



## 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 7, 2021, 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's mission is to discover and deliver innovative medicines that solve serious health issues today and address the medical challenges of tomorrow. We strive to have a remarkable impact on people's lives across several key therapeutic areas: immunology, oncology, neuroscience, eye care, virology, women's health and gastroenterology, in addition to products and services across its Allergan Aesthetics portfolio. For more information about AbbVie, please visit us at [www.abbvie.com](http://www.abbvie.com).

Together, AbbVie and Allergan, have an even greater ability to meet the needs of patients

~47,000

employees turning possibilities into reality for our patients

60+

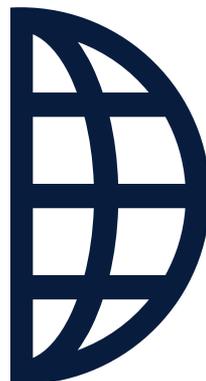
conditions treated across all stages of life

30+

brands

220+

research partnerships



175+

countries where products help patients

14 countries with manufacturing and R&D facilities



Dear AbbVie Shareholder,

2020 was truly unprecedented in almost all ways, and our performance was outstanding on every dimension. We completed the transformative acquisition of Allergan, the largest transaction in our history, which solidifies our long-term strategic vision and strengthens our company for continued success over the next decade and beyond. We delivered financial performance that exceeded our guidance and again raised our quarterly dividend payment for the eighth consecutive year.

But perhaps most importantly, we met one of the greatest leadership challenges of our time by adapting to a global pandemic while ensuring an uninterrupted supply of medicines for our patients, advancing our pipeline and taking a firm stand against discrimination and bias, and affirming the values of our company and our employees. Additionally, we pledged support to our communities and stakeholders through our philanthropic commitments to help in the fight against COVID-19 and supported access to education, health care and job opportunities for underserved populations. I am extremely proud of the performance of our employees who joined together to deliver these outstanding results.

**A transformative acquisition:** AbbVie's 2020 acquisition of Allergan provides us with significantly more scale and cash flow to continue our robust investment in R&D and business development. With approximately \$45.8 billion in global sales between the two companies, Allergan's portfolio enhances our growth platform and significantly diversifies our revenue base.

**Rapid pipeline advancement:** Our pipeline is the lifeblood of our company, and innovation is at the core of everything we do for our patients. In 2020, we invested \$5.8 billion in R&D to support continued pipeline growth across our key therapeutic areas, and as a result, we anticipate the approval of more than a dozen new products or indications over the next two years.

**Continued strong performance and financial outlook:** With impressive 2020 results, strong outlook for 2021 and the successful integration of Allergan's businesses well underway, AbbVie continues to deliver impressive shareholder value. Full year adjusted EPS grew more than 18 percent over the prior year to \$10.56. We issued 2021 adjusted EPS guidance of \$12.32 to \$12.52, representing year over year growth of 17.6 percent at the midpoint, and expect adjusted net revenue of approximately \$55.7 billion. AbbVie's financial performance also allowed us to increase our quarterly dividend from \$1.18 to \$1.30 per share—a 225 percent increase since our inception.

**Committed partner for patients and communities:** In April, shortly after the global lockdown, AbbVie immediately stepped up to assist the health care delivery system address the overflow of critically ill COVID-19 patients. This includes AbbVie's \$35 million donation to nonprofit partners to support COVID-19 relief efforts, with our support going toward increasing health care capacity, supplying critical equipment and delivering food and essential supplies. This year, AbbVie employees have also been volunteering to facilitate vaccine administration, and we are supporting a vaccination clinic for seniors in underserved communities near our North Chicago headquarters.

**Ongoing commitment to racial justice:** We publicly announced our commitment to addressing the racial and social inequality issues that came to the forefront with the tragic events of 2020. We are committed to being a leader in finding solutions to address these critical issues. To solidify this commitment in 2020, we announced a donation of \$5 million to NAACP Legal Defense and Education Fund and the Equal Justice Initiative, which are two important organizations addressing inequities in our criminal justice system. We also made an additional \$50 million commitment to support underserved Black communities across the United States by promoting education and health equity.

In summary, AbbVie achieved tremendous success in 2020 for all our stakeholders. Our employees delivered on every element of performance and did so under extraordinary personal and professional circumstances. 2020 will be a year remembered for a long time to come, and I believe our performance demonstrates the resiliency and excellence that will position us extremely well for the prospects of our future.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard A. Gonzalez". The signature is fluid and cursive, with a large, sweeping flourish at the end.

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, 2020

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
0.500% Senior Notes due 2021	ABBV21C	New York Stock Exchange
1.500% Senior Notes due 2023	ABBV23B	New York Stock Exchange
1.375% Senior Notes due 2024	ABBV24	New York Stock Exchange
1.250% Senior Notes due 2024	ABBV24B	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
2.625% Senior Notes due 2028	ABBV28B	New York Stock Exchange
2.125% Senior Notes due 2029	ABBV29	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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 1,747,782,344 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, 2020), was \$171,597,270,533. AbbVie has no non-voting common equity.

Number of common shares outstanding as of January 31, 2021: 1,765,881,690

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the 2021 AbbVie Inc. Proxy Statement are incorporated by reference into Part III. The Definitive Proxy Statement will be filed on or about March 22, 2021.

**ABBVIE INC.**  
**FORM 10-K**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
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## PART I

### ITEM 1. BUSINESS

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#### Overview

AbbVie<sup>(1)</sup> is a global, research-based biopharmaceutical company. 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.

On May 8, 2020, AbbVie completed the acquisition of Allergan plc (Allergan). The acquisition of Allergan creates a diversified biopharmaceutical company positioned for success with a comprehensive product portfolio that has leadership positions in key therapeutic areas of immunology, hematologic oncology, aesthetics, neuroscience, eye care and women's health. AbbVie's existing product portfolio and pipeline is enhanced with numerous Allergan assets and Allergan's product portfolio benefits from AbbVie's commercial strength, expertise and international infrastructure. See Note 5, "Licensing, Acquisitions and Other Arrangements—Acquisition of Allergan," to the Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data." Subsequent to the acquisition date, AbbVie's consolidated financial statements include the assets, liabilities, operating results and cash flows of Allergan.

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.

#### Impact of the Coronavirus Disease 2019 (COVID-19)

The novel coronavirus (COVID-19) pandemic continues to spread throughout the United States and around the world. In response to the growing public health crisis, AbbVie has partnered with global authorities to support the experimental use of multiple AbbVie assets to determine their efficacy in the treatment of COVID-19. AbbVie continues to closely manage manufacturing and supply chain resources around the world to help ensure that patients continue to receive an uninterrupted supply of their medicines. Clinical trial sites are being monitored locally to protect the safety of study participants, staff and employees. While the impact of COVID-19 on AbbVie's operations to date has not been material, AbbVie has experienced lower new patient starts across the therapeutic portfolio. AbbVie expects this matter could continue to negatively impact its results of operations throughout the duration of the outbreak. The extent to which COVID-19 may impact AbbVie's financial condition and results of operations remains uncertain.

#### Segments

AbbVie operates as a single global business segment dedicated to the research and development, manufacturing, commercialization and sale of innovative medicines and therapies. This operating structure enables the Chief Executive Officer, as chief operating decision maker (CODM), to allocate resources and assess business performance on a global basis in order to achieve established long-term strategic goals. Consistent with this structure, a global research and development and supply chain organization is responsible for the discovery, development, manufacturing and supply of products. Commercial efforts that coordinate the marketing, sales and distribution of these products are organized by geographic region or therapeutic area. All of these activities are supported by a global corporate administrative staff. The determination of a single

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(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.

business segment is consistent with the consolidated financial information regularly reviewed by the CODM for purposes of assessing performance, allocating resources and planning and forecasting future periods. See Note 16, “Segment and Geographic Area Information” to the Consolidated Financial Statements included under Item 8, “Financial Statements and Supplementary Data” and the sales information related to AbbVie’s key products and geographies 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.

**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
Pediatric ulcerative colitis (moderate to severe)	European Union
Pediatric uveitis	European Union

Humira is also approved in Japan for the treatment of intestinal Behçet’s disease and pyoderma gangrenosum.

Humira is sold in numerous other markets worldwide, including Japan, China, Brazil and Australia, and accounted for approximately 43% of AbbVie’s total net revenues in 2020.

*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 an oral, once-daily selective and reversible JAK inhibitor and is approved in the United States, Canada, Japan 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 is also approved in the European Union for the treatment of adult patients with active psoriatic arthritis and adult patients with active ankylosing spondylitis. Rinvoq may be used as monotherapy or in combination with methotrexate. Rinvoq is also indicated in Japan in patients with rheumatoid arthritis with inadequate response to conventional therapy (including inhibition of the progression of structural damage).

**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.

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\* 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 obinutuzumab for patients with previously untreated CLL and in combination with rituximab in patients who have received at least one previous treatment.

**Aesthetics products.** AbbVie's Allergan Aesthetics portfolio consists of toxins and dermal fillers, plastics and regenerative medicine, body contouring, and skincare products, which hold market-leading positions in the U.S. and in key markets around the world. In 2020, U.S. sales comprised approximately two-thirds of total global sales. These products are:

*Botox Cosmetic.* *Botox Cosmetic* is an acetylcholine release inhibitor and a neuromuscular blocking agent indicated for temporary improvement in the appearance of moderate to severe glabellar lines (frown lines between the eyebrows), moderate to severe crow's feet and forehead lines in adults. Having received its initial U.S. Food and Drug Administration (FDA) approval in 2002, *Botox Cosmetic* is now approved for use in all major markets around the world and has become one of the world's most recognized and iconic brands.

*Juvederm Collection.* The Juvederm Collection is a portfolio of hyaluronic acid-based dermal fillers with a variety of approved indications in the U.S. and in all other major markets around the world to treat volume loss in the cheeks, chin, lips and lower face.

*Other aesthetics.* Other aesthetics products include, but are not limited to, Coolsculpting body contouring technology, Alloderm regenerative dermal tissue, Natrelle breast implants, the SkinMedica skincare line, and DiamondGlow.

**Neuroscience products.** AbbVie's neuroscience products address some of the most difficult-to-treat neurologic diseases. These products are:

*Botox Therapeutic.* Botox Therapeutic (onabotulinumtoxinA injection) is a neuromuscular blocking agent that is injected into muscle tissue in treatment for the following indications in the United States:

- For the treatment of overactive bladder with symptoms of urge urinary incontinence, urgency, and frequency, in adults who have an inadequate response to or are intolerant of an anticholinergic medication.
- For the treatment of urinary incontinence due to detrusor overactivity associated with a neurologic condition (e.g., spinal cord injury, multiple sclerosis) in adults who have an inadequate response to or are intolerant of an anticholinergic medication.
- For the prophylaxis of headaches in adult patients with chronic migraine ( $\geq 15$  days per month with headache lasting 4 hours a day or longer).
- For the treatment of spasticity in patients 2 years of age and older.
- For the treatment of adults with cervical dystonia to reduce the severity of abnormal head position and neck pain associated with cervical dystonia.
- For the treatment of strabismus and blepharospasm associated with dystonia, including benign essential blepharospasm or VII nerve disorders in patients 12 years of age and older.
- For the treatment of severe primary axillary hyperhidrosis that is inadequately managed with topical agents. Licenses around the world vary.
- Focal spasticity associated with dynamic equinus foot deformity due to spasticity in ambulant pediatric cerebral palsy patients, two years of age or older.
- Focal spasticity of the wrist and hand in adult post stroke patients.
- Focal spasticity of the ankle and foot in adult post stroke patients.

*Vraylar.* Vraylar (cariprazine) is a dopamine D3-preferring D3/D2 receptor partial agonist and a 5-HT1A receptor partial agonist. Its D3 binding profile may be linked to observed improvements in the negative symptoms of schizophrenia and to antidepressant effects in Bipolar I disorder. Vraylar is indicated for acute and maintenance treatment of schizophrenia in adults, acute treatment of manic or mixed episodes associated with bipolar disorder in adults and acute treatment of depressive episodes associated with bipolar I disorder (bipolar depression) in adults.

*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.

*Ubrelvy.* Ubrelvy (ubrogepant) is indicated for the acute treatment of migraine with or without aura in adults and is only commercialized in the United States.

**Eye care products.** AbbVie's eye care products address unmet needs and new approaches to help preserve and protect patients' vision. These products are:

*Lumigan/Ganfort.* Lumigan (bimatoprost ophthalmic solution) 0.01% is a once daily, topical prostaglandin analog indicated for the reduction of elevated intraocular pressure (IOP) in patients with open angle glaucoma (OAG) or ocular hypertension (OHT). Ganfort is a once daily topical fixed combination of bimatoprost 0.03% and timolol 0.5% for the reduction of IOP in adult patients with OAG or OHT. Lumigan is sold in the United States and numerous markets around the world, while Ganfort is approved in the EU and some markets in South America, the Middle East, and Asia.

*Alphagan/Combigan.* Alphagan (brimonidine tartrate ophthalmic solution) is an alpha-adrenergic receptor agonist indicated for the reduction of elevated intraocular pressure (IOP) in patients with open-angle glaucoma or ocular hypertension. Combigan (brimonidine tartrate/timolol maleate ophthalmic solution) is approved for reducing elevated intraocular pressure (IOP) in patients with glaucoma who require additional or adjunctive IOP-lowering therapy. Both Alphagan and Combigan are available for sale in the United States and numerous markets around the world.

