176,538	0	3,400,155	859,429	2,400,000	6,579,440	727,225	15,142,787
	2018	1,043,582	0	4,134,594	991,720	1,954,549	2,739,969	518,745	11,383,159
	2017	1,008,526	0	7,681,631	980,980	1,954,549	2,957,506	396,164	14,979,356
Carlos Alban Vice Chairman, Chief Commercial Officer	2019	1,176,538	0	3,091,161	781,305	2,400,000	6,456,803	500,283	14,406,090
	2018	1,016,526	0	4,005,388	961,216	1,836,219	821,930	341,800	8,983,079
	2017	947,469	0	3,522,250	938,350	1,836,219	4,832,949	257,751	12,334,988
Michael E. Severino Vice Chairman and President	2019	1,330,000	0	3,199,248	808,642	2,400,000	1,525,091	245,467	9,508,448
	2018	1,100,605	0	4,176,037	1,002,105	1,818,200	359,057	151,355	8,607,359
	2017	1,004,460	0	3,681,906	980,980	1,955,069	653,582	119,279	8,395,276

- In accordance with Securities and Exchange Commission (SEC) rules, the amounts in this column represent the aggregate grant date fair value of the awards determined in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. AbbVie generally determines the grant date fair value of stock awards by multiplying the number of shares granted by the average of the high and low market prices of one share of AbbVie common stock on the award grant date. The grant date fair value of performance shares with a TSR market condition are determined using the Monte Carlo simulation model.
- In accordance with SEC rules, the amounts in this column represent the aggregate grant date fair value of the awards determined in accordance with FASB ASC Topic 718. These amounts were determined as of the option grant date using a Black-Scholes stock option valuation model. These amounts are being reported solely for the purpose of comparative disclosure in accordance with the SEC rules. There is no certainty that the amount determined using a Black-Scholes stock option valuation model would be the value at which employee stock options would be traded for cash. The weighted-average assumptions used to estimate the grant date fair value of options granted in 2019, along with the weighted-average grant date fair value, are shown below:

Assumption	
Risk-free interest rate	2.51%
Average life of options (years)	5.6
Volatility	27.94%
Dividend yield	4.99%
Fair value per stock option	\$12.54

- The compensation reported in this column for 2019 was earned as a performance-based incentive award pursuant to the AbbVie Performance Incentive Plan. Additional information regarding the plan can be found in the Compensation Plan Elements section of this proxy statement.

- (4) The plan amounts shown below are reported in this column, except as described in this paragraph. The amounts shown beside each NEO's name are for 2019, 2018, and 2017, respectively, as applicable. Negative amounts under the AbbVie Pension Plan and the AbbVie Supplemental Pension Plan are excluded from this column in accordance with SEC rules.

AbbVie Pension Plan

R. Gonzalez: \$(8,305) / \$(111,651) / \$(38,501); R. Michael: \$246,392 / \$(46,048); L. Schumacher: \$318,167 / \$72,009 / \$170,782; C. Alban: \$353,675 / \$(33,817) / \$296,728; and M. Severino: \$57,916 / \$11,833 / \$37,394.

AbbVie Supplemental Pension Plan

R. Gonzalez: \$2,485,115 / \$(1,790,327) / \$3,157,627; R. Michael: \$2,375,716 / \$725,580; L. Schumacher: \$5,040,017 / \$2,027,233 / \$2,244,142; C. Alban: \$5,265,442 / \$432,490 / \$4,195,321; and M. Severino: \$1,127,049 / \$210,855 / \$535,907.

The changes in pension value result primarily from the following factors: (i) the effect of changes in the actuarial assumptions AbbVie uses to calculate plan liability for financial reporting purposes; (ii) additional pension benefit accrual under the Pension Plan and the Supplemental Pension Plan; and (iii) the impact of the time value of money on the pension value.

Non-Qualified Defined Contribution Plan Earnings

The totals in this column include reportable interest credited under the AbbVie Performance Incentive Plan and the AbbVie Supplemental Savings Plan.

R. Gonzalez: \$889,910 / \$463,205 / \$377,578; L. Schumacher: \$1,221,256 / \$640,727 / \$542,582; C. Alban: \$837,686 / \$423,257 / \$340,900; and M. Severino: \$340,126 / \$136,369 / \$80,281.

- (5) The amounts shown in this column include the change in pension value during the applicable year, which is attributable to changes in actuarial assumptions (primarily discount rate and mortality tables) and other factors based on plan design (primarily pay, service and age).

The present value of a pension benefit is determined, in part, by the discount rate used for accounting purposes. The discount rate is determined by reference to the prevailing market rate of interest. In 2019, interest rates decreased and the discount rates used for the Pension Plan and the Supplemental Pension Plan were decreased to reflect that change. A decrease in the discount rate increases the present value of participants' pension benefits while actual payments to be made to participants are not changed. The discount rate used for 2019 was 3.56% for the Pension Plan and 3.51% for the Supplemental Pension Plan. The discount rate used for 2018 was 4.62% for the Pension Plan and 4.58% for the Supplemental Pension Plan, while the discount rate used for 2017 was 3.91% for the Pension Plan and 3.87% for the Supplemental Pension Plan. The mortality assumptions that apply for actuarial purposes also affect pension values.

In addition to the effect of the changes in actuarial assumptions, other factors built into the plans contributed to the change in pension value. The change in pension value numbers reflect the application of the benefit formulas under the Pension Plan and the Supplemental Pension Plan, which are described in the section of this proxy statement captioned "Pension Benefits." As participants' pay changes, the formulas yield revised pension values. Furthermore, as a participant ages and service credit accumulates year over year (before the participant is eligible for unreduced pension benefits), the present value of his or her pension benefits increases, even without changes in pay or actuarial assumptions.

- (6) The amounts shown below are reported in this column for 2019, 2018 and 2017, respectively, as applicable.

Earnings for Non-Qualified Defined Benefit and Non-Qualified Defined Contribution Plans

R. Gonzalez: \$372,310 / \$246,041 / \$159,056; L. Schumacher: \$621,724 / \$420,337 / \$304,784; C. Alban: \$412,229 / \$266,141 / \$182,139; and M. Severino: \$135,497 / \$66,157 / \$34,853.

Each of the NEOs' awards under the AbbVie Performance Incentive Plan is paid in cash to the NEO on a current basis and, for eligible NEOs, may be deposited into a grantor trust established by the NEO, net of maximum tax withholdings. Each of the eligible NEOs has also established grantor trusts in connection with the AbbVie Supplemental Pension Plan and the AbbVie Supplemental Savings Plan. These amounts include earnings net of the reportable interest included in footnote (4).

Employer Contributions to Defined Contribution Plans

R. Gonzalez: \$82,500 / \$82,500 / \$81,923; R. Michael: \$14,000 / \$13,750; L. Schumacher: \$58,827 / \$52,179 / \$50,426; C. Alban: \$58,827 / \$50,826 / \$47,373; and M. Severino: \$66,500 / \$55,030 / \$50,223.

These amounts include AbbVie contributions to the AbbVie Savings Plan and the AbbVie Supplemental Savings Plan, as applicable. The Supplemental Savings Plan permits eligible NEOs to contribute amounts in excess of the annual limit set by the Internal Revenue Code for employee contributions to 401(k) plans up to the excess of (i) 18 percent of their base salary over (ii) the amount contributed to AbbVie's tax-qualified 401(k) plan. AbbVie matches participant contributions at the rate of 250 percent of the first 2 percent of compensation contributed to the plan. The eligible NEOs have these amounts paid to them in cash on a current basis and deposited into a grantor trust established by the NEO, net of maximum tax withholdings.

Other 2019 Compensation

The totals shown in the table include the cost of providing a corporate automobile less the amount reimbursed by the NEO: R. Gonzalez: \$20,944; R. Michael: \$31,471; L. Schumacher: \$19,755; C. Alban: \$19,227; and M. Severino: \$20,834. AbbVie imputes income to the NEO, if required, and the NEO pays taxes in accordance with tax regulations without gross-ups.

The totals shown in the table include a \$10,000 financial planning services allowance for each NEO. AbbVie imputes income to the NEO, if required, and the NEO pays taxes in accordance with tax regulations without gross-ups.

The totals shown in the table include the following costs for non-business-related air travel: R. Gonzalez: \$547,549; L. Schumacher: \$16,918; and M. Severino \$12,636. AbbVie determines the incremental cost for flights based on the direct cost to AbbVie, including fuel costs, parking, handling and landing fees, catering, travel fees, and other miscellaneous direct costs. AbbVie imputes income to the NEO, if required, and the NEO pays taxes in accordance with tax regulations without gross-ups.

For Mr. Gonzalez, the total includes \$92,235 for costs associated with security, determined based on AbbVie's actual costs for such services. The security was provided on the recommendation of an independent security study and in accordance with the AbbVie security program. AbbVie imputes income to Mr. Gonzalez, if required, and he pays taxes in accordance with tax regulations without gross-ups.

The NEOs also are eligible to participate in an executive disability benefit, which is described on page 60 of this proxy statement.

Required Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of our CEO, Richard Gonzalez. The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with Regulation S-K Item 402(u). The ratio of Mr. Gonzalez's annual total compensation for 2019, as reported in the Summary Compensation Table in this proxy statement, to the median employee annual total compensation determined on the same basis was 139:1. For 2019, the annual total compensation of our median employee (other than Mr. Gonzalez) was \$155,885. To identify the median employee, we prepared a list of all active AbbVie employees throughout the world as of December 27, 2019. The consistently applied compensation measure used to identify the median employee was annual base pay and target bonus, using hours worked during 2019 for hourly employees and base salary for the remaining employees. This process resulted in a median group consisting of several employees and a representative employee was selected in accordance with SEC guidance, taking into account demographic characteristics that best represent a typical AbbVie employee, including tenure, location, employment status and applicable compensation and benefit programs.

2019 Grants of Plan-Based Awards

The following table summarizes the equity awards granted under the AbbVie 2013 Incentive Stock Program to the NEOs during 2019.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts Under Equity Incentive Plan Awards Target (#)	All Other Option Awards: Numbers of Securities Underlying Options (#)	Exercise Price of Option Awards (\$/Sh)	Closing Market Price on Grant Date	Grant Date Fair Value of Stock and Option Awards
		Target (\$)	Maximum (\$)					
R. Gonzalez	2/21/2019			58,213 ⁽²⁾				\$4,287,970 ⁽⁴⁾
	2/21/2019			58,213 ⁽³⁾				4,599,118 ⁽⁴⁾
	2/21/2019				179,127 ⁽⁵⁾	\$79.02	\$78.75	2,246,253 ⁽⁶⁾
R. Michael	2/21/2019			17,717 ⁽²⁾				1,305,034 ⁽⁴⁾
	2/21/2019			17,717 ⁽³⁾				1,399,732 ⁽⁴⁾
	2/21/2019				54,517 ⁽⁵⁾	79.02	78.75	683,643 ⁽⁶⁾
L. Schumacher	2/21/2019			22,272 ⁽²⁾				1,640,556 ⁽⁴⁾
	2/21/2019			22,272 ⁽³⁾				1,759,599 ⁽⁴⁾
	2/21/2019				68,535 ⁽⁵⁾	79.02	78.75	859,429 ⁽⁶⁾
C. Alban	2/21/2019			20,248 ⁽²⁾				1,491,468 ⁽⁴⁾
	2/21/2019			20,248 ⁽³⁾				1,599,693 ⁽⁴⁾
	2/21/2019				62,305 ⁽⁵⁾	79.02	78.75	781,305 ⁽⁶⁾
M. Severino	2/21/2019			20,956 ⁽²⁾				1,543,619 ⁽⁴⁾
	2/21/2019			20,956 ⁽³⁾				1,655,629 ⁽⁴⁾
	2/21/2019				64,485 ⁽⁵⁾	79.02	78.75	808,642 ⁽⁶⁾