*Restasis.* Restasis is a calcineurin inhibitor immunosuppressant indicated to increase tear production in patients whose tear production is presumed to be suppressed due to ocular inflammation associated with keratoconjunctivitis sicca. Restasis is approved in the United States and a number of other markets in South America, the Middle East, and Asia.

*Other eye care.* Other eye care products include Xen, Durysta, Ozurdex and Refresh/Optive.

**Women's health products.** AbbVie's women's health products are:

*Lo Loestrin.* Lo Loestrin Fe is an oral contraceptive. It is indicated for prevention of pregnancy with the lowest dose of estrogen with only 10mcg and is dispensed in a unique 24/2/2 regimen with a two-day hormone-free interval. It is marketed in the U.S. as Lo Loestrin Fe (norethindrone acetate and ethinyl estradiol tablets, ethinyl estradiol tablets and ferrous fumarate tablets) and in select markets outside the U.S. as Lolo.

*Orilissa/Oriahnn.* 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. Oriahnn (elagolix, estradiol, and norethindrone acetate capsules; elagolix capsules) is a combination prescription medicine used to control heavy menstrual bleeding related to uterine fibroids in women before menopause.

*Other women's health.* Other women's health includes Liletta, a sterile, levonorgestrel-releasing intrauterine system indicated for prevention of pregnancy for up to six years. It is the only hormonal IUS (Intrauterine System) approved in the U.S. for up to six years of pregnancy prevention.

**Other key products.** AbbVie's other key products include, among other things, treatments for patients with hepatitis C virus (HCV), metabolic and hormone products that target a number of

conditions, including exocrine pancreatic insufficiency and hypothyroidism, as well as endocrinology products 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. These products are:

*Mavyret/Maviret.* Mavyret (glecaprevir/pibrentasvir) is approved in the United States and European Union (Maviret) for the treatment of adult and pediatric patients (12 years and older or weighing at least 45 kilograms) 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 and pediatric patients (12 years and older or weighing at least 45 kilograms) 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.

*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.

*Lupron.* 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.

*Linzess/Constella.* Linzess (linaclotide) is a once-daily guanylate cyclase-C agonist used in adults to treat irritable bowel syndrome with constipation (IBS-C) and chronic idiopathic constipation (CIC). The product is marketed as Linzess in the United States and as Constella outside of the United States.

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

AbbVie has the rights to sell Creon and Synthroid only in the United States. AbbVie's commercial rights to the sale and distribution of Synagis outside of the United States will revert to AstraZeneca upon the expiry of the current agreement in 2021.

## **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 many of the company's products must be sold pursuant to a prescription. Outside of the United States, AbbVie focuses its promotional and market access efforts on key opinion leaders, payers, physicians and health systems. AbbVie also provides patient support programs closely related to its products. Throughout the COVID-19 pandemic AbbVie has maintained its promotional activities with key stakeholders by leveraging digital engagement where permitted and in compliance with the locally applicable government guidance.

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. Certain products (including aesthetic products and devices) are also sold directly to physicians and other licensed healthcare providers. 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 retailers, pharmacies and patients. In 2020, 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 38% of AbbVie's 2020 gross revenues in the United States. 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 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, therapies and biologics. For example, Humira competes with anti-TNF products and other competitive products intended to treat a number of disease states and Mavyret/Maviret competes with other available HCV treatment options. In addition, in the past few years, a number of other companies have started to develop, have successfully developed and/or are currently marketing products that are being positioned as competitors to Botox. 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 FDCA), the Public Health Service Act (PHSA) and the regulations implementing such acts.

The enactment of federal health care reform legislation in March 2010 provided a pathway for approval of biosimilars under the PHSA, 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 by the FDA as 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 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 FDCA. 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 PHSA 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. Other types of regulatory exclusivity may also be

available, such as Generating New Antibiotic Incentives Now (GAIN) exclusivity, which can provide new antibiotic or new antifungal drugs an additional 5 years of marketing exclusivity to be added to certain exclusivities already provided for by law.

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 or sometimes even later. 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 2021 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 risankizumab (which is sold under the trademark Skyrizi). The United States composition of matter patent covering ibrutinib is expected to expire in 2027. The United States composition of matter patent covering risankizumab is expected to expire in 2033.

AbbVie may rely, in some circumstances, on trade secrets to protect its technology. 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. Other than the Lupron near-term supply issue which has impacted availability of certain formulations, 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. AbbVie also supplements its research and development efforts with acquisitions.

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 submitted 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. Further, the FDA continues to regulate product labeling, and prohibits the promotion of products for unapproved or "off-label" uses along with other labeling restrictions.

**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 applicable supervising regulatory authorities before it can commence clinical trials or marketing of the product in target markets. 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). Japan-specific trials and/or 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.

Similarly, applications for a new product in China are submitted to the Center for Drug Evaluation (CDE) of the National Medical Products Administration (NMPA) for technical review and approval of a product for marketing in China. Clinical data in Chinese subjects are required to support approval in China, requiring the inclusion of China in global pivotal studies, or a separate China/Asian clinical trial.

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. Similar to the requirements in Japan and China, certain countries (notably South Korea, Taiwan and Russia) also require that local clinical studies be conducted in order to support 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 lead to updates to the data regarding 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 pharmaceutical 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 2021 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.

## **Regulation—Medical Devices**

Medical devices are subject to regulation by the FDA, state agencies and foreign government health authorities. FDA regulations, as well as various U.S. federal and state laws, govern the development, clinical testing, manufacturing, labeling, record keeping and marketing of medical device products agencies in the United States. AbbVie's medical device product candidates, including AbbVie's breast implants, must undergo rigorous clinical testing and an extensive government regulatory clearance or approval process prior to sale in the United States and other countries. The lengthy process of clinical development and submissions for clearance or approval, and the continuing need for compliance with applicable laws and regulations, require the expenditure of substantial resources. Regulatory clearance or approval, when and if obtained, may be limited in scope, and may significantly limit the indicated uses for which a product may be marketed. Cleared or approved products and their manufacturers are subject to ongoing review, and discovery of previously unknown problems with products may result in restrictions on their manufacture, sale, and/or use or require their withdrawal from the market.

**United States.** AbbVie's medical device products are subject to extensive regulation by the FDA in the United States. Unless an exemption applies, each medical device AbbVie markets in the United States must have a 510(k) clearance or a Premarket Approval Application (PMA) in accordance with the FFDCAs and its implementing regulations. The FDA classifies medical devices into one of three classes, depending on the degree of risk associated with each medical device and the extent of controls that are needed to ensure safety and effectiveness. Devices deemed to pose a lower risk are placed in either Class I or Class II, and devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or a device deemed to be not substantially equivalent to a previously cleared 510(k) device, are placed in Class III. In

general, a Class III device cannot be marketed in the United States unless the FDA approves the device after submission of a PMA, and any changes to the device subsequent to initial FDA approval must also be reviewed and approved by the FDA. The majority of AbbVie's medical device products, including AbbVie's breast implants, are regulated as Class III medical devices. A Class III device may have significant additional obligations imposed in its conditions of approval, and the time in which it takes to obtain approval can be long. Compliance with regulatory requirements is assured through periodic, unannounced facility inspections by the FDA and other regulatory authorities, and these inspections may include the manufacturing facilities of AbbVie's subcontractors or other third-party manufacturers. Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include any of the following sanctions: warning letters or untitled letters; fines, injunctions and civil penalties; recall or seizure of AbbVie' products; operating restrictions, partial suspension or total shutdown of production; refusing AbbVie' request for 510(k) clearance or PMA approval of new products; withdrawing 510(k) clearance or PMA approvals that are already granted; and criminal prosecution.

A clinical trial is almost always required to support a PMA application and is sometimes required for a 510(k) premarket notification. Clinical trials generally require submission of an application for an investigational device exemption (IDE), which must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. A study sponsor must obtain approval for its IDE from the FDA, and it must also obtain approval of its study from the Institutional Review Board (IRB) overseeing the trial. The results of clinical testing may not be sufficient to obtain approval of the investigational device.

Once a device is approved, the manufacture and distribution of the device remains subject to continuing regulation by the FDA, including Quality System Regulation requirements, which involve design, testing, control, documentation and other quality assurance procedures during the manufacturing process. Medical device manufacturers and their subcontractors are required to register their establishments and list their manufactured devices with the FDA and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with regulatory requirements. Manufacturers must also report to the FDA if their devices may have caused or contributed to a death or serious injury or malfunctioned in a way that could likely cause or contribute to a death or serious injury, or if the manufacturer conducts a field correction or product recall or removal to reduce a risk to health posed by a device or to remedy a violation of the FFDCA that may present a health risk. Further, the FDA continues to regulate device labeling, and prohibits the promotion of products for unapproved or "off-label" uses along with other labeling restrictions.

**European Union.** Medical device products that are marketed in the European Union must comply with the requirements of the Medical Device Regulation (the MDR), which will come into effect in May 2021. The MDR provides for regulatory oversight with respect to the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices to ensure that medical devices marketed in the European Union are safe and effective for their intended uses. Medical devices that comply with the MDR are entitled to bear a Conformité Européenne marking evidencing such compliance and may be marketed in the European Union. Failure to comply with these domestic and international regulatory requirements could affect AbbVie's ability to market and sell AbbVie's products in these countries.

## **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 2020 were

approximately \$6 million and operating expenditures were approximately \$34 million. In 2021, capital expenditures for pollution control are estimated to be approximately \$9 million and operating expenditures are estimated to be approximately \$36 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 47,000 employees in over 70 countries as of January 31, 2021. 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.

## Human Capital Management

Attracting, retaining and providing meaningful growth and development opportunities to AbbVie's employees is critical to the company's success in making a remarkable impact on people's lives around the world. AbbVie leverages numerous resources to identify and enhance strategic and leadership capability, foster employee engagement and create a culture where diverse talent is productive and engaged. AbbVie invests in its employees through competitive compensation, benefits and employee support programs and offers best-in-class development and leadership opportunities. AbbVie has developed a deep talent base through ongoing investment in functional and leadership training and by sourcing world-class external talent, ensuring a sustainable talent pipeline. AbbVie continuously cultivates and enhances its working culture and embraces equality, diversity and inclusion as fundamental to the company's mission.

***Attracting and Developing Talent.*** Attracting and developing high-performing talent is essential to AbbVie's continued success. AbbVie implements detailed talent attraction strategies, with an emphasis on STEM skill sets, a diverse talent base and other critical skillsets, including drug discovery, clinical development, market access, and business development. AbbVie also invests in competitive compensation and benefits programs. In addition to offering a comprehensive suite of benefits ranging from medical and dental coverage to retirement, disability and life insurance programs, AbbVie also provides health promotion programs, mental health awareness campaigns and employee assistance programs in several countries, financial wellness support, on-site health screenings and immunizations in several countries and on-site fitness and rehabilitation centers. In addition, the AbbVie Employee Assistance Fund (a part of the AbbVie Foundation) supports two programs for global employees: the AbbVie Possibilities Scholarship for children of employees, which is an annual merit-based scholarship for use at accredited colleges, universities or vocational-technical schools; and the Employee Relief Program, which is financial assistance to support short term needs of employees when faced with large-scale disasters (e.g. a hurricane), individual disasters (e.g. a home fire) or financial hardship (e.g. the death of a spouse). Finally, AbbVie empowers managers and their teams with tools, tips and guidelines on effectively managing workloads, managing teams from a distance and supporting flexible work practices.

New AbbVie employees are given a tailored onboarding experience for faster integration and to support performance. AbbVie's mentorship program allows employees to self-nominate as mentors or mentees and facilitates meaningful relationships supporting employees' career and development goals.

AbbVie also provides structured, broad-based development opportunities, focusing on high-performance skills and leadership training. AbbVie's talent philosophy holds leaders accountable for building a high-performing organization, and the company provides development opportunities to all levels of leadership. AbbVie's Learn, Develop, Perform program offers year-long, self-directed leadership education, supplemented with tools and resources, and leverages leaders as role models and teachers. In addition, the foundation to AbbVie's leadership pipeline is the company's Professional Development Programs, which attract graduates, postgraduates and post-doctoral talent to participate in formal development programs lasting up to three years, with the objective of strengthening functional and leadership capabilities. AbbVie also recently introduced additional development support to senior leaders who are managing increased integration and operational complexity following the transformational acquisition of Allergan.

**Culture.** AbbVie's shared values of transforming lives, acting with integrity, driving innovation, embracing diversity and inclusion, and serving the community form the core of the company's culture. AbbVie articulates the behaviors associated with these values in the Ways We Work, a core set of working behaviors that emphasize how the company achieves results is equally as important as achieving them. The Ways We Work are designed to ensure that every AbbVie employee is aware of the company's cultural expectations. AbbVie integrates the Ways We Work into all talent processes, forming the basis for assessing performance, prioritizing development, and ultimately rewarding employees. AbbVie believes its culture creates strong engagement, which is measured regularly through a confidential, third party all-employee survey, and this engagement supports AbbVie's mission of making a remarkable impact on people's lives.

**Equity, Equality, Diversity & Inclusion (EED&I).** A cornerstone of AbbVie's human capital management approach is to prioritize fostering an inclusive and diverse workforce. In 2019, AbbVie adopted a five-year Equality, Diversity & Inclusion roadmap that defines key global focus areas, objectives and associated initiatives, and includes implementation plans organized by business function and geography. AbbVie's senior leaders have adopted formal goals aligned with executing this strategy. Over the past year, AbbVie's board of directors has prioritized oversight of AbbVie's response to the U.S. racial justice movement, including overseeing internal programs designed to ensure that AbbVie is attracting, retaining and developing diverse talent. Through June 2020, women represented 49 percent of management positions globally and in the United States, 33 percent of AbbVie's workforce was comprised of members of historically underrepresented populations, an increase from 2019. Further, AbbVie is committed to pay equity and conducts pay equity analyses annually. A critical component of AbbVie's strategy is to instill an inclusive mindset in all AbbVie leaders and employees, so the company can realize the full value of a diverse workforce from recruitment through retirement. AbbVie recently launched a new toolkit for people who manage others to reinforce the importance of EED&I to the business, educate leaders on inclusive recruiting practices and modeling inclusive behavior, and encourage participation in the company's inclusive culture learning opportunities. AbbVie's Employee Resource Groups also help the company nurture an inclusive culture by building community, hosting awareness events and providing leadership and career opportunities. In 2020, AbbVie reiterated its commitment to racial equality and social justice by appointing two additional senior level positions to drive change and awareness company-wide and taking deliberate steps to ensure AbbVie leads by example in promoting racial equity, as further described on the company's website at: <https://www.abbvie.com/our-company/our-principles/our-commitment-to-racial-justice.html>.

**COVID-19 Health and Safety.** AbbVie has effectively prioritized the health and safety of its employees during the COVID-19 pandemic, while continuing to drive strong business performance. AbbVie also implemented, among other things, temporary office and facility closures and establishment of new safety and cleaning protocols and procedures; regular communication regarding the effect of the pandemic on AbbVie's business and employees; establishment of physical distancing procedures, modification of workspaces, and provision of personal protective equipment and cleaning supplies for employees; temperature screening at all company locations; a variety of testing resources including on-site and at-home testing and COVID case management programs; and remote working accommodations and related services to support employees' needs for flexibility. In addition, COVID-19 is a covered event under the AbbVie Employee Assistance Fund's Employee Relief Program, entitling eligible AbbVie employees and their families to financial assistance to pay for mortgage/rent, utilities, food, childcare and medical expenses not covered by insurance. AbbVie also provided paid leave and other support and accommodations to the company's employees with relevant medical, pharmaceutical, R&D, science, public health and public safety skills, knowledge, training and experience who desired or were requested or mandated to serve as volunteers during the pandemic. Lastly, AbbVie's commitment to employees was evidenced by no workforce reductions and no salary reductions associated with COVID-19.

### **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](http://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](http://www.abbvieinvestor.com)).

## ITEM 1A. RISK FACTORS

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*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 two groups: risks related to AbbVie's business 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**

***Public health outbreaks, epidemics or pandemics, such as the coronavirus (COVID-19), have had, and could in the future have, an adverse impact on AbbVie's operations and financial condition.***

Public health outbreaks, epidemics or pandemics have had, and could in the future have, an adverse impact on AbbVie's operations and financial condition. The continuing pandemic caused by the novel strain of coronavirus (COVID-19) has caused many countries, including the United States, to declare national emergencies and implement preventive measures such as travel bans and shelter in place or total lock-down orders, some of which have eased. The continuation or re-implementation of these bans and orders remains uncertain. The COVID-19 pandemic has caused AbbVie to modify its business practices (including instituting remote work for many of AbbVie's employees), and AbbVie may take further actions as may be required by government authorities or as AbbVie determines are in the best interests of AbbVie's employees, patients, customers and business partners.

While the impact of COVID-19 on AbbVie's operations, including, among others, its manufacturing and supply chain, sales and marketing, commercial and clinical trial operations, to-date has not been material, AbbVie has experienced lower new patient starts across the therapeutic portfolio. The impact of COVID-19 on AbbVie over the long-term is uncertain and cannot be predicted with confidence. The extent of the adverse impact of COVID-19 on AbbVie's operations will depend on the extent and severity of the continued spread of COVID-19 globally, the timing and nature of actions taken to respond to COVID-19 and the resulting economic consequences. Ultimately, the outbreak could have a material adverse impact on AbbVie's operations and financial condition.

***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 \$19.8 billion in 2020, 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 43% of AbbVie's total net revenues in 2020. 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 and joint ventures 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 Mavyret/Maviret competes with other available hepatitis C treatment options. In addition, in the past few years, a number of other companies have started to develop, have successfully developed and/or are currently marketing products that are being positioned as competitors to Botox. All of these competitors may introduce new products or develop technological advances that compete with AbbVie's products in therapeutic areas such as immunology, hematologic oncology, aesthetics, neuroscience, eye care and women's health. 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.

***Certain aspects of AbbVie's operations are highly dependent upon third party service providers.***

AbbVie relies on suppliers, vendors and other third party service providers to research, develop, manufacture, commercialize, promote and sell its products. Reliance on third party manufacturers reduces AbbVie's oversight and control of the manufacturing process. Some of these third party providers are subject to legal and regulatory requirements, privacy and security risks and market risks of their own. The failure of a critical third party service provider to meet its obligations could have a material adverse impact on AbbVie's operations and results. If any third party service providers have violated or are alleged to have violated any laws or regulations during the performance of their obligations to AbbVie, it is possible that AbbVie could suffer financial and reputational harm or other negative outcomes, including possible legal consequences.

***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. For example, lawsuits are pending against Allergan, AbbVie's newly acquired subsidiary, and certain of its current and former officers alleging they made misrepresentations and omissions regarding Allergan's textured breast implants. 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. Additionally, Allergan has been named as a defendant in approximately 3,100 matters relating to the promotion and sale of prescription opioid pain relievers and additional suits may be filed. See Note 15, "Legal Proceedings and Contingencies" to the Consolidated Financial Statements included under Item 8, "Financial Statements and Supplementary Data." AbbVie cannot predict the outcome of these proceedings.

***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,” “Business—Regulation—Commercialization, Distribution and Manufacturing,” and “Business—Regulation—Medical Devices.” 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, the U.S. Physician Payments Sunshine Act, the TRICARE program, the government pricing rules applicable to the Medicaid, Medicare Part B, 340B Drug Pricing Program 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 24% of AbbVie’s total net revenues in 2020. 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;
- 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 as a result of the United Kingdom's exit from the European Union and the COVID-19 pandemic;
- sovereign debt issues;
- price and currency exchange controls, limitations on participation in local enterprises, expropriation, nationalization and other governmental action and regulation;
- inflation, recession and fluctuations in interest rates;
- restrictions on transfers of funds;
- 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, technology licensing arrangements, joint ventures 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, joint ventures, 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 2020, 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. In particular, AbbVie incurred significant debt in connection with its acquisition of Allergan. AbbVie's substantially increased indebtedness and higher debt to equity ratio as a result of the acquisition may exacerbate these risks and have the effect of, among other things, reducing its flexibility to respond to changing business and economic conditions and/or lowering its credit ratings. To the extent AbbVie incurs additional indebtedness or interest rates increase, these risks could increase further. 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 have a material adverse effect on 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 have resulted, and may in the future 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. To date, AbbVie's business or operations have not been materially impacted by such incidents. 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 material 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.

***In connection with the acquisition of Allergan, AbbVie's balances of intangible assets, including developed product rights and goodwill acquired, have increased significantly. Such balances are subject to impairment testing and may result in impairment charges, which will adversely affect AbbVie's results of operations and financial condition.***

A significant amount of AbbVie's total assets is related to acquired intangibles and goodwill. As of December 31, 2020, the carrying value of AbbVie's developed product rights and other intangible assets was \$82.9 billion and the carrying value of AbbVie's goodwill was \$33.1 billion.

AbbVie's developed product rights are stated at cost, less accumulated amortization. AbbVie determines original fair value and amortization periods for developed product rights based on its assessment of various factors impacting estimated useful lives and cash flows of the acquired products. Significant adverse changes to any of these factors require AbbVie to perform an impairment test on the affected asset and, if evidence of impairment exists, require AbbVie to take an impairment charge with respect to the asset. For assets that are not impaired, AbbVie may adjust the remaining useful lives. Such a charge could have a material adverse effect on AbbVie's results of operations and financial condition.

AbbVie's other significant intangible assets include in-process research and development (IPR&D) intangible projects, acquired in recent business combinations, which are indefinite-lived intangible assets.

Goodwill and AbbVie's IPR&D intangible assets are tested for impairment annually, or when events occur or circumstances change that could potentially reduce the fair value of the reporting unit or intangible asset. Impairment testing compares the fair value of the reporting unit or intangible asset to its carrying amount. A goodwill or IPR&D impairment, if any, would be recorded in operating income and could have a material adverse effect on AbbVie's results of operations and financial condition.

***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 research and development (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, particularly in the European Union and the United States, 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;
- environmental liabilities in connection with AbbVie's manufacturing processes and distribution logistics, including the handling of hazardous materials;
- 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 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 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

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None.

## ITEM 2. PROPERTIES

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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	Clonshaugh, Ireland
Branchburg, New Jersey*	Cork, Ireland
Campbell, California	Galway, Ireland*
Cincinnati, Ohio	Grace-Hollogne, Belgium*
Dublin, California*	Guarulhos, Brazil
Houston, Texas	La Aurora, Costa Rica
Irvine, California	Ludwigshafen, Germany
North Chicago, Illinois	Pringy, France
Waco, Texas	Singapore*
Worcester, Massachusetts*	Sligo, Ireland
Wyandotte, Michigan*	Westport, 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 two central distribution centers. AbbVie also has research and development facilities in the United States located at: Abbott Park, Illinois; Branchburg, New Jersey; Irvine, California; Madison, New Jersey; North Chicago, Illinois; Pleasanton, California; Redwood City, California; Santa Cruz, 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 and Liverpool, United Kingdom.

## ITEM 3. LEGAL PROCEEDINGS

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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

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Not applicable.

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table lists AbbVie's executive officers:

Name	Age	Position
Richard A. Gonzalez	67	Chairman of the Board and Chief Executive Officer
Michael E. Severino, M.D.	55	Vice Chairman and President
Laura J. Schumacher	57	Vice Chairman, External Affairs and Chief Legal Officer
Henry O. Gosebruch	48	Executive Vice President, Chief Strategy Officer
Robert A. Michael	50	Executive Vice President, Chief Financial Officer
Timothy J. Richmond	54	Executive Vice President, Chief Human Resources Officer
Azita Saleki-Gerhardt, Ph.D.	57	Executive Vice President, Operations
Jeffrey R. Stewart	52	Executive Vice President, Commercial Operations
Thomas J. Hudson, M.D.	59	Senior Vice President, Research & Development and Chief Scientific Officer
Elaine K. Sorg	54	Senior Vice President, U.S. Commercial Operations
Carrie Strom	43	Senior Vice President, AbbVie and President, Global Allergan Aesthetics
Brian L. Durkin	60	Vice President, Controller

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. He was first appointed as an AbbVie corporate officer in December 2012.

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 and was first appointed as an AbbVie corporate officer in June 2014. Dr. Severino also serves on the board of Avantor, Inc.

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 and was first appointed as an AbbVie corporate officer in December 2012. She serves on the board of General Dynamics Corporation and CrowdStrike Holdings, Inc.

Mr. Gosebruch is AbbVie's Executive Vice President, 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 and was first appointed as an AbbVie corporate officer in December 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 and was first appointed as an AbbVie corporate officer in December 2015.

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 and was first appointed as an AbbVie corporate officer in December 2012.

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 and was first appointed as an AbbVie corporate officer in December 2012. She serves on the board of Entegris Inc.

Mr. Stewart is AbbVie's Executive Vice President, Commercial Operations. He previously served as Senior Vice President, U.S. Commercial Operations from 2018 to 2020 and 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 and was first appointed as an AbbVie corporate officer in December 2018.

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. Dr. Hudson was first appointed as an AbbVie corporate officer in July 2019.

Ms. Sorg is AbbVie's Senior Vice President, U.S. Commercial Operations. She previously served as AbbVie's President, U.S. Immunology and Patient Services from 2019 to 2020 and as Vice President, Immunology and Oncology from 2016 to 2018. She served as Vice President, Immunology prior to AbbVie's separation from Abbott and until 2016 at AbbVie. Ms. Sorg joined Abbott in 2012 and was first appointed as an AbbVie corporate officer in November 2020. Prior to joining Abbott, Ms. Sorg served in management roles at Eli Lilly and Company for 23 years.

Ms. Strom is AbbVie's Senior Vice President, AbbVie, and President, Global Allergan Aesthetics, responsible for the worldwide operations of the aesthetics franchise. She was appointed to the position upon AbbVie's acquisition of Allergan in 2020 and was first appointed as an AbbVie corporate officer in May 2020. At Allergan, Ms. Strom previously served as Senior Vice President, U.S. Medical Aesthetics from 2018 to 2020. She joined Allergan in 2011.