- (1) During 2019, each of the NEOs participated in the AbbVie Performance Incentive Plan. The annual cash incentive award earned by the NEO in 2019 under the plan is shown in the Summary Compensation Table in the column captioned "Non-Equity Incentive Plan Compensation." No future pay-outs will be made with respect to the 2019 awards under the plan. The plan is described in greater detail in the section of this proxy statement captioned "Compensation Discussion and Analysis—Compensation Plan Elements—Short-Term Incentives."
- (2) This is a performance share award that has the potential to vest at 0% to 250% of target during a three-year performance period based on company performance in earnings per share (EPS) and relative total stockholder return (TSR). TSR performance is measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends accrue during the performance period and are paid in cash at vesting only to the extent that shares are earned. In 2019, AbbVie's EPS performance resulted in the banking of the award on February 28, 2020 at 200% of target, with vesting to be determined based on the company's relative TSR performance following the three-year performance period that ends December 31, 2021. The performance metrics are described in the section of this proxy statement captioned "Compensation Discussion and Analysis—Compensation Plan Elements—Long-Term Incentives."
- (3) This is a performance-vested restricted stock unit award that has the potential to vest at 0% to 150% of target, in one-third increments, during a three-year performance period based on AbbVie's return on equity (ROE) articulated as pre-set goals and measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends accrue during the performance period and are paid in cash at vesting only to the extent that shares are earned. In 2019, AbbVie's relative ROE performance resulted in the vesting on February 28, 2020 of one-third of the award at 150% of target. The performance metrics are described in the section of this proxy statement captioned "Compensation Discussion and Analysis—Compensation Plan Elements—Long-Term Incentives."
- (4) The grant date fair value of stock awards is generally determined by multiplying the number of shares or units granted by the average of the high and low market prices of one share of AbbVie common stock on the award

grant date. The grant date fair value of performance shares with a TSR market condition is determined using the Monte Carlo simulation model. In the event of a grantee's death or disability, these awards will be deemed earned either based on actual performance through the date of death or disability or at target, depending on the timing of the death or disability, as set forth in the award agreement. Upon a change in control, the treatment of these awards is determined as described in the section of this proxy statement captioned "Potential Payments upon Termination or Change in Control—Equity Awards."

- (5) One-third of the shares of common stock covered by these options are exercisable after one year, two-thirds after two years, and all after three years, subject to satisfaction of the service requirements set forth in the award agreements. The options vest in the event of the grantee's death or disability. Upon a change in control, the treatment of these awards is determined as described in the section of this proxy statement captioned "Potential Payments upon Termination or Change in Control—Equity Awards." Under the AbbVie 2013 Incentive Stock Program, these options have an exercise price equal to the average of the high and low market prices (rounded up to the next even penny) of one share of AbbVie common stock on the date of grant. These options do not contain a replacement option feature.
- (6) The grant date fair value of option awards is determined as of the option grant date using a Black-Scholes stock option valuation model. The assumptions used to determine the grant date fair value are described in footnote (2) to the Summary Compensation Table.

2019 Outstanding Equity Awards at Fiscal Year End

The following table summarizes the outstanding AbbVie equity awards held by the NEOs at year end.

Name	Option Awards(1)(2)				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares or Other Rights That Have Not Vested (\$)
R. Gonzalez	109,097	—	\$58.8800	2/18/2025			116,442 ⁽³⁾	10,309,775
	255,170	—	54.8600	2/17/2026			78,683 ⁽³⁾	6,966,593
	174,100	87,050 ⁽³⁾	61.3600	2/15/2027			116,426 ⁽³⁾	10,308,358
	42,537	85,073 ⁽³⁾	114.3600	2/14/2028			—	—
	—	179,127 ⁽³⁾	79.0200	2/20/2029			—	—
R. Michael	10,140	—	54.8600	2/17/2026			5,091 ⁽³⁾	450,757
	7,613	3,807 ⁽³⁾	61.3600	2/15/2027			4,950 ⁽³⁾	438,273
	2,677	5,353 ⁽³⁾	114.3600	2/14/2028			35,434 ⁽³⁾	3,137,326
	—	54,517 ⁽³⁾	79.0200	2/20/2029			—	—
L. Schumacher	103,220	—	58.8800	2/18/2025			44,628 ⁽³⁾	3,951,363
	78,450	—	54.8600	2/17/2026			28,266 ⁽³⁾	2,502,672
	66,733	33,367 ⁽³⁾	61.3600	2/15/2027			44,544 ⁽³⁾	3,943,926
	15,280	30,560 ⁽³⁾	114.3600	2/14/2028			—	—
	—	68,535 ⁽³⁾	79.0200	2/20/2029			—	—
C. Alban	115,830	—	35.8800	2/13/2023			42,694 ⁽³⁾	3,780,127
	81,500	—	51.4200	2/19/2024			27,383 ⁽³⁾	2,424,491
	101,960	—	58.8800	2/18/2025			40,496 ⁽³⁾	3,585,516
	79,870	—	54.8600	2/17/2026			—	—
	63,833	31,917 ⁽³⁾	61.3600	2/15/2027			—	—
	14,810	29,620 ⁽³⁾	114.3600	2/14/2028			—	—
	—	62,305 ⁽³⁾	79.0200	2/20/2029			—	—
M. Severino	74,309	—	54.4400	6/1/2024			44,628 ⁽³⁾	3,951,363
	104,480	—	58.8800	2/18/2025			28,550 ⁽³⁾	2,527,817
	91,990	—	54.8600	2/17/2026			41,912 ⁽³⁾	3,710,888
	66,733	33,367 ⁽³⁾	61.3600	2/15/2027			—	—
	15,440	30,880 ⁽³⁾	114.3600	2/14/2028			—	—
	—	64,485 ⁽³⁾	79.0200	2/20/2029			—	—

(1) Four of AbbVie's NEOs were employed by Abbott Laboratories (Abbott) prior to AbbVie's separation from Abbott on January 1, 2013 (the "Separation"). When AbbVie separated from Abbott, outstanding Abbott equity awards generally converted into adjusted awards based on Abbott common shares and AbbVie common stock (except to the extent prohibited by local law or with respect to certain awards described below). Such awards are subject to substantially the same terms, vesting conditions and other restrictions that applied to the original Abbott awards immediately before the Separation.

Each Abbott stock option was converted into an adjusted Abbott stock option and an AbbVie stock option, with adjustments to the stock option exercise prices that were intended to preserve the value of the original Abbott award as measured immediately before and immediately after the Separation. Each such adjusted Abbott stock

option and AbbVie stock option is subject to substantially the same terms, vesting conditions, post-termination exercise rules and other restrictions that applied to the original Abbott stock option immediately before the Separation.

As a result of the Separation, one NEO held the following Abbott equity awards as of December 31, 2019:

- C. Alban: Vested options to purchase 16,033 Abbott common shares with an exercise price of \$27.03 per share.

(2) Except as noted, the stock options are fully vested.

(3) The vesting dates of AbbVie unexercisable stock options and unvested performance share and restricted stock/unit awards outstanding at December 31, 2019 are as follows:

Name	Option Awards				Stock or Unit Awards			
	Number of Unexercised Shares Remaining from Original Grant	Number of Option Shares Vesting—Date Vested 2020	Number of Option Shares Vesting—Date Vested 2021	Number of Option Shares Vesting—Date Vested 2022	Number of Shares of Restricted Stock or Units	Number of Shares of Restricted Stock or Units Vesting—Date Vested 2020	Number of Shares of Restricted Stock or Units Vesting—Date Vested 2021	Number of Shares of Restricted Stock or Units Vesting—Date Vested 2022
R. Gonzalez	87,050	87,050—2/16			90,369	(a)		
	85,073	42,536—2/15	42,537—2/15		26,073	(b)		
	179,127	59,709—2/21	59,709—2/21	59,709—2/21	47,210	(c)		
					31,473	(d)		
					58,213	(e)		
					58,213	(f)		
R. Michael	3,807	3,807—2/16			3,951	(a)		
	5,353	2,676—2/15	2,677—2/15		1,140	(b)		
	54,517	18,173—2/21	18,172—2/21	18,172—2/21	2,970	(c)		
					1,980	(d)		
					17,717	(e)		
					17,717	(f)		
L. Schumacher	33,367	33,367—2/16			34,635	(a)		
	30,560	15,280—2/15	15,280—2/15		9,993	(b)		
	68,535	22,845—2/21	22,845—2/21	22,845—2/21	16,960	(c)		
					11,306	(d)		
					22,272	(e)		
					22,272	(f)		
C. Alban	31,917	31,917—2/16			33,134	(a)		
	29,620	14,810—2/15	14,810—2/15		9,560	(b)		
	62,305	20,769—2/21	20,768—2/21	20,768—2/21	16,430	(c)		
					10,953	(d)		
					20,248	(e)		
					20,248	(f)		
M. Severino	33,367	33,367—2/16			34,635	(a)		
	30,880	15,440—2/15	15,440—2/15		9,993	(b)		
	64,485	21,495—2/21	21,495—2/21	21,495—2/21	17,130	(c)		
					11,420	(d)		
					20,956	(e)		
					20,956	(f)		

- (a) These are performance shares that remained outstanding and unvested on December 31, 2019 from an award made on February 16, 2017. The award has the potential to vest at 0% to 250% of target during a 3-year performance period based on company performance in earnings per share (EPS) and relative total stockholder return (TSR). TSR performance is measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends accrue during the performance period and are paid at vesting only to the extent that shares are earned. In 2017, in connection with the phase-in of the redesigned long-term incentive program, AbbVie's EPS performance resulted in the vesting on February 28, 2018 of one-third of the award at 173.3% of target, and

the remainder of the award was banked for vesting to be determined based on the company's relative TSR performance during the 3-year performance period that ends December 31, 2019. In aggregate, this award vested at 196.4% of target (out of a maximum of 250% of target) based on the application of all performance adjustments.

- (b) These are performance-vested restricted stock units that remained outstanding and unvested on December 31, 2019, from an award made on February 16, 2017. The award has the potential to vest at 0% to 150% of target, in one-third increments, during a 3-year performance period based on AbbVie's return on equity (ROE) articulated as pre-set goals and measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends accrue during the performance period and are paid at vesting only to the extent that shares are earned. In 2019, AbbVie's relative ROE performance resulted in the vesting on February 28, 2020 of one-third of the award at 150% of target.
- (c) These are performance shares that remained outstanding and unvested on December 31, 2019 from an award made on February 15, 2018. The award has the potential to vest at 0% to 250% of target during a 3-year performance period based on company performance in earnings per share (EPS) and relative total stockholder return (TSR). TSR performance is measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends accrue during the performance period and are paid at vesting only to the extent that shares are earned. In 2018, AbbVie's EPS performance resulted in the banking of the award at 200% of target, with vesting to be determined based on the company's relative TSR performance during the 3-year performance period that ends December 31, 2020.
- (d) These are performance-vested restricted stock units that remained outstanding and unvested on December 31, 2019, from an award made on February 15, 2018. The award has the potential to vest at 0% to 150% of target, in one-third increments, during a 3-year performance period based on AbbVie's return on equity (ROE) articulated as pre-set goals and measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends accrue during the performance period and are paid at vesting only to the extent that shares are earned. In 2019, AbbVie's relative ROE performance resulted in the vesting on February 28, 2020 of one-third of the award at 150% of target.
- (e) These are performance shares that remained outstanding and unvested on December 31, 2019 from an award made on February 21, 2019. The award has the potential to vest at 0% to 250% of target during a 3-year performance period based on company performance in earnings per share (EPS) and relative total stockholder return (TSR). TSR performance is measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends accrue during the performance period and are paid at vesting only to the extent that shares are earned. In 2019, AbbVie's EPS performance resulted in the banking of the award at 200% of target, with vesting to be determined based on the company's relative TSR performance during the 3-year performance period that ends December 31, 2021.
- (f) These are performance-vested restricted stock units that remained outstanding and unvested on December 31, 2019, from an award made on February 21, 2019. The award has the potential to vest at 0% to 150% of target, in one-third increments, during a 3-year performance period based on AbbVie's return on equity (ROE) articulated as pre-set goals and measured relative to a group made up of companies that are constituents in either the S&P Pharmaceutical, Biotech, and Life Science Index or the NYSE Arca Pharmaceutical Index. Dividends accrue during the performance period and are paid at vesting only to the extent that shares are earned. In 2019, AbbVie's relative ROE performance resulted in the vesting on February 28, 2020 of one-third of the award at 150% of target.