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 and was first appointed as an AbbVie corporate officer in October 2018.

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.

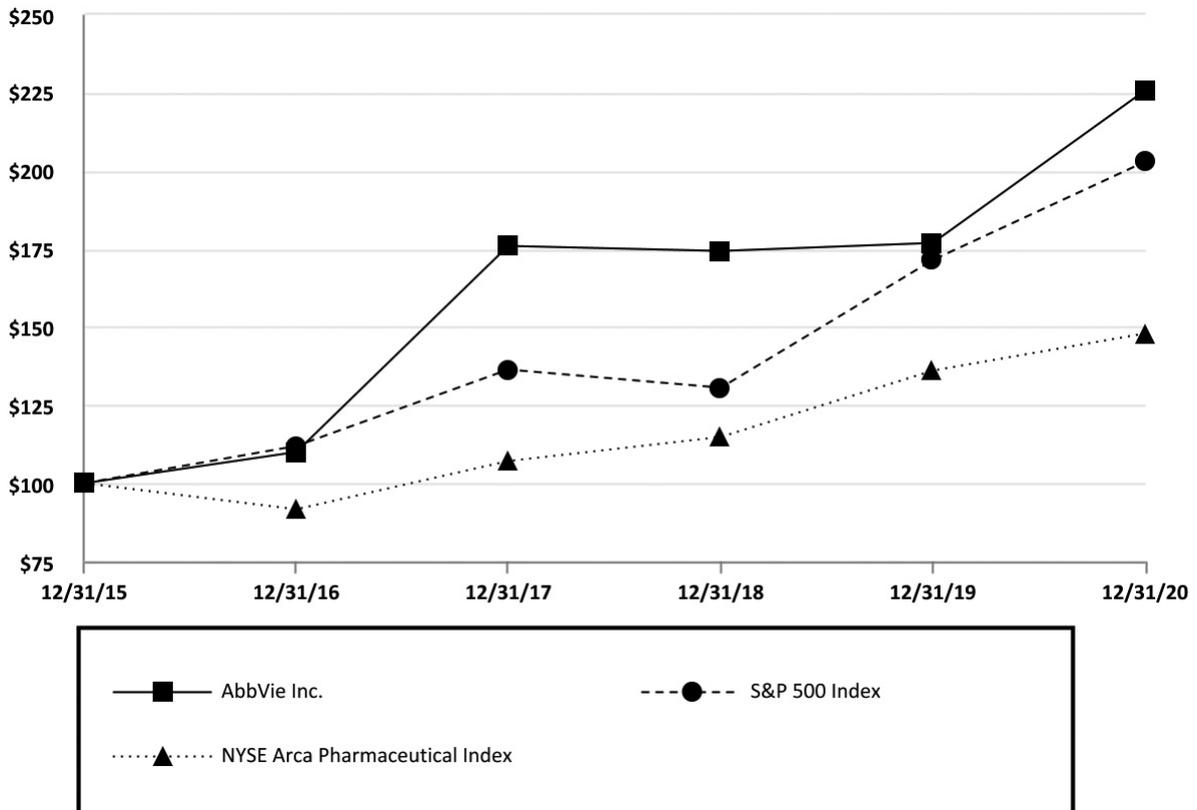
#### Stockholders

There were 47,754 stockholders of record of AbbVie common stock as of January 31, 2021.

#### 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, 2015 through December 31, 2020. This graph assumes \$100 was invested in AbbVie common stock and each index on December 31, 2015 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 October 30, 2020, AbbVie's board of directors declared an increase in the quarterly cash dividend from \$1.18 per share to \$1.30 per share, payable on February 16, 2021 to stockholders of record as of January 15, 2021. 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, 2020 - October 31, 2020	4,783 <sup>(1)</sup>	\$ 84.46 <sup>(1)</sup>	—	\$ 3,450,069,690
November 1, 2020 - November 30, 2020	945 <sup>(1)</sup>	\$ 92.50 <sup>(1)</sup>	—	\$ 3,450,069,690
December 1, 2020 - December 31, 2020	2,431,776 <sup>(1)</sup>	\$ 105.61 <sup>(1)</sup>	2,430,910	\$ 3,193,341,387
Total	2,437,504 <sup>(1)</sup>	\$ 105.56 <sup>(1)</sup>	2,430,910	\$ 3,193,341,387

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 — 4,783 in October; 945 in November; and 866 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. [RESERVED]

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

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The following is a discussion and analysis of the financial condition of AbbVie Inc. (AbbVie or the company). This commentary should be read in conjunction with the consolidated financial statements and accompanying notes appearing in Item 8, "Financial Statements and Supplementary Data." This section of this Form 10-K generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

### 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.

On May 8, 2020, AbbVie completed the acquisition of Allergan plc (Allergan). The acquisition of Allergan creates a diversified biopharmaceutical company positioned for success with a comprehensive product portfolio that has leadership positions in key therapeutic areas of immunology, hematologic oncology, aesthetics, neuroscience, eye care and women's health. AbbVie's existing product portfolio and pipeline is enhanced with numerous Allergan assets and Allergan's product portfolio benefits from AbbVie's commercial strength, expertise and international infrastructure. See Note 5 to the Consolidated Financial Statements for additional information on the acquisition. Subsequent to the acquisition date, AbbVie's consolidated financial statements include the assets, liabilities, operating results and cash flows of Allergan.

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. Certain products (including aesthetic products and devices) are also sold directly to physicians and other licensed healthcare providers. In the United States, AbbVie distributes pharmaceutical products principally through independent wholesale distributors, with some sales directly to retailers, 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 47,000 employees. AbbVie operates as a single global business segment.

#### 2020 Financial Results

AbbVie's strategy has focused on delivering strong financial results, maximizing the benefits of the Allergan acquisition, 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 2020 included delivering worldwide net revenues of \$45.8 billion, operating earnings of \$11.4 billion, diluted earnings per share of \$2.72 and cash flows from operations of \$17.6 billion. Worldwide net revenues increased by 38% on a reported basis and on a constant currency basis, which included \$10.3 billion of contributed revenues from the Allergan acquisition, growth in the immunology portfolio from Skyrizi, Rinvoq and the continued strength of Humira in the U.S. as well as revenue growth from Imbruvica and Venclexta.

Diluted earnings per share in 2020 was \$2.72 and included the following after-tax costs: (i) \$5.7 billion for the change in fair value of contingent consideration liabilities; (ii) \$4.8 billion related to the amortization of intangible assets; (iii) \$3.0 billion of Allergan acquisition and integration expenses; (iv) \$1.2 billion for acquired in-process research and development (IPR&D); and \$241 million for milestones and other research and development (R&D) expenses. These costs were partially offset by \$1.7 billion of certain tax benefits. Additionally, financial results reflected continued funding to support all stages of AbbVie's pipeline assets and continued investment in AbbVie's on-market brands.

In October 2020, AbbVie's board of directors declared a quarterly cash dividend of \$1.30 per share of common stock payable in February 2021. This reflects an increase of approximately 10.2% over the previous quarterly dividend of \$1.18 per share of common stock.

Following the closing of the Allergan acquisition, AbbVie implemented an integration plan designed to reduce costs, integrate and optimize the combined organization. The integration plan is expected to realize more than \$2 billion of expected annual cost synergies over a three-year period, with approximately 50% realized in R&D, 40% in selling, general and administrative (SG&A) and 10% in cost of products sold.

To achieve these integration objectives, AbbVie expects to incur approximately \$2 billion of charges through 2022. These costs will consist of severance and employee benefit costs (cash severance, non-cash severance, including accelerated equity award compensation expense, retention and other termination benefits) and other integration expenses.

### **Impact of the Coronavirus Disease 2019 (COVID-19)**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and around the world. In response to the growing public health crisis, AbbVie has partnered with global authorities to support the experimental use of multiple AbbVie assets to determine their efficacy in the treatment of COVID-19. In June 2020, AbbVie announced that it entered into a collaboration with Harbour BioMed, Utrecht University and Erasmus Medical Center to develop a novel antibody therapeutic to prevent and treat COVID-19. Additionally, AbbVie donated \$35 million to increase healthcare capacity, supply critical equipment and deliver food and essential supplies during the crisis. AbbVie continues to closely manage manufacturing and supply chain resources around the world to help ensure that patients continue to receive an uninterrupted supply of their medicines. Clinical trial sites are being monitored locally to protect the safety of study participants, staff and employees. While the impact of COVID-19 on AbbVie's operations to date has not been material, AbbVie has experienced lower new patient starts across the therapeutic portfolio. AbbVie expects this matter could continue to negatively impact its results of operations throughout the duration of the outbreak. The extent to which COVID-19 may impact AbbVie's financial condition and results of operations remains uncertain.

### **2021 Strategic Objectives**

AbbVie's mission is to discover and develop innovative medicines and products that solve serious health issues today and address the medical challenges of tomorrow while achieving top-tier financial performance through outstanding execution. AbbVie intends to continue to advance its mission in a number of ways, including: (i) maximizing the benefits of the Allergan acquisition to create a more diversified revenue base with multiple long-term growth drivers; (ii) growing revenues by leveraging AbbVie's commercial strength and international infrastructure across Allergan's therapeutic areas and ensuring strong commercial execution of new product launches; (iii) continuing to invest in and expand its pipeline in support of opportunities in immunology, oncology, aesthetics,

neuroscience, eye care and women's health as well as continued investment in key on-market products; (iv) expanding operating margins; and (v) returning cash to shareholders via a strong and growing dividend while also reducing 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:

- Immunology revenue growth driven by increasing market share and expanding patient access of Skyrizi and Rinvoq, as well as Humira U.S. sales growth.
- Hematologic oncology revenue growth from both Imbruvica and Venclexta.
- Expansion of the company's revenue base from additional Allergan products contributing to key aesthetics and neuroscience portfolios.
- Effective management of Humira international biosimilar erosion.
- Optimization of combined AbbVie and Allergan research and development, commercial, and manufacturing operations while maintaining key growth portfolios.
- The favorable impact of pipeline products and indications recently approved or currently under regulatory review where approval is expected in 2021. 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, realization of expense synergies from the Allergan acquisition, 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 creates 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 is enhanced with numerous Allergan assets and Allergan's product portfolio benefits 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 products and acquire or collaborate on compounds currently in development by other biotechnology or pharmaceutical companies.

AbbVie's pipeline currently includes more than 90 compounds, devices or indications in development individually or under collaboration or license agreements and is focused on such important specialties as immunology, oncology, aesthetics, neuroscience, eye care and women's health along with targeted investments in cystic fibrosis. Of these programs, more than 50 are in mid- and late-stage development.

The following sections summarize transitions of significant programs from mid-stage development to late-stage development as well as developments in significant late-stage and registration programs. AbbVie expects multiple mid-stage programs to transition into late-stage programs in the next 12 months.

## **Significant Programs and Developments**

### *Immunology*

#### Skyrizi

- In January 2021, AbbVie announced top-line results from its Phase 3 KEEPsaKE-1 and KEEPsaKE-2 clinical trials of Skyrizi in adults with active psoriatic arthritis (PsA) met the primary and ranked secondary endpoints.
- In January 2021, AbbVie announced top-line results from its Phase 3 ADVANCE and MOTIVATE induction studies of Skyrizi in patients with Crohn's Disease met the primary and key secondary endpoints.

#### Rinvoq

- 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 disease-modifying anti-rheumatic drugs (DMARDs), showed that both doses of Rinvoq 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.
- In May 2020, AbbVie submitted a supplemental New Drug Application (sNDA) to the U.S. Food and Drug Administration (FDA) and, in June 2020, submitted a marketing authorization application (MAA) to the European Medicines Agency (EMA) for Rinvoq for the treatment of adult patients with active PsA.
- In June 2020, AbbVie announced top-line results from its Phase 3 Measure Up 1 study and, in July 2020, announced top-line results from its Phase 3 Measure Up 2 and AD Up studies of Rinvoq for the treatment of moderate to severe atopic dermatitis (AD) met all primary and secondary endpoints versus placebo.
- In August 2020, AbbVie submitted an sNDA to the FDA and, earlier this year, submitted an MAA to the EMA for Rinvoq for the treatment of adult patients with active ankylosing spondylitis (AS).
- In October 2020, AbbVie submitted an sNDA to the FDA and an MAA to the EMA for Rinvoq for the treatment of adult and adolescent patients with moderate to severe AD.
- In December 2020, AbbVie announced its Phase 3 U-ACHIEVE induction study of Rinvoq for the treatment of adult patients with moderate to severe ulcerative colitis met the primary and all ranked secondary endpoints.
- In January 2021, AbbVie announced that the European Commission (EC) approved Rinvoq for the treatment of adults with active PsA and active AS.

### *Oncology*

#### Imbruvica

- In April 2020, AbbVie received FDA approval for the use of Imbruvica in combination with rituximab for the treatment of previously untreated patients with chronic lymphocytic leukemia (CLL) or small lymphocytic lymphoma (SLL).
- In August 2020, the EC granted marketing authorization for Imbruvica in combination with rituximab for the treatment of adult patients with previously untreated CLL.

## Venclexta

- In February 2020, AbbVie announced that the Phase 3 VIALE-C trial of Venclexta in combination with low-dose cytarabine in newly-diagnosed patients with acute myeloid leukemia (AML) did not meet its primary endpoint.
- In March 2020, AbbVie announced that top-line results from its Phase 3 VIALE-A trial of Venclexta in combination with azacitidine in patients with AML met its primary endpoints.
- In March 2020, AbbVie received EC approval of Venclyxto in combination with obinutuzumab for patients with previously untreated CLL.
- In June 2020, AbbVie submitted an MAA to the EMA for Venclyxto for the treatment of patients with AML.
- In October 2020, AbbVie received FDA full approval of Venclexta for the treatment of patients with AML. The approval is supported by data from a series of trials including the Phase 3 VIALE-A and VIALE-C studies.

## *Aesthetics*

### Juvederm Collection

- In June 2020, AbbVie received FDA approval of Juvederm Voluma XC for the augmentation of the chin region to improve the chin profile in adults over the age of 21.

## *Neuroscience*

### Botox Therapeutic

- In June 2020, the FDA accepted the company's supplemental Biologics License Application (sBLA) to expand the Botox prescribing information for the treatment of detrusor (bladder muscle) overactivity associated with an underlying neurologic condition in certain pediatric patients. In February 2021, AbbVie received FDA approval of Botox for the treatment of detrusor overactivity associated with a neurological condition in certain pediatric patients 5 years of age and older.
- In July 2020, AbbVie received FDA approval of Botox for the treatment of lower limb spasticity caused by cerebral palsy in pediatric patients over the age of 2.

### Atogepant

- In July 2020, AbbVie announced that the Phase 3 ADVANCE trial evaluating atogepant, an orally administered calcitonin gene-related peptide receptor antagonist, for migraine prevention met its primary endpoint for all doses (10mg, 30mg, and 60mg) compared to placebo, all secondary endpoints with 30mg and 60mg doses, and four out of six secondary endpoints with the 10mg dose.
- In January 2021, AbbVie submitted a New Drug Application to the FDA for atogepant for the prevention of episodic migraine.

### Elezanumab

- In September 2020, AbbVie announced that the FDA granted Orphan Drug and Fast Track designations for elezanumab, an investigational treatment for patients following spinal cord injury.

## Virology/Liver Disease

### Mavyret

- In March 2020, AbbVie announced that the EC granted marketing authorization for Mavyret to shorten once-daily treatment duration from 12 to 8 weeks in treatment-naïve, compensated cirrhotic, chronic hepatitis C virus (HCV) patients with genotype 3 infection.

## Eye Care

### AGN-190584

- In October 2020, AbbVie announced that top-line results from its Phase 3 GEMINI 1 and 2 studies of AGN-190584, an investigational ophthalmic solution, for the treatment of presbyopia met their primary endpoint and majority of the secondary endpoints.

### Abicipar pegol

- In June 2020, AbbVie announced that the FDA issued a Complete Response Letter (CRL) to the Biologics License Application (BLA) for abicipar pegol, a novel, investigational DARPin therapy for patients with neovascular (wet) age-related macular degeneration (nAMD). The CRL indicated that the rate of intraocular inflammation observed following administration of abicipar pegol results in an unfavorable benefit-risk ratio in the treatment of nAMD. In July 2020, AbbVie withdrew the regulatory application with the EMA for abicipar pegol for the treatment of nAMD.

## Women's Health

### Oriahnn

- In May 2020, the FDA approved Oriahnn (elagolix, estradiol, and norethindrone acetate capsules; elagolix capsules) for the management of heavy menstrual bleeding due to uterine fibroids in pre-menopausal women.

## RESULTS OF OPERATIONS

### Net Revenues

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

years ended (dollars in millions)	2020	2019	2018	Percent change			
				At actual currency rates		At constant currency rates	
				2020	2019	2020	2019
United States	\$34,879	\$23,907	\$21,524	45.9%	11.1%	45.9%	11.1%
International	10,925	9,359	11,229	16.7%	(16.7)%	17.8%	(13.6)%
Net revenues	\$45,804	\$33,266	\$32,753	37.7%	1.6%	38.0%	2.6%

The following table details AbbVie's worldwide net revenues:

years ended December 31 (dollars in millions)				Percent change				
				At actual currency rates		At constant currency rates		
		2020	2019	2018	2020	2019	2020	2019
<b>Immunology</b>								
Humira	United States	\$16,112	\$14,864	\$13,685	8.4%	8.6%	8.4%	8.6%
	International	3,720	4,305	6,251	(13.6)%	(31.1)%	(12.5)%	(27.8)%
	Total	\$19,832	\$19,169	\$19,936	3.5%	(3.9)%	3.7%	(2.9)%
Skyrizi	United States	\$ 1,385	\$ 311	\$ —	>100.0%	n/m	>100.0%	n/m
	International	205	44	—	>100.0%	n/m	>100.0%	n/m
	Total	\$ 1,590	\$ 355	\$ —	>100.0%	n/m	>100.0%	n/m
Rinvoq	United States	\$ 653	\$ 47	\$ —	>100.0%	n/m	>100.0%	n/m
	International	78	—	—	>100.0%	n/m	>100.0%	n/m
	Total	\$ 731	\$ 47	\$ —	>100.0%	n/m	>100.0%	n/m
<b>Hematologic Oncology</b>								
Imbruvica	United States	\$ 4,305	\$ 3,830	\$ 2,968	12.4%	29.1%	12.4%	29.1%
	Collaboration revenues	1,009	844	622	19.5%	35.8%	19.5%	35.8%
	Total	\$ 5,314	\$ 4,674	\$ 3,590	13.7%	30.2%	13.7%	30.2%
Venclexta	United States	\$ 804	\$ 521	\$ 247	54.4%	>100.0%	54.4%	>100.0%
	International	533	271	97	97.0%	>100.0%	97.8%	>100.0%
	Total	\$ 1,337	\$ 792	\$ 344	69.0%	>100.0%	69.3%	>100.0%
<b>Aesthetics</b>								
Botox Cosmetic <sup>(a)</sup>	United States	\$ 687	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	425	—	—	n/m	n/m	n/m	n/m
	Total	\$ 1,112	\$ —	\$ —	n/m	n/m	n/m	n/m
Juvederm Collection <sup>(a)</sup>	United States	\$ 318	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	400	—	—	n/m	n/m	n/m	n/m
	Total	\$ 718	\$ —	\$ —	n/m	n/m	n/m	n/m
Other Aesthetics <sup>(a)</sup>	United States	\$ 666	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	94	—	—	n/m	n/m	n/m	n/m
	Total	\$ 760	\$ —	\$ —	n/m	n/m	n/m	n/m
<b>Neuroscience</b>								
Botox Therapeutic <sup>(a)</sup>	United States	\$ 1,155	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	232	—	—	n/m	n/m	n/m	n/m
	Total	\$ 1,387	\$ —	\$ —	n/m	n/m	n/m	n/m
Vraylar <sup>(a)</sup>	United States	\$ 951	\$ —	\$ —	n/m	n/m	n/m	n/m
Duodopa	United States	\$ 103	\$ 97	\$ 80	5.9%	20.4%	5.9%	20.4%
	International	391	364	350	7.4%	4.2%	6.3%	9.8%
	Total	\$ 494	\$ 461	\$ 430	7.1%	7.2%	6.2%	11.7%
Ubrelvy <sup>(a)</sup>	United States	\$ 125	\$ —	\$ —	n/m	n/m	n/m	n/m
Other Neuroscience <sup>(a)</sup>	United States	\$ 528	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	11	—	—	n/m	n/m	n/m	n/m
	Total	\$ 539	\$ —	\$ —	n/m	n/m	n/m	n/m
<b>Eye Care</b>								
Lumigan/Ganfort <sup>(a)</sup>	United States	\$ 165	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	213	—	—	n/m	n/m	n/m	n/m
	Total	\$ 378	\$ —	\$ —	n/m	n/m	n/m	n/m
Alphagan/Combigan <sup>(a)</sup>	United States	\$ 223	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	103	—	—	n/m	n/m	n/m	n/m
	Total	\$ 326	\$ —	\$ —	n/m	n/m	n/m	n/m
Restasis <sup>(a)</sup>	United States	\$ 755	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	32	—	—	n/m	n/m	n/m	n/m
	Total	\$ 787	\$ —	\$ —	n/m	n/m	n/m	n/m
Other Eye Care <sup>(a)</sup>	United States	\$ 305	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	388	—	—	n/m	n/m	n/m	n/m
	Total	\$ 693	\$ —	\$ —	n/m	n/m	n/m	n/m
<b>Women's Health</b>								
Lo Loestrin <sup>(a)</sup>	United States	\$ 346	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	10	—	—	n/m	n/m	n/m	n/m
	Total	\$ 356	\$ —	\$ —	n/m	n/m	n/m	n/m
Orilissa/Oriahnn	United States	\$ 121	\$ 91	\$ 11	33.3%	>100.0%	33.3%	>100.0%
	International	4	2	—	96.1%	n/m	97.7%	n/m
	Total	\$ 125	\$ 93	\$ 11	34.6%	>100.0%	34.6%	>100.0%
Other Women's Health <sup>(a)</sup>	United States	\$ 181	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	11	—	—	n/m	n/m	n/m	n/m
	Total	\$ 192	\$ —	\$ —	n/m	n/m	n/m	n/m

years ended December 31 (dollars in millions)		2020	2019	2018	Percent change			
					At actual currency rates		At constant currency rates	
					2020	2019	2020	2019
<b>Other Key Products</b>								
Mavyret	United States	\$ 785	\$ 1,473	\$ 1,614	(46.7)%	(8.8)%	(46.7)%	(8.8)%
	International	1,045	1,420	1,824	(26.4)%	(22.1)%	(26.8)%	(19.6)%
	Total	\$ 1,830	\$ 2,893	\$ 3,438	(36.7)%	(15.9)%	(36.9)%	(14.6)%
Creon	United States	\$ 1,114	\$ 1,041	\$ 928	6.9%	12.2%	6.9%	12.2%
Lupron	United States	\$ 600	\$ 720	\$ 726	(16.6)%	(0.8)%	(16.6)%	(0.8)%
	International	152	167	166	(9.1)%	0.8%	(5.4)%	6.0%
	Total	\$ 752	\$ 887	\$ 892	(15.2)%	(0.5)%	(14.5)%	0.5%
Linzess/Constella <sup>(a)</sup>	United States	\$ 649	\$ —	\$ —	n/m	n/m	n/m	n/m
	International	18	—	—	n/m	n/m	n/m	n/m
	Total	\$ 667	\$ —	\$ —	n/m	n/m	n/m	n/m
Synthroid	United States	\$ 771	\$ 786	\$ 776	(1.9)%	1.3%	(1.9)%	1.3%
	All other	\$ 2,923	\$ 2,068	\$ 2,408	41.3%	(14.1)%	42.4%	(11.5)%
	Total net revenues	\$45,804	\$33,266	\$32,753	37.7%	1.6%	38.0%	2.6%

n/m—Not meaningful

(a) Net revenues include Allergan product revenues from the date of the acquisition, May 8, 2020, through December 31, 2020.

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

Global Humira sales increased 4% in 2020 primarily driven by market growth across therapeutic categories, offset by direct biosimilar competition in certain international markets. In the United States, Humira sales increased 8% in 2020 driven by market growth across all indications and favorable pricing, partially offset by lower new patient starts due to the COVID-19 pandemic. Internationally, Humira revenues decreased 12% in 2020 primarily driven by direct biosimilar competition in certain international markets. Biosimilar competition for Humira is not expected in the United States until 2023. AbbVie continues to pursue strategies intended to maintain market leadership among its installed patient base and add to the sustainability of Humira.

Net revenues for Skyrizi increased more than 100% in 2020 primarily driven by market growth and market share gains over the prior year following the April 2019 regulatory approvals for the treatment of moderate to severe plaque psoriasis.

Net revenues for Rinvoq increased more than 100% in 2020 primarily driven by the August 2019 FDA approval and December 2019 EC 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 14% in 2020 as a result of continued penetration of Imbruvica for patients with CLL, partially offset by lower new patient starts due to the COVID-19 pandemic in 2020.

Net revenues for Venclexta increased 69% in 2020 primarily due to continued expansion of Venclexta for the treatment of patients with first-line CLL, relapsed/refractory CLL and first-line AML.

Net revenues for Botox Cosmetic used in facial aesthetics were \$1.1 billion in 2020 for the period subsequent to the completion of the Allergan acquisition.

Net revenues for Juvederm Collection (including Juvederm Ultra XC, Juvederm Voluma XC and other Juvederm products) used in facial aesthetics were \$718 million in 2020 for the period subsequent to the completion of the Allergan acquisition.

Net revenues for Botox Therapeutic used primarily in neuroscience and urology therapeutic areas were \$1.4 billion in 2020 for the period subsequent to the completion of the Allergan acquisition.

Net revenues for Vraylar for the treatment of schizophrenia, bipolar I disorder and bipolar depression were \$951 million in 2020 for the period subsequent to the completion of the Allergan acquisition.