2019 Option Exercises and Stock Vested

The following table summarizes for each NEO the number of shares acquired on the exercise of AbbVie stock options and the number of shares acquired on the vesting of AbbVie stock awards in 2019:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired On Exercise (#)	Value Realized On Exercise (\$)	Number of Shares Acquired On Vesting (#)	Value Realized On Vesting (\$)
R. Gonzalez	—	\$—	164,609	\$13,071,601
R. Michael	—	—	7,243	575,167
L. Schumacher	—	—	54,791	4,350,953
C. Alban	—	—	54,450	4,323,875
M. Severino	—	—	60,286	4,787,311

Pension Benefits

During 2019, the NEOs participated in two AbbVie-sponsored defined benefit pension plans: the AbbVie Pension Plan, a tax-qualified pension plan; and the AbbVie Supplemental Pension Plan, a non-qualified supplemental pension plan. The Supplemental Pension Plan also includes a benefit feature AbbVie uses to attract senior executives who are mid-career hires, which provides an additional benefit to such participants that is less valuable to participants who have spent most of their career at the company. Except as provided in AbbVie's change in control agreements, AbbVie does not have a policy granting extra years of credited service under the plans. The change in control agreements are described in the section of this proxy statement captioned "Potential Payments upon Termination or Change in Control."

The compensation considered in determining the pensions payable to the NEOs is the compensation shown in the "Salary" and "Non-Equity Incentive Plan Compensation" columns of the Summary Compensation Table.

Pension Plan

The Pension Plan is a broad-based plan that covers most AbbVie employees in the United States, age 21 or older, and provides participants with a life annuity benefit at normal retirement equal to A plus the greater of B or C below.

- A. 1.10% of 5-year final average earnings multiplied by years of benefit service after 2003.
- B. 1.65% of 5-year final average earnings multiplied by years of benefit service prior to 2004 (up to 20); plus 1.50% of 5-year final average earnings multiplied by years of benefit service prior to 2004 in excess of 20 (but no more than 15 additional years); less 0.50% of the lesser of 3-year final average earnings (but not more than the social security wage base in any year) or the social security covered compensation level multiplied by years of benefit service.
- C. 1.10% of 5-year final average earnings multiplied by years of benefit service prior to 2004.

The benefit for service prior to 2004 (B or C above) is reduced for the cost of preretirement surviving spouse benefit protection. The reduction is calculated using formulas based on age and employment status during the period in which coverage was in effect.

Final average earnings are the average of the employee's 60 highest-paid consecutive calendar months of compensation (salary and non-equity incentive plan compensation). The Pension Plan covers earnings up to the limit imposed by Internal Revenue Code Section 401(a)(17) and provides for a maximum of 35 years of benefit service.

Participants become fully vested in their pension benefit upon the completion of five years of service. The benefit is payable on an unreduced basis at age 65. Employees hired after 2003 who terminate employment prior to age 55 with at least 10 years of service may choose to commence their benefits on an actuarially reduced basis as early as age 55. Employees hired before 2004 who terminate employment prior to age 50 with at least 10 years of service may choose to commence their benefits on an actuarially reduced basis as early as age 50. Employees hired before 2004 who terminate employment prior to age 50 with fewer than 10 years of service may choose to commence their benefits on an actuarially reduced basis as early as age 55.

The Pension Plan offers several optional forms of payment, including certain and life annuities, joint and survivor annuities, and level income annuities. The benefit paid under any of these options is actuarially equivalent to the life annuity benefit produced by the formula described above.

Employees who retire from AbbVie prior to their normal retirement age may receive subsidized early retirement benefits. Employees hired after 2003 are eligible for early retirement at age 55 with 10 years of service. Employees hired before 2004 are eligible for early retirement at age 50 with 10 years of service or age 55 if the employee's age plus years of benefit service total 70 or more. Mr. Gonzalez, Ms. Schumacher and Mr. Alban are eligible for early retirement benefits under the plan.

The subsidized early retirement reductions applied to the benefit payable for service after 2003 (A above) depend upon the participant's age at retirement. If the participant retires after reaching age 55, the benefit is reduced 5 percent per year for each year that payments are made before age 62. If the participant retires after reaching age 50 but prior to reaching age 55, the benefit is actuarially reduced from age 65.

The early retirement reductions applied to the benefit payable for service prior to 2004 (B and C above) depend upon age and service at retirement:

- In general, the 5-year final average earnings portions of the benefit are reduced 3 percent per year for each year that payments are made before age 62 and the 3-year final average earnings portion of the benefit is reduced 5 percent per year for each year that payments are made before age 62.
- Employees who participated in the plan before age 36 may elect "Special Retirement" on the last day of any month after reaching age 55 with age plus Seniority Service points of at least 94 or "Early Special Retirement" on the last day of any month after reaching age 55, provided their age plus Seniority Service points would reach at least 94 before age 65. Seniority Service includes periods of employment prior to attaining the minimum age required to participate in the plan. If Special Retirement or Early Special Retirement applies, Seniority Service is used in place of benefit service in the formulas. The 5-year final average earnings portions of the benefit in B above are reduced $1\frac{2}{3}$ percent for each year between ages 59 and 62 plus $2\frac{1}{2}$ percent for each year between ages 55 and 59. The 3-year final average earnings portion of the benefit is reduced 5 percent per year for each year that payments are made before age 62. Benefit C is payable on an unreduced basis at Special Retirement and is reduced 3 percent per year for each year that payments are made before age 62, if Early Special Retirement applies.

Supplemental Pension Plan

The provisions of the Supplemental Pension Plan (which covers AbbVie employees in the United States whose compensation exceeds certain limits under the Internal Revenue Code) are substantially the same as those of the Pension Plan, with the following exceptions:

- Participants' 5-year final average earnings are calculated using the average of the 5 highest years of base earnings and the 5 highest years of payments under AbbVie's non-equity incentive plans.
- The Pension Plan does not include amounts deferred or payments received under the AbbVie Deferred Compensation Plan in its calculation of a participant's final average earnings. To preserve the pension benefits of Deferred Compensation Plan participants, the Supplemental Pension Plan includes amounts deferred by a participant under the Deferred Compensation Plan in its calculation of final average earnings.
- In addition to the benefits outlined above for the Pension Plan, the NEOs are eligible for an additional Supplemental Pension Plan benefit equal to 0.6% of 5-year final average earnings for each year of service for each of the first 20 years of service occurring after the participant attains age 35. The benefit is further limited by the maximum percentage allowed under the Pension Plan under that plan's benefit formulas (A, B and C above). The portion of this additional benefit attributable to service before 2004 is reduced 3 percent per year for each year that payments are made before age 60. The portion attributable to service after 2003 is reduced 5 percent per year for each year that payments are made before age 60 if the participant is at least age 55 at early retirement. If the participant is under age 55 at retirement, the portion attributable to service after 2003 is actuarially reduced from age 65.
- The Supplemental Pension Plan provides early retirement benefits similar to those provided under the Pension Plan. The benefits provided to NEOs under the Supplemental Pension Plan are not, however, reduced for the period between age 60 and age 62, unless the benefit is being actuarially reduced from age 65. Mr. Gonzalez, Ms. Schumacher and Mr. Alban are eligible for early retirement benefits under the plan.
- Vested benefits accrued under the Supplemental Pension Plan may be funded through a grantor trust established by an eligible NEO. Consistent with the distribution requirements of Internal Revenue Code Section 409A and its regulations, an eligible NEO who became an officer prior to 2009 may have the entire amount of his or her vested plan benefits funded through a grantor trust. An eligible NEO who became an officer after 2008 may have only the vested benefits that accrue following the calendar year in which he or she is first elected as an officer funded through a grantor trust.

Benefits payable under the Supplemental Pension Plan are offset by the benefits payable from the Pension Plan, calculated as if benefits under the plans commenced at the same time. The amounts paid to an eligible NEO's Supplemental Pension Plan grantor trust to fund plan benefits are actuarially determined. The plan is designed to result in AbbVie paying the eligible NEO's Supplemental Pension Plan benefits to the extent assets held in his or her trust are insufficient.

Pension Benefits Table

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)(1)	Payments During Last Fiscal Year (\$)
R. Gonzalez	AbbVie Pension Plan	35	\$272,676	\$0
	AbbVie Supplemental Pension Plan	35	19,534,981	1,011,773 ⁽²⁾
R. Michael	AbbVie Pension Plan	27	739,546	0
	AbbVie Supplemental Pension Plan	27	4,054,032	0
L. Schumacher	AbbVie Pension Plan	29	1,275,472	0
	AbbVie Supplemental Pension Plan	29	17,995,769	2,343,649 ⁽²⁾
C. Alban	AbbVie Pension Plan	33	1,443,090	0
	AbbVie Supplemental Pension Plan	33	17,432,216	1,307,772 ⁽²⁾
M. Severino	AbbVie Pension Plan	6	164,288	0
	AbbVie Supplemental Pension Plan	6	2,546,877	0

- (1) AbbVie calculated these present values using: (i) a discount rate of 3.56% for the Pension Plan and a discount rate of 3.51% for the Supplemental Pension Plan, the same discount rates it uses for Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 715 calculations for financial reporting purposes; and (ii) each plan's unreduced retirement age, which is age 62 under the AbbVie Pension Plan and age 60 under the AbbVie Supplemental Pension Plan for those participants who are eligible for early retirement benefits and age 65 under both plans for other participants. The present values shown in the table reflect postretirement mortality, based on the FASB ASC Topic 715 assumption (the RP2006 Healthy Annuitant table projected fully generationally with MP2019 mortality improvement scale), but do not include a factor for preretirement termination, mortality, or disability.
- (2) During 2019, the amounts shown, less applicable tax withholdings, were distributed and deposited into the individual grantor trusts established by the eligible NEOs and included in the NEOs' income, as applicable. Consistent with the distribution requirements of Internal Revenue Code Section 409A and its regulations, vested Supplemental Pension Plan benefits, to the extent not previously funded, are distributed to the eligible participants' individual grantor trusts and included in their income. Amounts held in an eligible NEO's individual trust are expected to offset AbbVie's obligations to him or her under the plan. Grantor trusts are described in greater detail in the section of this proxy statement captioned "Compensation Plan Elements—Benefits—Retirement Benefits."

Non-Qualified Deferred Compensation

The following table summarizes Ms. Schumacher's non-qualified deferred compensation under the AbbVie Deferred Compensation Plan. No additional contributions have been made to her account under the plan since such time as Ms. Schumacher became an officer and ceased to be eligible to contribute to the plan. None of the other NEOs has any non-qualified deferred compensation under the plan.

Name	Plan Name(1)(2)	Executive contributions in last FY (\$)	Registrant contributions in last FY (\$)	Aggregate earnings in last FY (\$)(3)	Aggregate withdrawals/distributions (\$)(4)	Aggregate balance at last FYE (\$)
L. Schumacher	Deferred Compensation Plan	0	0	39,164.83	(512,982.79)	0

- (1) Ms. Schumacher's contributions to the Deferred Compensation Plan ceased in 2002.
- (2) The plan permits participants to defer up to 75% of their base salary and up to 75% of their annual cash incentives and credits a participant's account with an amount equal to the employer matching contributions that otherwise would have been made for the participant under AbbVie's tax-qualified defined contribution plan. Participants may direct the investment of their deferral accounts into one or more of several funds chosen by the administrator, and the deferral account is credited with investment returns based on the performance of the fund(s) selected. During 2019, the weighted average rate of return credited to the account was 8.3% for Ms. Schumacher.

The plan provides for cash distributions in either a lump sum or installments after separation from service and permits in-service withdrawals in accordance with specific procedures. Participants make distribution elections each year that apply to the deferrals to be made in the following calendar year, in accordance with the requirements of Internal Revenue Code Section 409A. Participants may request withdrawals due to financial hardship; if a hardship withdrawal is approved, it is limited to the amount needed to address the hardship.
- (3) The amounts reported in this column are not included in the Summary Compensation Table of this proxy statement.
- (4) The amounts reported in this column have not been previously reported as compensation in AbbVie's Summary Compensation Tables because they relate to contributions made before the applicable individual became an NEO.

Potential Payments upon Termination or Change in Control

Potential Payments upon Termination—Generally

AbbVie does not have employment agreements with its NEOs.

The following summarizes the payments that the NEOs would have received if their employment had terminated on December 31, 2019. Earnings would have continued to be paid for the NEO's Performance Incentive Plan and Supplemental Savings Plan grantor trusts, as applicable, until the trust assets were fully distributed. The amount of these payments would depend on the trust earnings and fees and the period over which the trust assets were distributed. Based on current earnings rates, if the trust assets were distributed over a 10-year period, the NEOs would receive the following average annual earnings payments over such 10-year period: Mr. Gonzalez, \$955,769; Ms. Schumacher, \$1,319,422; Mr. Alban, \$941,835; and Dr. Severino, \$453,052. In addition, the following one-time deposits would have been made under the AbbVie Supplemental Pension Plan for each of the following NEOs, respectively: Mr. Gonzalez, \$0; Ms. Schumacher, \$1,978,945; Mr. Alban, \$2,012,782 and Dr. Severino, \$1,016,149. As of December 31, 2019, Mr. Gonzalez, Ms. Schumacher and Mr. Alban were eligible to retire, and therefore were eligible to receive the pension benefits previously described.

If the termination of employment had been due to disability, then the respective NEO also would have received, in addition to AbbVie's standard disability benefits, a monthly long-term disability benefit in the following amount: Mr. Gonzalez: \$216,750; Mr. Michael, \$90,000; Ms. Schumacher: \$120,000; Mr. Alban: \$120,000; and Dr. Severino:

\$120,000. This long-term disability benefit would continue for up to 24 months following termination of employment. It ends if the NEO retires, recovers, dies or ceases to meet eligibility criteria.

If the NEO's employment had terminated due to death or disability, his or her unvested stock options, restricted stock or unit awards and performance shares would have vested on December 31, 2019 with values as set forth below in the subsection of this proxy statement captioned "Equity Awards."

Potential Payments upon Change in Control

AbbVie has entered into change in control agreements with its NEOs. Each change in control agreement continues in effect until December 31, 2020, and can be renewed for successive two-year terms upon notice prior to the expiration date. If notice of non-renewal is given, the agreement will expire on the later of the scheduled expiration date and the one-year anniversary of the date of such notice. If no notice is given, the agreement will expire on the one-year anniversary of the scheduled expiration date. Each agreement also automatically extends for two years following any change in control (see below) that occurs while the agreement is in effect.

The agreements provide that if the employee is terminated other than for cause or permanent disability or if the employee elects to terminate employment for good reason (see below) within two years following a change in control, he or she is entitled to receive a lump sum payment equal to three times his or her annual salary and annual incentive ("bonus") award (assuming for this purpose that all target performance goals have been achieved or, if higher, based on the average bonus for the last three years), plus any unpaid bonus owing for any completed performance period and the pro rata bonus for any current bonus period (based on the highest of the bonus assuming achievement of target performance, the average bonus for the past three years or, in the case of the unpaid bonus for any completed performance period, the actual bonus earned). If the employee is terminated other than for cause or permanent disability or if the employee elects to terminate employment for good reason during a potential change in control (see below), he or she is entitled to receive a lump sum payment of the annual salary and bonus payments described above, except that the amount of the bonus to which the employee is entitled will be based on the actual achievement of the applicable performance goals. If the potential change in control becomes a "change in control event" (within the meaning of Internal Revenue Code Section 409A), the employee will be entitled to receive the difference between the bonus amounts the officer received upon termination during the potential change in control and the bonus amounts that would have been received had such amounts instead been based on the higher of the employee's target bonus or the average bonus paid to the employee in the preceding three years.

Bonus payments include payments made under the Performance Incentive Plan. The employee also will receive up to two years of additional employee benefits (including welfare benefits, outplacement services and tax and financial counseling) and the value of three more years of pension accruals. If change in control-related payments and benefits become subject to the excise tax imposed under Internal Revenue Code Section 4999, payments under the agreement will be reduced to prevent application of the excise tax if such a reduction would leave the employee in a better after-tax position than if the payments were not reduced and the tax applied. The agreements also limit the conduct for which awards under AbbVie's incentive stock programs can be terminated and generally permit options to remain exercisable for the remainder of their term.

For purposes of the agreements, the term "change in control" includes the following events: any person becoming the beneficial owner of AbbVie securities representing 20 percent or more of the outstanding voting power (not including an acquisition directly from AbbVie and its affiliates); a change in the majority of the members of the board of directors whose appointment was approved by a vote of at least two-thirds of the incumbent directors; and the consummation of certain mergers or similar corporate transactions involving AbbVie. A "potential change in control" under the agreements includes, among other things, AbbVie's entry into an agreement that would result in a change in control. Finally, the term "good reason" includes: a significant adverse change in the employee's position, duties, or authority; the company's failure to pay the employee's compensation or a reduction in the employee's base pay or benefits; or the relocation of the company's principal executive offices to a location that is more than 35 miles from the location of the offices at the time of the change in control.

If a change in control had occurred on December 31, 2019, immediately followed by one of the covered circumstances described above, Mr. Gonzalez, Mr. Michael, Ms. Schumacher, Mr. Alban, and Dr. Severino would have been entitled to receive the following payments and benefits under the change in control agreements:

- Mr. Gonzalez: cash termination payments—\$16,779,375; additional Supplemental Pension Plan benefits—\$1,897,901; welfare and fringe benefits—\$80,262.
- Mr. Michael: cash termination payments—\$5,713,250; additional Supplemental Pension Plan benefits—\$1,410,259; welfare and fringe benefits—\$82,442.
- Ms. Schumacher: cash termination payments—\$9,064,663; additional Supplemental Pension Plan benefits—\$4,363,498; welfare and fringe benefits—\$67,381.
- Mr. Alban: cash termination payments—\$8,712,033; additional Supplemental Pension Plan benefits—\$4,904,865; welfare and fringe benefits—\$62,474.
- Dr. Severino: cash termination payments—\$9,359,300; additional Supplemental Pension Plan benefits—\$993,543; welfare and fringe benefits—\$83,633.

Equity Awards

The AbbVie 2013 Incentive Stock Program was approved by AbbVie’s stockholders and covers approximately 9,000 participants, including a broad group of management and professional staff.

The AbbVie 2013 Incentive Stock Program provides that any unvested equity awards granted in or after January 2013 may be assumed, converted or replaced on an equivalent basis by the surviving company upon a change in control. If the surviving company does not do so, the vesting of the awards is accelerated. If the surviving company does assume, convert or replace the awards on an equivalent basis, then accelerated vesting of the awards is limited to circumstances in which, during the period from six months before through two years after a change in control, the grantee’s employment is terminated without cause or the grantee resigns for good reason. The terms “cause” and “good reason” have the same definitions as in the change in control agreements.

If a change in control had occurred on December 31, 2019 and the surviving company did not assume, convert or replace any of the awards granted in or after January 2013, or the NEO’s employment had terminated without cause or he or she had resigned for good reason, as described above, then the unvested equity awards of the NEOs would have vested as follows:

- Mr. Gonzalez would have vested in (i) 351,250 unvested AbbVie stock options with a value of \$4,071,309, (ii) 146,366 AbbVie restricted stock units with a value of \$12,959,246, and (iii) 319,312 AbbVie performance shares with a value of \$28,271,863.
- Mr. Michael would have vested in (i) 63,677 unvested AbbVie stock options with a value of \$622,475, (ii) 72,101 AbbVie restricted stock units with a value of \$6,383,778, and (iii) 127,108 AbbVie performance shares with a value of \$11,254,178.
- Ms. Schumacher would have vested in (i) 132,462 unvested AbbVie stock options with a value of \$1,559,367, (ii) 97,038 AbbVie restricted stock units with a value of \$8,591,700 and (iii) 191,919 AbbVie performance shares with a value of \$16,992,505.
- Mr. Alban would have vested in (i) 123,842 unvested AbbVie stock options with a value of \$1,460,647, (ii) 95,947 AbbVie restricted stock units with a value of \$8,495,103, and (iii) 189,056 AbbVie performance shares with a value of \$16,738,983.

- Dr. Severino would have vested in (i) 128,732 unvested AbbVie stock options with a value of \$1,520,811, (ii) 97,180 AbbVie restricted stock units with a value of \$8,604,317, and (iii) 192,259 AbbVie performance shares with a value of \$17,022,608.

The value of stock options shown is based on the excess of the closing price of one share of common stock on December 31, 2019 over the exercise price of such options, multiplied by the number of unvested stock options held by the NEO. The value of restricted stock units and performance shares shown is determined by multiplying the number of units or shares that would vest as of December 31, 2019 in accordance with the applicable equity award agreement terms and the closing price of one share of common stock on December 31, 2019.

RATIFICATION OF ERNST & YOUNG LLP AS ABBVIE'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (ITEM 2)

The audit committee of the board of directors is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm retained to audit the company's financial statements. On October 17, 2019, the audit committee appointed Ernst & Young LLP (the independent auditor) to perform independent audit services for the fiscal year ending December 31, 2020. Ernst & Young LLP has served as our independent auditor since 2013. In conjunction with the periodic mandated rotation of the audit firm's lead engagement partner, the chair of the audit committee would be involved in the selection of a new lead engagement partner. Further, the audit committee will periodically consider whether there should be a regular rotation of the independent auditor.

Although the audit committee has sole authority to appoint the independent auditor, it would like to know the opinion of the stockholders regarding its appointment of Ernst & Young LLP for 2020. For this reason, stockholders are being asked to ratify this appointment. If the stockholders do not ratify the appointment of Ernst & Young LLP for 2020, the audit committee will take that fact into consideration, but may, nevertheless, continue to retain Ernst & Young LLP. The audit committee and the board believe that the continued retention of Ernst & Young LLP to serve as the company's independent auditor is in the best interests of the company and its stockholders.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will be given the opportunity to make a statement if they desire to do so. They will also be available to respond to appropriate questions.

The board of directors recommends that you vote FOR ratification of the appointment of Ernst & Young LLP as AbbVie's independent registered public accounting firm for 2020.

AUDIT INFORMATION

Audit Fees and Non-Audit Fees

The following table presents fees for professional audit services rendered to AbbVie by Ernst & Young LLP for the years ended December 31, 2019 and December 31, 2018, and fees for other services rendered to AbbVie by Ernst & Young LLP for those periods.