Global Mavyret sales decreased 37% in 2020 primarily driven by lower global new patient starts due to the COVID-19 pandemic as well as competitive dynamics in the U.S.

Net revenues for Creon increased 7% in 2020 primarily driven by continued market growth, partially offset by lower new patient starts due to the COVID-19 pandemic. Creon maintains market leadership in the pancreatic enzyme market with approximately 80% total market share.

Net revenues for Lupron decreased 14% in 2020 primarily due to a near-term supply issue which has impacted product availability of certain formulations.

## Gross Margin

years ended December 31 (dollars in millions)	2020	2019	2018	Percent change	
				2020	2019
Gross margin	\$30,417	\$25,827	\$25,035	18%	3%
as a percent of net revenues	66%	78%	76%		

Gross margin as a percentage of net revenues in 2020 decreased from 2019 primarily due to the unfavorable impacts of higher amortization of intangible assets and inventory fair value step-up adjustments associated with the Allergan acquisition as well as collaboration profit sharing arrangements for Imbruvica and Venclexta.

## Selling, General and Administrative

years ended December 31 (dollars in millions)	2020	2019	2018	Percent change	
				2020	2019
Selling, general and administrative	\$11,299	\$6,942	\$7,399	63%	(6)%
as a percent of net revenues	25%	21%	23%		

Selling, general and administrative (SG&A) expenses as a percentage of net revenues in 2020 increased from 2019 primarily due to the unfavorable impacts of incremental SG&A expenses of Allergan, including transaction and integration costs resulting from the acquisition.

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

years ended December 31 (dollars in millions)	2020	2019	2018	Percent change	
				2020	2019
Research and development	\$6,557	\$6,407	\$10,329	2%	(38)%
as a percent of net revenues	14%	19%	32%		
Acquired in-process research and development	\$1,198	\$ 385	\$ 424	>100%	(9)%

Research and Development (R&D) expenses as a percentage of net revenues decreased in 2020 primarily due to the \$1.0 billion intangible asset impairment charge in 2019, which represented the remaining value of the IPR&D acquired as part of the 2016 Stemcentrx acquisition following the decision to terminate the Rova-T R&D program. See Note 7 to the Consolidated Financial Statements for additional information regarding the impairment charge. R&D expenses as a percentage of net revenues in 2020 were also favorably impacted by increased scale of the combined company for the period subsequent to the completion of the Allergan acquisition.

Acquired IPR&D expenses reflect upfront payments related to various collaborations. Acquired IPR&D expense in 2020 included a charge of \$750 million as a result of entering a collaboration agreement with Genmab A/S (Genmab) to research, develop and commercialize investigational bispecific antibody therapeutics for the treatment of cancer. Acquired IPR&D expense in 2020 also included a charge of \$200 million as a result of a collaboration agreement with I-Mab Biopharma (I-Mab) for the development and commercialization of lempoparlimab for the treatment of multiple cancers. See Note 5 to the Consolidated Financial Statements for additional information regarding the Genmab and I-Mab agreements. There were no individually significant transactions or cash flows during 2019.

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

### Other Non-Operating Expenses

years ended December 31 (in millions)	2020	2019	2018
Interest expense	\$2,454	\$1,784	\$1,348
Interest income	(174)	(275)	(204)
Interest expense, net	\$2,280	\$1,509	\$1,144
Net foreign exchange loss	\$ 71	\$ 42	\$ 24
Other expense, net	5,614	3,006	18

Interest expense in 2020 increased compared to 2019 primarily due to a higher average debt balance associated with the financing of the Allergan acquisition as well as the incremental Allergan debt acquired, partially offset by the favorable impact of lower interest rates on the company's debt obligations.

Interest income in 2020 decreased compared to 2019 primarily due to a lower average cash and cash equivalents balance as a result of the cash paid for the Allergan acquisition and the unfavorable impact of lower interest rates.

Other expense, net included charges related to the change in fair value of the contingent consideration liabilities of \$5.8 billion in 2020 and \$3.1 billion in 2019. The fair value of contingent consideration liabilities is impacted by the passage of time and multiple other inputs, including the probability of success of achieving regulatory/commercial milestones, discount rates, the estimated amount of future sales of the acquired products and other market-based factors. In 2020, the change in fair value primarily included the increase in the Skyrizi contingent consideration liability due to higher estimated future sales driven by stronger market share uptake and favorable clinical trial results as well as lower interest rates. In 2019, the Skyrizi 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.

### Income Tax Expense

The effective income tax rate was negative 36% in 2020, 6% in 2019 and negative 9% in 2018. The effective tax rate in each period differed from the statutory tax rate principally due to the impact of 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, changes in enacted tax rates and laws and related restructuring, the cost of repatriation decisions, tax audit settlements and Boehringer Ingelheim accretion on contingent consideration. The decrease in the effective tax rate for 2020 over the prior year was principally due to the recognition of a net tax benefit of \$1.7 billion related to changes in tax laws and related restructuring, including certain intra-group transfers of intellectual property and deferred tax remeasurement.

### FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

years ended December 31 (in millions)	2020	2019	2018
Cash flows from:			
Operating activities	\$ 17,588	\$13,324	\$ 13,427
Investing activities	(37,557)	596	(1,006)
Financing activities	(11,501)	18,708	(14,396)

Operating cash flows in 2020 increased from 2019 and included the results of Allergan subsequent to the May 8 acquisition date. Operating cash flows in 2020 were favorably impacted by higher net revenues of the combined company and the timing of working capital cash flows, partially offset by acquisition-related cash expenses. Operating cash flows also reflected AbbVie's contributions to its defined benefit plans of \$367 million in 2020 and \$727 million in 2019.

Investing cash flows in 2020 primarily included \$39.7 billion cash consideration paid to acquire Allergan offset by cash acquired of \$1.5 billion. Investing cash flows also included net sales and maturities of investments totaling \$1.5 billion, payments made for other acquisitions and investments of \$1.4 billion and capital expenditures of \$798 million. Investing cash flows in 2019 included net sales and maturities of investment securities 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.

Financing cash flows in 2020 included the issuance of term loans totaling \$3.0 billion under the existing \$6.0 billion term loan credit agreement which were used to finance the acquisition of Allergan. Subsequent to these borrowings, AbbVie terminated the unused commitments of the lenders under the term loan. Additionally, financing cash flows included the May 2020 repayment of \$3.8 billion aggregate principal amount of the company's 2.50% senior notes at maturity, the September 2020 repayment of \$650 million aggregate principal amount of 3.375% Allergan exchange notes at maturity, and the November 2020 repayments of €700 million aggregate principal amount of floating rate Allergan exchange notes at maturity and \$450 million aggregate principal amount of 4.875% Allergan exchange notes due February 2021.

Financing cash flows in 2019 included the issuance of \$30.0 billion aggregate principal amount of floating rate and fixed rate unsecured senior notes which were used to finance the acquisition of Allergan. 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.

Cash dividend payments totaled \$7.7 billion in 2020 and \$6.4 billion in 2019. The increase in cash dividend payments was primarily driven by higher outstanding shares following the 286 million shares of AbbVie common stock issued to Allergan shareholders in May 2020 as well as an increase in the dividend rate. On October 30, 2020, AbbVie announced that its board of directors declared an increase in the quarterly cash dividend from \$1.18 per share to \$1.30 per share beginning with the dividend payable on February 16, 2021 to stockholders of record as of January 15, 2021. This reflects an increase of approximately 10.2% 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.

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 8 million shares for \$757 million in 2020 and 4 million shares for \$300 million in 2019. AbbVie cash-settled \$201 million of its December 2018 open market purchases in January 2019. AbbVie's remaining stock repurchase authorization was \$3.2 billion as of December 31, 2020.

In 2020 and 2019, the company issued and redeemed commercial paper. There were no commercial paper borrowings outstanding as of December 31, 2020 or December 31, 2019. AbbVie may issue additional commercial paper or retire commercial paper to meet liquidity requirements as needed.

## **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 for credit losses equal to the estimate of future losses over the contractual life of outstanding accounts receivable. AbbVie may also utilize factoring arrangements to mitigate credit risk, although the receivables included in such arrangements have historically not been a significant amount of total outstanding receivables.

## Credit Facility, Access to Capital and Credit Ratings

### Credit Facility

AbbVie currently has a \$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, 2020, the company was in compliance with all covenants, and commitment fees under the credit facility were insignificant. No amounts were outstanding under the company's credit facility as of December 31, 2020 and 2019.

### 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 has the ability to issue 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 acquisition of Allergan, S&P Global Ratings revised its ratings outlook to stable from negative and lowered the issuer credit rating by one notch to BBB+ from A- and the short-term rating to A-2 from A-1. There were no changes in Moody's Investor Service of its Baa2 senior unsecured long-term rating and Prime-2 short-term rating with a stable outlook.

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, 2020:

(in millions)	Total	Less than one year	One to three years	Three to five years	More than five years
Short-term borrowings	\$ 34	\$ 34	\$ —	\$ —	\$ —
Long-term debt, including current portion	84,948	8,422	16,643	16,197	43,686
Interest on long-term debt <sup>(a)</sup>	33,664	2,752	4,652	3,898	22,362
Non-cancelable operating and finance lease payments	1,154	229	323	208	394
Purchase obligations and other <sup>(b)</sup>	5,432	5,040	249	112	31
Other long-term liabilities <sup>(c)(d)(e)</sup>	18,478	1,029	3,036	4,144	10,269
Total	\$143,710	\$17,506	\$24,903	\$24,559	\$76,742

- (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 2020. 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, 2020. 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, 2020.

- (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 \$13.0 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.

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. Provisions for rebates and chargebacks totaled \$27.0 billion in 2020, \$18.8 billion in 2019 and \$16.4 billion in 2018. 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 89% of the total consolidated rebate and chargebacks recorded as reductions to revenues in 2020. 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, 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
Additions <sup>(a)</sup>	1,266	649	71
Provisions	6,715	8,656	8,677
Payments	(6,801)	(8,334)	(8,693)
Balance at December 31, 2020	\$ 2,945	\$ 2,907	\$ 741

(a) Represents rebate accruals and chargeback allowances assumed in the Allergan acquisition.

### Cash Discounts and Product Returns

Cash discounts and product returns, which totaled \$2.4 billion in 2020, \$1.6 billion in 2019 and \$1.6 billion in 2018, 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, 2020. 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 2021 and projected benefit obligations as of December 31, 2020:

(in millions) (brackets denote a reduction)	50 basis point	
	Increase	Decrease
<b>Defined benefit plans</b>		
Service and interest cost	\$ (89)	\$ 101
Projected benefit obligation	(1,000)	1,140
<b>Other post-employment plans</b>		
Service and interest cost	\$ (6)	\$ 7
Projected benefit obligation	(56)	63

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, 2020 and will be used in the calculation of net periodic benefit cost in 2021. 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 2021 by \$94 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, 2020 and will be used in the calculation of net periodic benefit cost in 2021.

## **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. The fair value of the company's contingent consideration liabilities as of December 31, 2020 was calculated using the following significant unobservable inputs:

	Range	Weighted Average <sup>(a)</sup>
Discount rate	0.1% - 2.2%	1.1%
Probability of payment for unachieved milestones	56% - 92%	64%
Probability of payment for royalties by indication <sup>(b)</sup>	56% - 100%	91%
Projected year of payments	2021 - 2034	2027

- (a) Unobservable inputs were weighted by the relative fair value of the contingent consideration liabilities.
- (b) Excludes early stage indications with 0% estimated probability of payment and includes approved indications with 100% probability of payment. Excluding approved indications, the estimated probability of payment ranged from 56% to 89% at December 31, 2020.

### 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, 2020 and 2019:

as of December 31 (in millions)	2020			2019		
	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	\$ 7,818	1.213	\$ (39)	\$ 6,217	1.116	\$ (12)
Japanese yen	837	103.9	(7)	820	108.7	—
Canadian dollar	591	1.328	(23)	504	1.324	(6)
British pound	275	1.341	3	427	1.305	(6)
All other currencies	1,706	n/a	(15)	1,508	n/a	(10)
Total	\$ 11,227		\$ (81)	\$ 9,476		\$ (34)

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 \$1.14 billion at December 31, 2020. 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, 2020, the company has €6.6 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 loss. 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 \$111 million at December 31, 2020. 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 \$5.7 billion at December 31, 2020. 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)	2020	2019	2018
<b>Net revenues</b>	\$45,804	\$33,266	\$32,753
Cost of products sold	15,387	7,439	7,718
Selling, general and administrative	11,299	6,942	7,399
Research and development	6,557	6,407	10,329
Acquired in-process research and development	1,198	385	424
Other operating (income) expense	—	(890)	500
Total operating costs and expenses	34,441	20,283	26,370
Operating earnings	11,363	12,983	6,383
Interest expense, net	2,280	1,509	1,144
Net foreign exchange loss	71	42	24
Other expense, net	5,614	3,006	18
Earnings before income tax expense	3,398	8,426	5,197
Income tax expense (benefit)	(1,224)	544	(490)
Net earnings	4,622	7,882	5,687
Net earnings attributable to noncontrolling interest	6	—	—
<b>Net earnings attributable to AbbVie Inc.</b>	<b>\$ 4,616</b>	<b>\$ 7,882</b>	<b>\$ 5,687</b>
<b>Per share data</b>			
Basic earnings per share attributable to AbbVie Inc.	\$ 2.73	\$ 5.30	\$ 3.67
Diluted earnings per share attributable to AbbVie Inc.	\$ 2.72	\$ 5.28	\$ 3.66
Weighted-average basic shares outstanding	1,667	1,481	1,541
Weighted-average diluted shares outstanding	1,673	1,484	1,546

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)	2020	2019	2018
<b>Net earnings</b>	\$4,622	\$ 7,882	\$5,687
Foreign currency translation adjustments, net of tax expense (benefit) of \$28 in 2020, \$(4) in 2019 and \$(18) in 2018	1,511	(98)	(391)
Net investment hedging activities, net of tax expense (benefit) of \$(221) in 2020, \$22 in 2019 and \$40 in 2018	(799)	74	138
Pension and post-employment benefits, net of tax expense (benefit) of \$(47) in 2020, \$(323) in 2019 and \$35 in 2018	(102)	(1,243)	197
Marketable security activities, net of tax expense (benefit) of \$— in 2020, \$— in 2019 and \$— in 2018	—	10	(10)
Cash flow hedging activities, net of tax expense (benefit) of \$(23) in 2020, \$70 in 2019 and \$23 in 2018	(131)	141	313
Other comprehensive income (loss)	\$ 479	\$(1,116)	\$ 247
Comprehensive income	5,101	6,766	5,934
Comprehensive income attributable to noncontrolling interest	6	—	—
<b>Comprehensive income attributable to AbbVie Inc.</b>	<b>\$5,095</b>	<b>\$ 6,766</b>	<b>\$5,934</b>

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)	2020	2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 8,449	\$ 39,924
Short-term investments	30	—
Accounts receivable, net	8,822	5,428
Inventories	3,310	1,813
Prepaid expenses and other	3,562	2,354
<b>Total current assets</b>	<b>24,173</b>	<b>49,519</b>
Investments	293	93
Property and equipment, net	5,248	2,962
Intangible assets, net	82,876	18,649
Goodwill	33,124	15,604
Other assets	4,851	2,288
<b>Total assets</b>	<b>\$150,565</b>	<b>\$ 89,115</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Short-term borrowings	\$ 34	\$ —
Current portion of long-term debt and finance lease obligations	8,468	3,753
Accounts payable and accrued liabilities	20,159	11,832
<b>Total current liabilities</b>	<b>28,661</b>	<b>15,585</b>
Long-term debt and finance lease obligations	77,554	62,975
Deferred income taxes	3,646	1,130
Other long-term liabilities	27,607	17,597
Commitments and contingencies		
<b>Stockholders' equity (deficit)</b>		
Common stock, \$0.01 par value, 4,000,000,000 shares authorized, 1,792,140,764 shares issued as of December 31, 2020 and 1,781,582,608 as of December 31, 2019	18	18
Common stock held in treasury, at cost, 27,007,945 shares as of December 31, 2020 and 302,671,146 as of December 31, 2019	(2,264)	(24,504)
Additional paid-in capital	17,384	15,193
Retained earnings	1,055	4,717
Accumulated other comprehensive loss	(3,117)	(3,596)
<b>Total stockholders' equity (deficit)</b>	<b>13,076</b>	<b>(8,172)</b>
Noncontrolling interest	21	—
<b>Total equity (deficit)</b>	<b>13,097</b>	<b>(8,172)</b>
<b>Total liabilities and equity</b>	<b>\$150,565</b>	<b>\$ 89,115</b>

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	Noncontrolling interest	Total
<b>Balance at December 31, 2017</b>	1,592	\$18	\$(11,923)	\$14,270	\$ 5,459	\$(2,727)	\$—	\$ 5,097
Adoption of new accounting standards <sup>(a)</sup>	—	—	—	—	(1,733)	—	—	(1,733)
Net earnings attributable to AbbVie Inc.	—	—	—	—	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
<b>Balance at December 31, 2018</b>	1,479	18	(24,108)	14,756	3,368	(2,480)	—	(8,446)
Net earnings attributable to AbbVie Inc.	—	—	—	—	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
<b>Balance at December 31, 2019</b>	1,479	18	(24,504)	15,193	4,717	(3,596)	—	(8,172)
Net earnings attributable to AbbVie Inc.	—	—	—	—	4,616	—	—	4,616
Other comprehensive income, net of tax	—	—	—	—	—	479	—	479
Dividends declared	—	—	—	—	(8,278)	—	—	(8,278)
Common shares and equity awards issued for acquisition of Allergan plc	286	—	23,166	1,243	—	—	—	24,409
Purchases of treasury stock	(10)	—	(978)	—	—	—	—	(978)
Stock-based compensation plans and other	10	—	52	948	—	—	—	1,000
Change in noncontrolling interest	—	—	—	—	—	—	21	21
<b>Balance at December 31, 2020</b>	1,765	\$18	\$( 2,264)	\$17,384	\$ 1,055	\$(3,117)	\$21	\$ 13,097

(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)	2020	2019	2018
<b>Cash flows from operating activities</b>			
Net earnings	\$ 4,622	\$ 7,882	\$ 5,687
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation	666	464	471
Amortization of intangible assets	5,805	1,553	1,294
Deferred income taxes	(2,325)	122	(1,517)
Change in fair value of contingent consideration liabilities	5,753	3,091	49
Stock-based compensation	753	430	421
Upfront costs and milestones related to collaborations	1,376	490	1,061
Gain on divestitures	—	(330)	—
Intangible asset impairment	—	1,030	5,070
Impacts related to U.S. tax reform	—	—	424
Other, net	832	43	76
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(929)	(74)	(591)
Inventories	(40)	(231)	(226)
Prepaid expenses and other assets	134	(225)	(200)
Accounts payable and other liabilities	1,514	97	734
Income tax assets and liabilities, net	(573)	(1,018)	674
<b>Cash flows from operating activities</b>	<b>17,588</b>	<b>13,324</b>	<b>13,427</b>
<b>Cash flows from investing activities</b>			
Acquisition of businesses, net of cash acquired	(38,260)	—	—
Other acquisitions and investments	(1,350)	(1,135)	(736)
Acquisitions of property and equipment	(798)	(552)	(638)
Purchases of investment securities	(61)	(583)	(1,792)
Sales and maturities of investment securities	1,525	2,699	2,160
Other, net	1,387	167	—
<b>Cash flows from investing activities</b>	<b>(37,557)</b>	<b>596</b>	<b>(1,006)</b>
<b>Cash flows from financing activities</b>			
Net change in commercial paper borrowings	—	(699)	299
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	3,000	31,482	5,963
Repayments of long-term debt and finance lease obligations	(5,683)	(1,536)	(6,035)
Debt issuance costs	(20)	(424)	(40)
Dividends paid	(7,716)	(6,366)	(5,580)
Purchases of treasury stock	(978)	(629)	(12,014)
Proceeds from the exercise of stock options	209	8	73
Payments of contingent consideration liabilities	(321)	(163)	(78)
Other, net	8	35	14
<b>Cash flows from financing activities</b>	<b>(11,501)</b>	<b>18,708</b>	<b>(14,396)</b>
Effect of exchange rate changes on cash and equivalents	(5)	7	(39)
Net change in cash and equivalents	(31,475)	32,635	(2,014)
Cash and equivalents, beginning of year	39,924	7,289	9,303
<b>Cash and equivalents, end of year</b>	<b>\$ 8,449</b>	<b>\$39,924</b>	<b>\$ 7,289</b>
<b>Other supplemental information</b>			
Interest paid, net of portion capitalized	\$ 2,619	\$ 1,794	\$ 1,215
Income taxes paid (received)	1,674	1,447	(35)
<b>Supplemental schedule of non-cash investing and financing activities</b>			
Issuance of common shares associated with acquisitions of businesses	23,979	—	—

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

## **AbbVie Inc. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **Note 1 Background**

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##### **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. Certain products (including aesthetic products and devices) are also sold directly to physicians and other licensed healthcare providers. In the United States, AbbVie distributes pharmaceutical products principally through independent wholesale distributors, with some sales directly to retailers, 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 May 8, 2020, AbbVie completed its previously announced acquisition of Allergan plc (Allergan). Refer to Note 5 for additional information regarding this acquisition.

#### **Note 2 Summary of Significant Accounting Policies**

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##### **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 collaborations with Janssen Biotech, Inc. and Genentech, 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 \$1.8 billion in 2020, \$1.1 billion in 2019 and \$1.1 billion in 2018.

## **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 (loss) (AOCI), net of tax and are amortized over the remaining service attribution periods of the employees under the corridor method. Differences between the expected long-term return on plan assets and the actual annual return are amortized to net periodic benefit cost over a five-year period.

## **Income Taxes**

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

## **Cash and Equivalents**

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

## **Investments**

Investments consist primarily of equity securities, held-to-maturity debt securities, marketable debt securities and time deposits. 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. 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.

AbbVie periodically assesses its marketable debt securities for impairment and credit losses. When a decline in fair value of marketable debt security is due to credit related factors, an allowance for credit losses is recorded with a corresponding charge to other expense in the consolidated statements of earnings. When AbbVie determines that a non-credit related impairment has occurred, the amortized cost basis of the investment, net of allowance for credit losses, 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 impairments and credit losses that were recorded in net earnings.

## **Accounts Receivable**

Accounts receivable are stated at amortized cost less allowance for credit losses. The allowance for credit losses reflects the best estimate of future losses over the contractual life of outstanding

accounts receivable and is determined on the basis of historical experience, specific allowances for known troubled accounts, other currently available information including customer financial condition, and both current and forecasted economic conditions.

## 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)	2020	2019
Finished goods	\$1,318	\$ 485
Work-in-process	1,201	942
Raw materials	791	386
Inventories	\$3,310	\$1,813

## Property and Equipment

as of December 31 (in millions)	2020	2019
Land	\$ 288	\$ 72
Buildings	2,555	1,613
Equipment	6,976	6,012
Construction in progress	1,040	491
Property and equipment, gross	10,859	8,188
Less accumulated depreciation	(5,611)	(5,226)
Property and equipment, net	\$ 5,248	\$ 2,962

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 \$666 million in 2020, \$464 million in 2019 and \$471 million in 2018.

## 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. 2016-13

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. AbbVie adopted the standard in the first quarter of 2020.

Upon adoption of the standard, accounts receivable are stated at amortized cost less allowance for credit losses. The allowance for credit losses reflects the best estimate of future losses over the contractual life of outstanding accounts receivable and is determined on the basis of historical experience, specific allowances for known troubled accounts, other currently available information including customer financial condition, and both current and forecasted economic conditions. The adoption did not have a material impact on the company’s consolidated financial statements. The allowance for credit losses was \$262 million at December 31, 2020. There were no significant changes in credit loss risk factors that impacted the company’s recorded allowance during 2020.

### *Recent Accounting Pronouncements Not Yet Adopted*

#### 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. AbbVie has completed its assessment of the new standard and concluded that the adoption will not have a material impact on its consolidated financial statements.

## Note 3 Supplemental Financial Information

### Interest Expense, Net

years ended December 31 (in millions)	2020	2019	2018
Interest expense	\$2,454	\$1,784	\$1,348
Interest income	(174)	(275)	(204)
Interest expense, net	\$2,280	\$1,509	\$1,144

## Accounts Payable and Accrued Liabilities

as of December 31 (in millions)	2020	2019
Sales rebates	\$ 7,188	\$ 4,484
Dividends payable	2,335	1,771
Accounts payable	2,276	1,452
Salaries, wages and commissions	1,669	830
Royalty and license arrangements	483	324
Other	6,208	2,971
Accounts payable and accrued liabilities	\$20,159	\$11,832

## Other Long-Term Liabilities

as of December 31 (in millions)	2020	2019
Contingent consideration liabilities	\$12,289	\$ 7,201
Liabilities for unrecognized tax benefits	5,680	2,772
Income taxes payable	3,847	3,453
Pension and other post-employment benefits	3,413	2,949
Other	2,378	1,222
Other long-term liabilities	\$27,607	\$17,597

## 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,		
	2020	2019	2018
<b>Basic EPS</b>			
Net earnings attributable to AbbVie Inc.	\$4,616	\$7,882	\$5,687
Earnings allocated to participating securities	60	40	30
Earnings available to common shareholders	\$4,556	\$7,842	\$5,657
Weighted average basic shares of common stock outstanding	1,667	1,481	1,541
Basic earnings per share attributable to AbbVie Inc.	\$ 2.73	\$ 5.30	\$ 3.67
<b>Diluted EPS</b>			
Net earnings attributable to AbbVie Inc.	\$4,616	\$7,882	\$5,687
Earnings allocated to participating securities	60	40	30
Earnings available to common shareholders	\$4,556	\$7,842	\$5,657
Weighted average shares of common stock outstanding	1,667	1,481	1,541
Effect of dilutive securities	6	3	5
Weighted average diluted shares of common stock outstanding	1,673	1,484	1,546
Diluted earnings per share attributable to AbbVie Inc.	\$ 2.72	\$ 5.28	\$ 3.66

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

## Note 5 Licensing, Acquisitions and Other Arrangements

### Acquisition of Allergan

On May 8, 2020, AbbVie completed its previously announced acquisition of all outstanding equity interests in Allergan in a cash and stock 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. The combination creates a diverse entity with leadership positions across immunology, hematologic oncology, aesthetics, neuroscience, eye care and women's health. AbbVie's existing product portfolio and pipeline is enhanced with numerous Allergan assets and Allergan's product portfolio benefits from AbbVie's commercial strength, expertise and international infrastructure. Under the terms of the acquisition, each ordinary share of Allergan common stock was converted into the right to receive (i) \$120.30 in cash and (ii) 0.8660 of a share of AbbVie common stock.