	2019 (millions)	2018 (millions)
Audit fees: ⁽¹⁾	\$10.6	\$10.3
Audit related fees: ⁽²⁾	0.9	0.7
Tax fees: ⁽³⁾	2.5	2.3
All other fees:	—	—
Total	\$14.0	\$13.3

- (1) Ernst & Young LLP billed or will bill AbbVie for professional services rendered for the audit of AbbVie's annual financial statements, the review of AbbVie's financial statements included in AbbVie's quarterly reports, the audits of AbbVie's internal control over financial reporting, statutory and subsidiary audits, the review of documents filed with the Securities and Exchange Commission, comfort letters, consents and certain accounting consultations in connection with the audits.
- (2) Audit related fees include audits of certain employee benefit plan financial statements, accounting consultations in connection with proposed acquisitions, and other agreed upon procedures.
- (3) Tax fees consist principally of professional services for corporate tax compliance and tax advisory services.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Registered Public Accounting Firm

The audit committee has established policies and procedures to pre-approve all audit and permissible non-audit services performed by the independent registered public accounting firm (the independent auditor) and its related affiliates.

Prior to engagement of the independent auditor for the next year's audit, management will submit a schedule of all proposed permissible services expected to be rendered during that year for each of four categories of services to the audit committee for approval.

Prior to engagement, the audit committee pre-approves these services by category of service. The fees are budgeted and the audit committee requires the independent auditor and management to report actual fees versus the budget periodically by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the audit committee requires specific pre-approval before engaging the independent auditor.

The audit committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report any pre-approval decisions to the audit committee at its next scheduled meeting.

Audit Committee Report

The audit committee is comprised of six non-employee members of the board of directors. Each audit committee member meets the independence requirements of the New York Stock Exchange and Rule 10A-3 of the Exchange Act. The committee operates under a written charter adopted by the board of directors. Consistent with the responsibilities set forth in its charter, the audit committee assists the board of directors in its oversight of AbbVie's accounting, auditing and financial reporting practices.

The audit committee has reviewed and discussed the audited financial statements contained in the 2019 Annual Report on Form 10-K with AbbVie's management and its independent registered public accounting firm (the independent auditor). Management is responsible for the preparation and integrity of AbbVie's consolidated financial statements. The independent auditor is responsible for performing an audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America. The audit committee reviews these processes on behalf of the board of directors. Periodically, during the year, the audit committee reviewed and discussed with AbbVie's management, internal auditors, and independent auditor the effectiveness of AbbVie's internal control over financial reporting and the overall quality of AbbVie's financial reporting.

The audit committee has discussed with the independent auditor the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (PCAOB). In addition, the audit committee has received the written disclosures and the letter from the independent auditor regarding its independence required by PCAOB Ethics and Independence Rule 3526, *Communications with Audit Committees Concerning Independence*, and has discussed with the independent auditor the firm's independence. The audit committee has also considered whether the provision of non-audit services is compatible with maintaining the independence of the independent auditor and concluded the independent auditor's independence has not been impaired.

Based on the review and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements be included in AbbVie's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission.

Audit Committee

R. Austin, Chair, W. Burnside, M. Meyer, E. Rapp, G. Tilton, and F. Waddell

SAY ON PAY—ADVISORY VOTE ON THE APPROVAL OF EXECUTIVE COMPENSATION (ITEM 3)

Stockholders are being asked to approve the compensation of AbbVie’s named executive officers, as disclosed under Securities and Exchange Commission rules, including the Compensation Discussion and Analysis, the compensation tables and related material included in this proxy statement.

The independent compensation committee of the board of directors, with the counsel of its independent compensation consultant, has thoroughly examined AbbVie’s programs, the company’s performance related to our industry and peer group, and market factors. The committee has determined that the specific pay decisions for the named executive officers are appropriate given the company’s performance, the executives’ contributions, and our stockholders’ interests.

While this vote is advisory and non-binding, the board of directors and the compensation committee value the opinion of the stockholders and will review the voting results and take them into account when future compensation decisions are made.

Accordingly, the board of directors recommends that you vote FOR the approval of the named executive officers’ compensation.

MANAGEMENT PROPOSAL TO ELIMINATE SUPERMAJORITY VOTING (ITEM 4)

Currently, AbbVie's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") provides that certain amendments to the Certificate of Incorporation or AbbVie's Amended and Restated By-Laws (the "By-Laws") require the affirmative vote of shares representing no less than 80 percent of AbbVie's outstanding shares of stock entitled to vote generally in the election of directors. We refer to these provisions listed below as the "Supermajority Voting Requirement."

Specifically, Article VIII of the Certificate of Incorporation provides that any stockholder-approved alteration, amendment, or repeal of any of the By-Law provisions listed below, or the adoption of any stockholder-approved By-Law provision inconsistent with those By-Law provisions, must be approved pursuant to the Supermajority Voting Requirement. The By-Law provisions covered by the Supermajority Voting Requirement are in regards to:

- special meetings of stockholders and written consents by stockholders (Article II, Sections 2.2 and 2.12, respectively);
- board size and tenure, classes of directors, board vacancies, and director removal (Article III, Sections 3.2, 3.3, 3.10 and 3.11, respectively);
- indemnification of directors and officers (Article VII); and
- amendments to the By-Laws (Article X).

Article XI of the Certificate of Incorporation provides that any alteration, amendment, or repeal of any of the provisions of the Certificate of Incorporation listed below, or the adoption of any provision inconsistent with those provisions, must be approved pursuant to the Supermajority Voting Requirement. The provisions covered by the Supermajority Voting Requirement are in regards to:

- board size, classes of directors, board vacancies, and director removal (Article VI, Sections 1, 2, 3 and 4, respectively); and
- written consents by stockholders and special meetings of stockholders (Article VII, Sections 1 and 2, respectively).

After reviewing the advantages and disadvantages of the Supermajority Voting Requirement at this time, the board approved, and recommends that stockholders approve, the amendment and restatement of Articles VIII and XI of the Certificate of Incorporation to remove the Supermajority Voting Requirement contained therein. If approved, future stockholder-approved amendments to the By-Law and Certificate of Incorporation provisions listed above will not be subject to the Supermajority Voting Requirement and will instead require the affirmative vote of a majority of AbbVie's outstanding shares of stock entitled to vote generally in the election of directors.

The proposed Certificate of Amendment to the Certificate of Incorporation is attached to this proxy statement as **Appendix A**, which the company would file promptly following the 2020 Annual Meeting if our stockholders approve the amendment. The affirmative vote of the holders of 80 percent of the outstanding shares of stock entitled to vote generally in the election of directors on the Record Date is required to approve this proposal pursuant to the Certificate of Incorporation. The board has approved certain conforming changes to the company's By-Laws, contingent on the effectiveness of the proposed amendment to the Certificate of Incorporation.

The board of directors recommends that you vote FOR the management proposal to amend and restate the Certificate of Incorporation to eliminate supermajority voting.

STOCKHOLDER PROPOSALS

Three stockholder proposals will be voted upon at the Annual Meeting if properly presented by or on behalf of the proponent. The address of each of the proponents is available upon request. The proposed resolutions and the statements made in support thereof, as well as the board of directors' statements in opposition to these proposals, are presented on the following pages. The proposal may contain assertions about AbbVie or other statements that we believe are incorrect.

The board of directors recommends that you vote AGAINST the proposals for the reasons set forth following the proposals.

Stockholder Proposal on Lobbying Report (Item 5 on Proxy Card)

Zevin Asset Management, on behalf of William Creighton, and co-filers Dana Investment Advisors, Friends Fiduciary Corporation, Fresh Pond Capital, and Echo Foundation have notified AbbVie that they intend to present the following proposal at the Annual Meeting and that they each own at least \$2,000 worth of AbbVie shares.

Whereas, we believe in full disclosure of AbbVie's direct and indirect lobbying activities and expenditures to assess whether AbbVie's lobbying is consistent with its expressed goals and in the best interests of stockholders.

Resolved, the stockholders of AbbVie request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by AbbVie used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. AbbVie's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's decision-making process and the Board's oversight for making payments described in section 2 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which AbbVie is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Public Policy Committee and posted on AbbVie's website.

Supporting Statement

Investors urge transparency in AbbVie's use of funds to lobby. AbbVie spent \$32,360,000 from 2013 - 2018 on federal lobbying. This does not include lobbying expenditures to influence legislation in states, where AbbVie also lobbies but disclosure is uneven or absent. For example, AbbVie had at least 68 lobbyists in 19 states in 2018 (followthemoney.org) and spent \$2,269,103 on lobbying in California and \$433,961 on lobbying in New York from 2013 - 2018. AbbVie also lobbies abroad, spending between €200,000 - 299,000 on lobbying in Europe for 2018.

AbbVie is a member of the Chamber of Commerce, which has spent over \$1.5 billion on lobbying since 1998, and sits on the board of the Pharmaceutical Research and Manufacturers of America (PhRMA), which spends millions lobbying against drug pricing measures.¹ AbbVie does not disclose the portions of its payments to trade associations that are used for lobbying.

We are concerned that poor lobbying disclosure presents significant reputational risk, especially when AbbVie's lobbying contradicts company public positions. For example, AbbVie believes patients need access to affordable medicines, yet it helps fund PhRMA's opposition to lower drug price initiatives.² Media outlets such as CNBC have highlighted AbbVie's claims to support policies that lower the cost of medicines, while AbbVie helps to fund PhRMA's opposition to initiatives aimed at lowering drug prices.³

We believe the reputational damage stemming from this misalignment between general policy positions and actual direct and indirect lobbying efforts harms long-term value creation by AbbVie. Therefore, we urge AbbVie to expand its lobbying disclosure.

1 <https://www.opensecrets.org/news/2019/09/big-pharma-invests-millions-drug-pricing-bills/>

2 <https://www.cnn.com/2019/01/23/health/phrma-lobbying-costs-bn/index.html>

3 <https://www.cnbc.com/2019/02/26/pharma-execs-offer-senate-ideas-to-lower-drug-costs-except-price-cuts.html>

Board of Directors Statement in Opposition to the Stockholder Proposal on Lobbying Report (Item 5 on Proxy Card)

The board of directors recommends that stockholders vote **AGAINST** this proposal. This proposal is unnecessary, because AbbVie already makes extensive disclosures regarding our lobbying and political activities as required by law and we voluntarily disclose additional related information on our website, as outlined below. AbbVie has already demonstrated transparency with respect to lobbying activities and strong risk mitigation procedures governing such activities. The preparation and maintenance of an additional report, as proposed, is neither a good use of resources, nor would it increase stockholder value.

The board, through its public policy committee, exercises oversight of AbbVie's political and lobbying activities.

- The board of directors public policy committee exercises oversight of AbbVie's political expenditures and lobbying activities, as specifically enumerated in the committee's charter, and which are further governed by the Committee's approved policy on political contributions. The public policy committee and AbbVie's senior management review these activities and expenditures on a regular basis.
- Our Vice Chairman, External Affairs and Chief Legal Officer, who reports directly to the CEO, and our Vice President, Government Affairs, each review and approve AbbVie's lobbying strategy and all plans for corporate political contributions at the recommendation of AbbVie's Government Affairs function to ensure that these activities are consistent with the company's guidelines and comply with applicable laws.
- We believe this approach, as explained on our website, minimizes risk and reflects our guiding commitment to transparency, stewardship of corporate and stockholder funds, sound corporate practice, and high standards of ethical conduct.

AbbVie already makes extensive disclosures regarding lobbying and political activities and has been recognized as a leader in this area.

- Since our launch as a new public company in 2013, AbbVie has provided robust transparency through the disclosures described below. AbbVie's website describes our oversight process and our guiding principles for

lobbying and political activities. We pursue activities that shape policies to benefit patients, with a focus on improving patient access to new medical advances.

- In part due to the extensive disclosures described below, AbbVie has been consistently recognized as a leader in providing the highest level of political transparency and accountability. In 2019, AbbVie was again recognized as a “trendsetter” in this area by the CPA-Zicklin Index, the highest ranking a company can receive. This index, which is produced by the non-profit Center for Political Accountability in conjunction with the Zicklin Center for Business Ethics Research at The Wharton School at the University of Pennsylvania, benchmarks the political disclosure and accountability policies and practices of leading U.S. public companies. AbbVie was also ranked in the top tier of companies in 2018, 2017, 2016, 2015, and 2014.
- AbbVie files quarterly reports that include (i) total federal lobbying expenditures, (ii) the name of the legislation or subject matter covered, (iii) individuals who lobbied on behalf of AbbVie, and (iv) identification of the legislative body or executive branch that was contacted, in compliance with the Lobbying Disclosure Act. These reports include expenses associated with lobbying the federal government and the portion of trade association dues associated with federal lobbying. AbbVie provides links to these reports on our website at <http://www.abbvie.com/responsibility/transparency-policies/home.html#cpc>. We file similar publicly-available lobbying reports with state and local agencies as required by law.
- In 2016, we enhanced our website with a comprehensive list of our state lobbying reports with direct links to our state filings or the relevant database.
- AbbVie also provides a listing of corporate contributions to political candidates, political parties, political committees, ballot measure committees, and organizations operating under Section 527 of the Internal Revenue Code. These reports are updated every six months and are archived for reference on our website identified above.
- AbbVie does not currently make direct expenditures toward U.S. federal or state grassroots lobbying communications to the general public and does not currently contribute funds intended for use in elections to tax-exempt organizations under Section 501(c)(4) of the Internal Revenue Code, as disclosed on our website. If such a contribution were made, it would be enumerated in AbbVie’s reports on other corporate political contributions.
- AbbVie discloses trade associations to which AbbVie provides \$50,000 or more in annual membership, which are reviewed by the Public Policy Committee. This threshold was lowered in 2016 from \$100,000. AbbVie also posts a list of global trade associations in which an AbbVie employee serves on the organization’s board of directors. Both of these lists are available on our website. AbbVie chooses to participate as a member of various associations based on our commitment to voice our concerns as appropriate through our colleagues who serve on the boards and committees of these groups. Such participation does not imply that we always agree with the positions of the larger organization and/or other members.
- AbbVie also provides a link to the Federal Election Commission reports of the AbbVie Political Action Committee (“PAC”), which detail the PAC’s political contributions and expenditures.
- Attempting to quantify indirect lobbying would be difficult to estimate and potentially misleading to stockholders as AbbVie is not directing the lobbying activities of trade, civic or patient groups. Further, it would be difficult for us to determine which third parties may endorse model legislation and whether such activities fall within the proposal’s request.

In summary, our robust oversight mechanisms and extensive disclosures address the concerns underlying the proposal, but without the unnecessary business risks and additional resources the proposal would introduce if implemented.

The board of directors recommends that you vote AGAINST the proposal.

Stockholder Proposal on Independent Chair (Item 6 on Proxy Card)

The Employees' Retirement System of Rhode Island and co-filer Vermont Pension Investment Committee have notified AbbVie that they intend to present the following proposal at the Annual Meeting and that they collectively own 92,716 AbbVie shares.

RESOLVED: AbbVie Inc. ("AbbVie" or the "Company") shareholders request the Board of Directors adopt as policy (the "Policy"), and amend the bylaws as necessary, to require henceforth that the Chair of the board be an independent member of the board. The Policy should apply prospectively so as not to violate any contractual obligations. If the board determines that a Chair who was independent when selected is no longer independent, the board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chair.

Supporting Statement

We believe:

- The role of the Chief Executive Officer (CEO) and management is to run the company.
- The role of the Board is to provide independent oversight of management and the CEO.
- There is a potential conflict of interest for a CEO to have a non-independent director act as Chair.

34% of S&P 500 companies are chaired by an independent director, up from 31% last year and 16% in 2009¹.

Numerous institutional investors recommend such a separation. For example, Norges Bank Investment Management states that the board should be chaired by an independent director, and CalPERS' Governance and Sustainability Principles recommend an independent chair in all but "very limited circumstances." The Council of Institutional Investors' corporate governance policies favor independent board chairs.

AbbVie has been criticized for anticompetitive practices that prevent market forces from acting to lower the cost of drugs such as AbbVie's Humira, which accounts for a majority of AbbVie's revenue. A federal class action filed on behalf of benefit funds claims that AbbVie engaged in an "anticompetitive scheme to restrain competition in the market for Humira and its biosimilar competitors in the United States," including abusing the patent system and colluding with potential biosimilar manufacturers to prevent market entry.² AbbVie was singled out during a February 2019 congressional hearing on high drug prices for aggressive increases in the price of Humira.³

Concerns about these risks have led to growing investor interest in the Company's governance practices. In our view, shareholders are best served by an independent board Chair who can provide a balance of power between the CEO and the board. The board is responsible for overseeing management, and conflicts of interest may arise when one person holds both the Chair and CEO positions. A 2019 survey by PwC found that 61% of directors on boards with a unified Chair/CEO believed that at least one fellow director should be replaced, a significantly larger proportion than the 47% of directors on boards with an independent chair or lead independent director who voiced that view.⁴

We believe that AbbVie's board should adopt best practice governance policies, including having an independent board Chair. We urge shareholders to vote for this proposal.

1 https://www.spencerstuart.com/-/media/2019/ssbi-2019/us_board_index_2019.pdf

2 https://www.courtlistener.com/recap/gov.uscourts.ilnd.362729/gov.uscourts.ilnd.362729.1.0_3.pdf

3 <https://www.cnbc.com/2019/02/26/sen-ron-wyden-grills-pharma-execs-for-raising-drug-prices.html>

4 <https://www.pwc.com/us/en/services/governance-insights-center/assets/pwc-2019-annual-corporate-directors-survey-full-report-v2.pdf.pdf>, at 5

Board of Directors Statement in Opposition to the Stockholder Proposal on Independent Chair (Item 6 on Proxy Card)

The board of directors recommends that stockholders vote **AGAINST** this proposal.

Our board of directors believes that our stockholders are best served by preserving the flexibility to determine the appropriate leadership structure for the company in light of the circumstances at the time.

We believe the proposal would unnecessarily restrict the board's ability to exercise its fiduciary duty to determine the board leadership structure most appropriate for the company given the specific circumstances and leadership needs at any particular point in time. The company's robust governance framework ensures that board leadership is balanced with independent participation given the extensive involvement of the lead director and his oversight. Therefore, adopting a proposal that would limit the board's ability to exercise decision making on the appropriate leadership is not in stockholders' best interests.

AbbVie's existing leadership structure and corporate governance practices provide strong independent oversight.

Since its inception in 2013, AbbVie has had a robust lead independent director role. The lead independent director has significant authority and responsibilities and works directly with the Chairman and CEO, as well as the independent directors, to ensure meaningful oversight of the board. Among other duties, our lead independent director:

- reviews and guides agenda items for board meetings;
- leads the CEO succession planning process;
- facilitates communication with the board and presides over regularly conducted executive sessions of the independent directors or sessions where the chairman of the board is not present;
- reviews and approves matters, such as schedule sufficiency, and, where appropriate, information provided to other board members;
- serves as the liaison between the chairman of the board and the independent directors;
- has the authority to call meetings of the independent directors;
- leads the board's evaluation of the CEO;
- leads the annual board and committee evaluation process, including discussing evaluations with each director individually;
- encourages effective director participation by fostering an environment of open dialogue and constructive feedback among independent directors;
- involved in selection and interviewing of new board members;
- if requested by major stockholders, ensures that he or she is available for consultation and direct communication as needed;
- if required, represents independent board members externally; and
- performs such other duties as the board may determine from time to time.

AbbVie has other robust corporate governance practices designed to protect long-term shareholder value. All directors, other than the CEO, are independent. All key committees and committee chairs are comprised completely of independent directors. Our independent directors meet regularly in executive session, which is presided over by the lead director. Our directors are also subject to majority voting as set forth in our By-Laws. Other corporate governance practices, which are highlighted in our Governance Guidelines (available at www.abbvieinvestor.com) and throughout this proxy statement, include a comprehensive board risk management oversight process; an annual investor engagement program, reaching over 45% of outstanding shares; annual say on pay votes; and proxy access.

The board periodically considers AbbVie’s leadership structure and has determined that its needs are best met through the existing structure.

In light of the lead independent director authority and responsibilities and other corporate governance practices, the board has determined that its current leadership structure, in which the offices of Chairman and Chief Executive Officer are held by one individual, along with a strong and independent Lead Director, ensures the appropriate level of oversight, independence, and responsibility is applied to all board decisions and is in the best interests of AbbVie and its stockholders.

The board of directors recommends that you vote AGAINST the proposal.

Stockholder Proposal on Compensation Committee Drug Pricing Report (Item 7 on Proxy Card)

United Church Funds, and co-filers, including The Sisters of Charity of Saint Elizabeth, Mercy Investment Services, Dominican Sisters of Springfield Illinois, Bon Secours Mercy Health, Inc., Sisters of Providence, Trinity Health, Robeco, Congregation of the Sisters of St. Joseph of Peace, and Benedictine Sisters of Virginia have notified AbbVie that they intend to present the following proposal at the Annual Meeting and that they collectively own 586,439 AbbVie shares.

Resolved: AbbVie Inc. (“AbbVie”) shareholders request that the Compensation Committee of the board of directors publish a report (at reasonable expense, within a reasonable time, and omitting confidential or proprietary information) assessing the feasibility of incorporating public concern over high drug prices into the senior executive compensation arrangements described in AbbVie’s annual proxy materials.

Supporting Statement

To reward the creation of long-term value, incentive compensation arrangements for senior executives of branded pharmaceutical companies should promote responsible risk management. A key strategic risk now facing pharmaceutical firms is backlash against the high price of medicines. The effects of high drug prices on patient access, government payer budgets and the broader health care system have kept drug prices in the public spotlight, especially as campaigning for 2020 presidential and congressional elections intensifies.

A 2019 Credit Suisse analyst report stated that US drug price rises contributed 33% of industry net income growth in 2018 and noted “strong political pressure to reduce absolute drug prices.” The report ranked AbbVie as one of the companies at greatest risk from regulatory changes that have been floated, such as using international reference pricing and eliminating Medicare rebates, and identified Humira as benefiting substantially from high rebates. (Global Pharmaceuticals, “Future of US Drug Rebates Under Review,” Apr. 29, 2019, at 4, 6-7, 11) One estimate pegged the increase in US healthcare costs from AbbVie’s January 2018 9.7% price increase for Humira at \$1 billion for 2018 alone. (<https://splinternews.com/your-meds-dont-have-to-cost-this-much-1830657097>)

We are concerned that AbbVie’s senior executive incentive compensation arrangements may not encourage consideration of risks created by high prices. For example, 80% of CEO Richard Gonzalez’s annual bonus is determined by one-year financial metrics, including net revenue, income before taxes and Humira sales, while only 20% depends on R&D/Innovation. (2019 Proxy Statement, at 38) Although the final vesting of performance share awards occurs after a three-year cycle, performance on one of the two metrics, earnings per share, depends on meeting three separate annual

targets. (See *id.* at 53-54) Excessive dependence on drug price increases and tactics like high rebates that limit competition create significant risks, which may be exacerbated when price hikes drive large senior executive payouts.

Accordingly, we believe it is advisable for the Compensation Committee to explore incorporating measures that relate to the financial and strategic risks created by high drug prices into senior executive compensation arrangements. This Proposal gives the compensation committee total discretion in selecting potential measures and in analyzing the feasibility of incorporating them. By way of illustration, though, such measures could reward executives for increasing access or limit the extent to which price increases can be used to meet revenue and income targets.

We urge shareholders to vote for this Proposal.

Board of Directors Statement in Opposition to the Stockholder Proposal on Compensation Committee Drug Pricing Report (Item 7 on Proxy Card)

The board of directors recommends that stockholders vote **AGAINST** this proposal. AbbVie has demonstrated a commitment to both balanced, appropriate executive compensation programs and to responsible drug pricing. The preparation and maintenance of the proposed report would not provide meaningful information to stockholders, would not be a good use of AbbVie's resources, and is unnecessary.

AbbVie's compensation programs effectively account for responsible risk management.

In collaboration with the compensation committee's independent compensation consultant, AbbVie conducts an annual in-depth compensation risk assessment with respect to its compensation policies and practices. The results of this assessment, including the major factors used to arrive at the results, are already published in this proxy statement. This comprehensive risk assessment appropriately evaluates AbbVie's compensation risk exposure and its potential impact on compensation outcomes, resulting in compensation decisions that are aligned with creating stockholder value and improving company performance without undue risk-taking. A report specifically focused only on drug pricing risk would be redundant to, and much less meaningful than, the broader compensation risk assessment already conducted by AbbVie.

Executive officers are evaluated based on quantitative financial metrics and qualitative factors, such as individual, strategic and leadership achievements, as well as relative accomplishments and/or developments in the company and the marketplace. Further, our executive officers are also evaluated on contributions to the company's reputation and sustainability. The use of both quantitative and qualitative metrics effectively mitigates the impact of a single risk, such as dependence on drug pricing, on overall compensation. In addition, AbbVie's compensation programs use both short-term and long-term metrics, which mitigates the potential risks of over-reliance on short-term actions, such as excessive increases in prices, and encourages strategies that result in long-term value creation.

Further, AbbVie's current compensation policies and practices provide the compensation committee, comprised entirely of independent directors, with the authority to exercise discretion to substantially adjust incentive payments, if needed.

AbbVie is committed to responsible drug pricing.

AbbVie evaluates specific pricing decisions on an annual basis with careful consideration of a variety of factors. In 2019, as in 2017 and 2018, AbbVie publicly committed to taking no more than one, single-digit price increase, as part of our ongoing commitment to acting responsibly with regard to drug pricing. Indeed, the proponents acknowledge and "applaud" AbbVie's commitment. This commitment is factored into our long-range plan and executive performance metrics are set in advance. Therefore, AbbVie already limits the risk of extreme price increases being used to inappropriately meet performance goals.

AbbVie's strategy is to address some of the world's toughest health challenges by developing innovative therapies that have a meaningful impact on patients' lives. Our strategy does not rely on price increases. Since the company's inception, AbbVie has launched more than 15 new products or indications across key therapeutic areas, including in indications for which there was previously substantial unmet medical need. AbbVie has also developed one of the strongest late-stage pipelines in the industry with several programs positioned for market leadership.

In summary, given our responsible compensation program design, existing compensation risk assessment, responsible drug pricing and other practices, the proposal would not provide meaningful information to stockholders, would not be a good use of AbbVie resources, and is unnecessary.

The board of directors recommends that you vote AGAINST this proposal.

ADDITIONAL INFORMATION

Corporate Governance Materials

AbbVie's corporate governance guidelines with the outline of directorship qualifications; director independence guidelines; code of business conduct; and audit committee, compensation committee, nominations and governance committee, and public policy committee charters are all available in the corporate governance section of AbbVie's investor relations website at www.abbvieinvestor.com.

Procedures for Approval of Related Person Transactions

It is AbbVie's policy that the nominations and governance committee review, approve, ratify or disapprove of all transactions in which AbbVie participates and in which any related person has a direct or indirect material interest if such transaction involves or is expected to involve payments of \$120,000 or more in the aggregate per fiscal year. Related person transactions requiring review by the nominations and governance committee pursuant to this policy are identified in:

- questionnaires annually distributed to AbbVie's directors and executive officers;
- certifications submitted annually by AbbVie executive officers related to their compliance with AbbVie's Code of Business Conduct; or
- communications made directly by the related person to the chief financial officer or general counsel.

In determining whether to approve or ratify a related person transaction, the nominations and governance committee will consider the following items, among others:

- the related person's relationship to AbbVie and interest in the transaction;
- the material facts of the transaction, including the aggregate value of such transaction or, in the case of indebtedness, the amount of principal involved;
- the benefits to AbbVie of the transaction;
- if applicable, the availability of other sources of comparable products or services;
- an assessment of whether the transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally;
- whether a transaction has the potential to impair director independence; and
- whether the transaction constitutes a conflict of interest.

This process is included in the nominations and governance committee's written charter, which is available on the corporate governance section of AbbVie's investor relations website at www.abbvieinvestor.com.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires AbbVie's directors and executive officers, and persons who own more than 10% of a registered class of AbbVie's equity securities, to file with the SEC initial reports of ownership and reports of changes in beneficial ownership of such equity securities of AbbVie. With the exception of one report filed on behalf of an executive officer on December 7, 2018, which was filed one day late due to an administrative error, to AbbVie's knowledge, no executive officer or director of AbbVie failed to file reports required by Section 16(a) on a timely basis.

Performance-Based Compensation Arrangements

The Performance Incentive Plan and the Incentive Stock Program are intended to comply with Internal Revenue Code Section 162(m) to permit deductibility of performance-based compensation with respect to awards granted before November 2017. In connection with such awards, the compensation committee expects to take appropriate steps to preserve deductibility, but has the flexibility to take actions that may be based on considerations in addition to tax deductibility. The committee believes that stockholder interests are best served by not restricting the committee's discretion and flexibility in crafting compensation programs, even if such programs may result in certain non-deductible compensation expenses. Accordingly, the committee may approve components of compensation for certain executive officers that are not deductible.

Exclusive Forum

AbbVie is incorporated in the state of Delaware and Delaware law governs the relationship among its directors, officers, and stockholders (also known as the internal affairs doctrine). To provide for the orderly, efficient and cost-effective resolution of Delaware-law issues affecting AbbVie, the company's Certificate of Incorporation provides that unless the board of directors otherwise determines, Delaware courts are the exclusive forum for cases involving the internal affairs doctrine, derivative actions brought on behalf of the company, claims for breach of fiduciary duty, and other matters concerning Delaware statutory and common law. The provision does not apply to any other cases brought against AbbVie.

Other Matters

The board of directors knows of no other business to be transacted at the 2020 Annual Meeting of Stockholders, but if any other matters do come before the meeting, it is the intention of the persons named in the accompanying proxy to vote or act with respect to them in accordance with their best judgment.

Date for Receipt of Stockholder Proposals for the 2021 Annual Meeting Proxy Statement

Stockholder proposals for presentation at the 2021 Annual Meeting must be received by AbbVie no later than November 25, 2020 and must otherwise comply with the applicable requirements of the Securities and Exchange Commission to be considered for inclusion in the proxy statement and proxy for the 2021 meeting.

Procedure for Recommendation and Nomination of Directors and Transaction of Business at Annual Meeting

A stockholder may recommend persons as potential nominees for director by submitting the names of such persons in writing to the secretary of AbbVie. Recommendations must be accompanied by certain information about both the nominee and the stockholder making the nomination, as set forth in AbbVie's Amended and Restated By-Laws. A nominee who is recommended by a stockholder following these procedures will receive the same consideration as other comparably qualified nominees.

A stockholder entitled to vote for the election of directors at an Annual Meeting and who is a stockholder of record on:

- the record date for that Annual Meeting,
- the date of this proxy statement, and
- the date of the Annual Meeting

may nominate persons for director, or make proposals of other business to be brought before the Annual Meeting, by providing proper timely written notice to the secretary of AbbVie. That notice must include certain information required by Article II of AbbVie's Amended and Restated By-Laws, including information about the stockholder, any beneficial owner on whose behalf the nomination or proposal is being made, their respective affiliates or associates or others acting in concert with them, and any proposed director nominee.

For each matter the stockholder proposes to bring before the Annual Meeting, the notice must also include a brief description of the business to be discussed, the reasons for conducting such business at the Annual Meeting, any material interest of the stockholder in such business and certain other information specified in the By-Laws. In addition, in the case of a director nomination, the notice must include a completed and signed questionnaire, representation and agreement of the nominee addressing matters specified in the By-Laws.

To be timely, written notice either to directly nominate persons for director or to bring business properly before the Annual Meeting must be received at AbbVie's principal executive offices not less than ninety days and not more than one hundred twenty days prior to the anniversary date of the preceding Annual Meeting. If the Annual Meeting is called for a date that is more than thirty days before or sixty days after such anniversary date, notice by the stockholder must be received not less than ninety days and not more than one hundred twenty days prior to the date of such Annual Meeting and not later than the close of business on the later of ninety days prior to the date of such Annual Meeting, or, if the first public announcement of the date of such Annual Meeting is less than one hundred days prior to the date of such Annual Meeting, the tenth day following the day on which public announcement of the date of such meeting is first made by AbbVie. To be timely for the 2021 Annual Meeting, this written notice must be received by AbbVie no later than February 15, 2021.

In addition, the notice must be updated and supplemented, if necessary, so that the information provided or required to be provided is true and correct as of the record date for the Annual Meeting and as of the date that is ten business days prior to the meeting. Any such update or supplement must be delivered to the secretary of AbbVie at AbbVie's principal executive offices not more than five business days after the record date for the Annual Meeting, and not less than eight business days before the date of the Annual Meeting in the case of any update or supplement required to be made as of ten business days prior to the Annual Meeting.

Procedure for Stockholder Nominations to be Included in AbbVie's Proxy Materials

AbbVie recently adopted a proxy access By-Law provision to permit a stockholder, or a group of up to 20 stockholders, continuously owning shares of our company for at least 3 years and representing an aggregate of at least 3% of the outstanding shares of common stock, to nominate and include in our proxy materials director nominee(s) constituting up to 25% of the total number of the directors in office, provided that the stockholder(s) and the nominee(s) satisfy the requirements in our By-Laws. Notice must include certain information required by Article II of AbbVie's Amended and Restated By-Laws. To be timely, written notice must be received at AbbVie's principal executive offices not earlier than 150 days and not later than 120 days before the anniversary of the date that the company mailed its proxy statement for the prior year's annual meeting of stockholders. To be timely for the 2021 Annual Meeting, this written notice must be received by AbbVie no later than November 25, 2020 and must include the specific information required by, and otherwise comply with the requirements of, our By-Laws.

Householding of Proxy Materials

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries (such as brokers or banks) to satisfy the delivery requirements for proxy statements with respect to two or more security holders sharing the same address by delivering a single Notice or proxy statement addressed to those security holders. This process, which is commonly referred to as “householding,” potentially provides extra convenience for security holders and cost savings for companies.

Several brokers and banks with accountholders who are AbbVie stockholders will be “householding” our proxy materials. As indicated in the notice provided by these brokers to AbbVie stockholders, a single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from an affected stockholder. Once you have received notice from your broker that it will be “householding” communications to your address, “householding” will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in “householding” and you prefer to receive a separate proxy statement, please notify your broker, or contact Broadridge Financial Solutions at 1-866-540-7095, or write to us at Investor Relations, AbbVie Inc., 1 North Waukegan Road, North Chicago, Illinois 60064. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request “householding” of their communications should contact their broker or bank.

Cautionary Statement Regarding Forward-Looking Statements

This proxy statement contains certain forward-looking statements regarding business strategies, market potential, future financial performance and other matters. The words “believe,” “expect,” “anticipate,” “project” and similar expressions, among others, generally identify “forward-looking statements,” which speak only as of the date the statements were made. The matters discussed in these forward-looking statements are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those projected, anticipated or implied in the forward-looking statements. Where, in any forward-looking statement, an expectation or belief as to future results or events is expressed, such expectation or belief is based on the current plans and expectations of AbbVie management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. Factors that could cause actual results or events to differ materially from those anticipated include the matters described in AbbVie’s Annual Report on Form 10-K for the year ended December 31, 2019 under Item 1A, “Risk Factors” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” AbbVie does not undertake any obligation to update the forward-looking statements included in this proxy statement to reflect events or circumstances after the date hereof, unless AbbVie is required by applicable securities law to do so.

General

It is important that proxies be returned promptly. Stockholders are urged to vote, regardless of the number of shares of AbbVie common stock owned. Stockholders may vote by telephone, by Internet, or by mail if a printed version of the proxy card was received or requested. Stockholders who vote by telephone or the Internet do not need to return a proxy card.

The Annual Meeting will be held on Friday, May 8, 2020 at 9:00 a.m. CT. The safety of our stockholders is important to us, and given the current guidance by public health officials surrounding COVID-19 and group gatherings, this year’s Annual Meeting will be a “virtual meeting” of stockholders. You will be able to attend the Annual Meeting, vote, and submit questions via live webcast by visiting www.virtualshareholdermeeting.com/ABBV2020. This website can be accessed on a computer, tablet, or phone with internet connection. For stockholders without access to the internet, you may listen to the Annual Meeting by telephone at 1-877-328-2502. AbbVie will make any required list of stockholders available during the meeting.

To be admitted to the Annual Meeting at www.virtualshareholdermeeting.com/ABBV2020, you must enter the control number found on your proxy card, voting instruction form or notice you received. You may vote during the Annual Meeting by following the instructions available on the meeting website during the meeting.

By order of the board of directors.
LAURA J. SCHUMACHER
SECRETARY

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Proposed Certificate of Amendment to the Amended and Restated Certificate of Incorporation of AbbVie Inc.

The text of the proposed amendment is marked to reflect the proposed changes.

AbbVie Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify:

- Articles VIII and XI of AbbVie's Amended and Restated Certificate of Incorporation are amended to read as follows:

ARTICLE VIII AMENDMENTS TO BY-LAWS

In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the By-laws of the Corporation (the "By-laws") may be altered, amended or repealed, in whole or in part, and new By-laws may be adopted, (i) by the affirmative vote of shares representing a majority of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors; provided, however, that any proposed alteration, amendment or repeal of, or the adoption of any By-law inconsistent with, Sections 2.2, 2.12, 3.2, 3.3, 3.10 or 3.11, Article VII or Article X of the By-laws (in each case, as in effect on the date hereof), or the alteration, amendment or repeal of, or the adoption of any provision inconsistent with this sentence, may only be made by the affirmative vote of shares representing not less than eighty percent (80%) of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors; and provided further, however, that in the case of any such stockholder action at a meeting of stockholders, notice of the proposed alteration, amendment, repeal or adoption of the new By-law or By-laws must be contained in the notice of such meeting, or (ii) by action of the Board of Directors of the Corporation; provided, however, that the case of any such action at a meeting of the Board of Directors, notice of the proposed alteration, amendment, repeal or adoption of the new By-law or By-laws must be given not less than two days prior to the meeting.

* * *

ARTICLE XI AMENDMENTS

The Corporation reserves the right to amend, alter or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are subject to this reservation. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware as they presently exist or may hereafter be amended, subject to any limitations contained elsewhere in this Amended and Restated Certificate of Incorporation, the Corporation may from time to time adopt, amend or repeal any provisions of this Amended and Restated Certificate of Incorporation; provided, however, that any proposed alteration, amendment or repeal of, or the adoption of any provision inconsistent with, Article VI and Article VII of this Amended and Restated Certificate of Incorporation (in each case, as in effect on the date hereof), or the alteration, amendment or repeal of, or the adoption of any provision inconsistent with this sentence, may only be made by the affirmative vote of shares representing not less than eighty percent (80%) of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors.

- The foregoing amendment to the Amended and Restated Certificate of Incorporation of the Corporation was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to the Amended and Restated Certificate of Incorporation to be executed by the undersigned officer, duly authorized, as of the _____ day of _____ 2020.

AbbVie Inc.

By: _____
Name:
Title:

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AbbVie Inc.
Reconciliation of GAAP Reported to Non-GAAP Adjusted Information
Year Ended December 31, 2019
(Unaudited) (In millions, except per share data)

Non-GAAP Financial Results

Financial results are presented on both a reported and a non-GAAP basis. Reported results were prepared in accordance with GAAP and include all revenues and expenses recognized during the period. Non-GAAP results adjust for certain non-cash items and for factors that are unusual or unpredictable, and exclude those costs, expenses, and other specified items. AbbVie's management believes non-GAAP financial measures provide useful information to investors regarding AbbVie's results of operations and assist management, analysts, and investors in evaluating the performance of the business. Non-GAAP financial measures should be considered in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP.

Business Performance Highlights Reconciliations

1. Net Revenues since 2013 Inception and Compound Annual Growth Rate

	2019	2018	2017	2016	2015	2014	2013	2019-2013 CAGR
As reported (GAAP)	\$33,266	\$32,753	\$28,216	\$25,638	\$22,859	\$19,960	\$18,790	10.0%
Adjusted for specified items:	—	(20)	—	(78)	(40)	(81)	—	—
As adjusted (non-GAAP)	\$33,266	\$32,733	\$28,216	\$25,560	\$22,819	\$19,879	\$18,790	10.0%

The 2018 specified revenue item represents a milestone payment received under a previously announced collaboration. The 2016 specified revenue items included milestone revenue under previously announced collaborations and prior period royalty revenue related to a patent lawsuit settlement. The 2015 net revenue specified item represents a milestone payment received under a previously announced collaboration. The 2014 net revenue specified item reflects royalty income from prior periods recognized in the fourth quarter of 2014 as a result of the settlement of a licensing arrangement.

2. Diluted Earnings Per Share Compound Annual Growth Rate and Operating Margin Expansion since 2013 Inception

	Earnings Per Share			Operating Margin Expansion				
	2019	2013	2019-2013 CAGR	2019	2018	2013	2019-2018 Expansion	2019-2013 Expansion
As reported (GAAP)	\$5.28	\$2.56	12.8%	39.0%	19.5%	30.1%	1,950 bps	890 bps
Adjusted for specified items:	3.66	0.58		8.3%	25.1%	6.2%	(1,680) bps	210 bps
As adjusted (non-GAAP)	\$8.94	\$3.14	19.1%	47.3%	44.6%	36.3%	270 bps	1,100 bps

3. Net Revenues Increase and Humira Sales Growth over 2018

	Net Revenues	Humira Sales
As reported (GAAP)	1.6%	(3.9)%
Adjusted for specified and other items:	—%	—%
Adjusted for foreign exchange:	1.1%	1.0%
As adjusted (non-GAAP)	2.7%	(2.9)%

4. Diluted Earnings Per Share since 2013 Inception

	2019	2018	2017	2016	2015	2014	2013
As reported (GAAP)	\$ 5.28	\$ 3.66	\$3.30	\$3.63	\$3.13	\$1.10	\$2.56
Adjusted for specified items:							
Intangible asset amortization	0.86	0.69	0.51	0.38	0.20	0.18	0.23
Separation costs	—	—	—	—	0.13	0.24	0.10
Milestones and other R&D expenses	0.20	0.09	0.09	0.05	0.26	0.48	—
Acquired IPR&D	0.25	0.27	0.20	0.12	0.09	0.15	0.21
Reata divestiture	(0.20)	—	—	—	—	—	—
Calico collaboration	—	0.32	—	—	—	—	—
Stemcentrx-related impairment	0.56	2.66	—	—	—	—	—
Charitable contribution	—	0.18	—	—	—	—	—
Acquisition related costs	0.23	—	0.03	0.16	0.25	—	—
Shire transaction and termination costs	—	—	—	—	0.10	1.12	—
Change in fair value of contingent consideration	2.14	0.31	0.39	0.14	—	—	—
Restructuring ⁽¹⁾	0.10	—	—	—	—	—	—
Litigation reserves	(0.28)	0.18	0.18	—	0.08	—	—
Intangible asset impairment	—	—	0.15	—	—	—	—
Venezuela devaluation loss	—	—	—	0.18	—	—	—
Revaluation due to Section 987 tax law change	—	—	—	0.12	—	—	—
Impacts related to tax law changes	(0.27)	(0.49)	0.71	—	—	—	—
Other	0.07	0.04	0.04	0.04	0.05	0.05	0.04
As adjusted (non-GAAP)	\$ 8.94	\$ 7.91	\$5.60	\$4.82	\$4.29	\$3.32	\$3.14

(1) Prior to 2019, restructuring impacts were minimal and included in the Other category.

2019 Performance Results for Financial Goals Reconciliations

	Net Revenues	Income Before Taxes	Operating Margin	Humira Sales
As reported (GAAP)	\$33,266	\$ 8,426	\$12,983	\$19,169
Adjusted for specified items:	—	6,150	2,747	—
Adjusted for foreign exchange:	4	103	39	4
As adjusted (non-GAAP)	\$33,270	\$14,679	\$15,769	\$19,173

The calculation of Adjusted Return on Assets reflects Adjusted Net Earnings and Adjusted Net Assets.



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AbbVie's Commitment to Corporate Responsibility

We strive to make a remarkable impact on patients and drive sustainable growth by discovering and delivering a consistent stream of innovative medicines that address serious health problems.

In accordance with our Principles:

Transforming lives
Embracing diversity and inclusion
Driving innovation

Acting with integrity

Serving the community

Our Corporate Responsibility priorities are:

Using our expertise to improve health

Creating real health improvement is our mission and the premise of our business. To be a leading health care innovator, we must attract, retain and support a diverse workforce and invest in their efforts to develop medicines that bring value to patients.

Stewarding our ethical and sustainable business

We recognize that health is of fundamental importance to all people. To participate over the long term in the provision of health care, we must earn and maintain the trust of patients, health care providers, regulators, policymakers, and the public.

Supporting long-term community strength

The health of our business is intertwined with that of our communities. We can use our unique resources to support well-being, resilience and growth in the communities where we do business and help lay the foundation for broader community vitality.

2019 Highlights

Using our expertise to improve health:



ABBV-4083

had a successful end of phase 1 meeting with the U.S. FDA. A phase 2 study in patients with river blindness will be conducted by our partner, Drugs for Neglected Diseases *initiative*, with drug product and pro bono technical support from AbbVie.



89,000+

U.S. patients received AbbVie medicines at no cost through the myAbbVie Assist patient assistance program, up from nearly 81,000 in 2018. This program is just one of the ways AbbVie helps to expand access to our medicines.

Advancing our environmental sustainability priorities:



-16%

change in absolute carbon emissions (scopes 1 and 2) since 2015, more than halfway to our 2025 target of 25%.



24%

of our purchased electricity came from renewable sources, up from 9% in 2016 and almost halfway to our 2025 target of 50%.



10

new environmental sustainability projects were approved through our SPARK innovation accelerator, an incubator for employee-driven sustainability proposals.

Attracting and retaining a diverse and inclusive workforce:



48%

of management positions are held by women globally.



Ability at AbbVie

We introduced a new Employee Resource Group (ERG) focused on people with disabilities and their caregivers.

Supporting long-term community strength:



40,000 hours

spent by AbbVie volunteers in 50 countries contributing to communities during Week of Possibilities, our annual employee volunteer event.



\$13 MM

raised, including AbbVie Foundation matching donations, for community organizations during the 2019 U.S. / Puerto Rico Employee Giving Campaign.

For more on how we support the United Nations Sustainable Development Goals, visit globalhealthprogress.org.

For more on our corporate responsibility efforts, visit abbvie.com/responsibility.



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