Total consideration for the acquisition of Allergan is summarized as follows:

(in millions)

Cash consideration paid to Allergan shareholders <sup>(a)</sup>	\$39,675
Fair value of AbbVie common stock issued to Allergan shareholders <sup>(b)</sup>	23,979
Fair value of AbbVie equity awards issued to Allergan equity award holders <sup>(c)</sup>	430
<b>Total consideration</b>	<b>\$64,084</b>

- (a) Represents cash consideration transferred of \$120.30 per outstanding Allergan ordinary share based on 330 million Allergan ordinary shares outstanding at closing.
- (b) Represents the acquisition date fair value of 286 million shares of AbbVie common stock issued to Allergan shareholders based on the exchange ratio of 0.8660 AbbVie shares for each outstanding Allergan ordinary share at the May 8, 2020 closing price of \$83.96 per share.
- (c) Represents the pre-acquisition service portion of the fair value of 11 million AbbVie stock options and 8 million RSUs issued to Allergan equity award holders.

The acquisition of Allergan has been accounted for as a business combination using the acquisition method of accounting. The acquisition method requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. The valuation of assets acquired and liabilities assumed has not yet been finalized as of December 31, 2020. As a result, AbbVie recorded preliminary estimates for the fair value of assets acquired and liabilities assumed as of the acquisition date. Subsequent to the acquisition date, the company made certain measurement period adjustments to the preliminary purchase price allocation, including: (i) an increase to developed product rights intangible assets of \$9.1 billion; (ii) an increase to IPR&D intangible assets of \$710 million; (iii) an increase to property and equipment of \$215 million; (iv) other individually insignificant adjustments for a net increase to identifiable net assets of \$73 million; and (v) a corresponding decrease to goodwill of \$10.0 billion. The measurement period adjustments primarily resulted from revised future cash flow estimates for certain intangible assets and completing valuations of property and equipment. These measurement period adjustments have been reflected in the table below. The company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date. These adjustments did not have a significant impact on AbbVie's results of operations. Finalization of the valuation during the measurement period could result in a change in the amounts recorded for the acquisition date fair value of intangible assets, goodwill and income taxes among other items. The completion of the valuation will occur no later than one year from the acquisition date.

The following table summarizes the preliminary fair value of assets acquired and liabilities assumed as of the acquisition date:

(in millions)

<b>Assets acquired and liabilities assumed</b>	
Cash and equivalents	\$ 1,537
Short-term investments	1,421
Accounts receivable	2,374
Inventories	2,340
Prepaid expenses and other current assets	1,982
Investments	137
Property and equipment	2,127
Intangible assets	
Developed product rights	67,330
In-process research and development	1,750
Other noncurrent assets	1,395
Short-term borrowings	(60)
Current portion of long-term debt and finance lease obligations	(1,899)
Accounts payable and accrued liabilities	(5,852)
Long-term debt and finance lease obligations	(18,937)
Deferred income taxes	(3,792)
Other long-term liabilities	(4,765)
Total identifiable net assets	47,088
Goodwill	16,996
<b>Total assets acquired and liabilities assumed</b>	<b>\$ 64,084</b>

The fair value step-up adjustment to inventories of \$1.2 billion is being amortized to cost of products sold when the inventory is sold to customers, which is expected to be within approximately one year from the acquisition date.

Intangible assets relate to \$67.3 billion of developed product rights and \$1.8 billion of IPR&D. The acquired definite-lived intangible assets are being amortized over a weighted-average estimated useful life of approximately twelve years using the estimated pattern of economic benefit. The estimated fair values of identifiable intangible assets were determined using the “income approach” which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of these asset valuations include the estimated net cash flows for each year for each asset or product, the appropriate discount rate necessary to measure the risk inherent in each future cash flow stream, the life cycle of each asset, the potential regulatory and commercial success risk, competitive trends impacting the asset and each cash flow stream, as well as other factors.

The fair value of long-term debt was determined by quoted market prices as of the acquisition date and the total purchase price adjustment of \$1.3 billion is being amortized as a reduction to interest expense, net over the lives of the related debt.

Goodwill was calculated as the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from the other assets acquired that could not be individually identified and separately recognized. Specifically, the goodwill recognized from the acquisition of Allergan represents the value of additional growth platforms and an expanded revenue base as well as anticipated operational synergies and cost savings from the creation of a single combined global organization. The goodwill is not deductible for tax purposes.

Following the acquisition date, the operating results of Allergan have been included in the consolidated financial statements. For the period from the acquisition date through December 31, 2020, net revenues attributable to Allergan were \$10.3 billion and operating losses attributable to Allergan were \$1.1 billion, inclusive of \$4.0 billion of intangible asset amortization and \$1.2 billion of inventory fair value step-up amortization.

Acquisition-related expenses, which were comprised primarily of regulatory, financial advisory and legal fees, totaled \$781 million for the year ended December 31, 2020 and \$103 million for the year ended December 31, 2019 which were included in SG&A expenses in the consolidated statements of earnings.

#### *Pro Forma Financial Information*

The following table presents the unaudited pro forma combined results of AbbVie and Allergan for 2020 and 2019 as if the acquisition of Allergan had occurred on January 1, 2019:

<b>years ended December 31 (in millions)</b>	<b>2020</b>	<b>2019</b>
Net revenues	\$50,521	\$49,028
Net earnings (loss)	6,746	(38)

The unaudited pro forma combined financial information was prepared using the acquisition method of accounting and was based on the historical financial information of AbbVie and Allergan. In order to reflect the occurrence of the acquisition on January 1, 2019 as required, the unaudited pro forma financial information includes adjustments to reflect incremental amortization expense to be incurred based on the current preliminary fair values of the identifiable intangible assets acquired; the incremental cost of products sold related to the fair value adjustments associated with acquisition date inventory; the additional interest expense associated with the issuance of debt to finance the acquisition; and the reclassification of acquisition-related costs incurred during the year ended December 31, 2020 to the year ended December 31, 2019. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations would have been had the acquisition been completed on January 1, 2019. In addition, the unaudited pro forma financial information is not a projection of future results of operations of the combined company nor does it reflect the expected realization of any synergies or cost savings associated with the acquisition.

#### **Other Licensing & Acquisitions Activity**

Cash outflows related to other acquisitions and investments totaled \$1.4 billion in 2020, \$1.1 billion in 2019 and \$736 million in 2018. AbbVie recorded acquired IPR&D charges of \$1.2 billion in 2020, \$385 million in 2019 and \$424 million in 2018. Significant arrangements impacting 2020, 2019 and 2018, some of which require contingent milestone payments, are summarized below.

#### *Luminera*

In October 2020, AbbVie entered into an agreement with Luminera, a privately held aesthetics company based in Israel, to acquire Luminera's full dermal filler portfolio and R&D pipeline including HARmonyCa, a dermal filler intended for facial soft tissue augmentation. The aggregate accounting purchase price of \$186 million was comprised of a \$122 million upfront cash payment and \$64 million for the acquisition date fair value of contingent consideration liabilities, for which AbbVie may owe up to \$90 million in future payments upon achievement of certain commercial milestones. HARmonyCa is currently commercially available in Israel and Brazil and AbbVie will continue to develop this product for its international and U.S. markets. The agreement was accounted for as a

business combination using the acquisition method of accounting. As of the acquisition date, AbbVie acquired \$127 million of intangible assets for in-process research and development and \$33 million of intangible assets for developed product rights. Other assets and liabilities assumed were insignificant. The acquisition resulted in the recognition of \$12 million of goodwill which is not deductible for tax purposes.

#### *I-Mab Biopharma*

In September 2020, AbbVie and I-Mab Biopharma (I-Mab) entered into a collaboration agreement for the development and commercialization of lempzoparlimab, an anti-CD47 monoclonal antibody internally discovered and developed by I-Mab for the treatment of multiple cancers. Both companies will collaborate to design and conduct further global clinical trials to evaluate lempzoparlimab. The collaboration provides AbbVie an exclusive global license, excluding greater China, to develop and commercialize lempzoparlimab. The companies will share manufacturing responsibilities with AbbVie being the primary manufacturer for global supply. The agreement also allows for potential collaboration on future CD47-related therapeutic agents, subject to further licenses to explore each other's related programs in their respective territories. The terms of the arrangement include an initial upfront payment of \$180 million to exclusively license lempzoparlimab along with a milestone payment of \$20 million based on the Phase I results, for a total of \$200 million, which was recorded to IPR&D in the consolidated statements of earnings in the fourth quarter of 2020 after regulatory approval of the transaction. In addition, I-Mab will be eligible to receive up to \$1.7 billion upon the achievement of certain clinical development, regulatory and commercial milestones, and AbbVie will pay tiered royalties from low-to-mid teen percentages on global net revenues outside of greater China.

#### *Genmab A/S*

In June 2020, AbbVie and Genmab A/S (Genmab) entered into a collaboration agreement to jointly develop and commercialize three of Genmab's early-stage investigational bispecific antibody therapeutics and entered into a discovery research collaboration for future differentiated antibody therapeutics for the treatment of cancer. Under the terms of the agreement, Genmab granted to AbbVie an exclusive license to its epcoritamab (DuoBody-CD3xCD20), DuoHexaBody-CD37 and DuoBody-CD3x5T4 programs. For epcoritamab, the companies will share commercial responsibilities in the U.S. and Japan, with AbbVie responsible for further global commercialization. Genmab will record net revenues in the U.S. and Japan, and the parties will share equally in pre-tax profits from these sales. Genmab will receive tiered royalties on remaining global sales. For the discovery research partnership, Genmab will conduct Phase 1 studies for these programs and AbbVie retains the right to opt-in to program development. During 2020, AbbVie made an upfront payment of \$750 million, which was recorded to IPR&D in the consolidated statements of earnings. AbbVie could make additional payments of up to \$3.2 billion upon the achievement of certain development, regulatory and commercial milestones for all programs.

#### *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 received a total of \$250 million as of December 31, 2020 and will receive \$80 million in cash in 2021. Total consideration of \$330 million was recognized in other operating (income) expense in the

consolidated statements of earnings in 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 (income) expense in the consolidated statements of earnings related to its commitments under the agreement.

#### *Other Arrangements*

In addition to the significant arrangements described above, AbbVie entered into several other arrangements resulting in charges to IPR&D of \$248 million in 2020, \$385 million in 2019 and \$424 million in 2018. In connection with the other individually insignificant early-stage arrangements entered into in 2020, AbbVie could make additional payments of up to \$5.1 billion upon the achievement of certain development, regulatory and commercial milestones.

### **Note 6 Collaborations**

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The company has ongoing transactions with other entities through collaboration agreements. The following represent the significant collaboration agreements impacting 2020, 2019 and 2018.

#### **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)	2020	2019	2018
United States—Janssen's share of profits (included in cost of products sold)	\$2,012	\$1,803	\$1,372
International—AbbVie's share of profits (included in net revenues)	1,009	844	622
Global—AbbVie's share of other costs (included in respective line items)	295	321	326

AbbVie's receivable from Janssen, included in accounts receivable, net, was \$283 million at December 31, 2020 and \$235 million at December 31, 2019. AbbVie's payable to Janssen, included in accounts payable and accrued liabilities, was \$562 million at December 31, 2020 and \$455 million at December 31, 2019.

#### Collaboration with Genentech, Inc.

AbbVie and Genentech, Inc. (Genentech), a member of the Roche Group, are parties to a collaboration and license agreement executed in 2007 to jointly research, develop and commercialize human therapeutic products containing BCL-2 inhibitors and certain other compound inhibitors which includes Venclexta, a BCL-2 inhibitor used to treat certain hematological malignancies. AbbVie shares equally with Genentech all pre-tax profits and losses from the development and commercialization of Venclexta in the United States. AbbVie pays royalties on Venclexta net revenues outside the United States.

AbbVie manufactures and distributes Venclexta globally and is the principal in the end-customer product sales. Sales of Venclexta are included in AbbVie's net revenues. Genentech's share of United States profits is included in AbbVie's cost of products sold. AbbVie records sales and marketing costs associated with the United States collaboration as part of SG&A expenses and global development costs as part of R&D expenses, net of Genentech's share. Royalties paid for Venclexta revenues outside the United States are also included in AbbVie's cost of products sold.

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

years ended December 31 (in millions)	2020	2019	2018
Genentech's share of profits, including royalties (included in cost of products sold)	\$533	\$320	\$141
AbbVie's share of sales and marketing costs from U.S. collaboration (included in SG&A)	46	41	27
AbbVie's share of development costs (included in R&D)	129	128	160

## 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, 2018	\$15,663
Foreign currency translation adjustments	(59)
Balance as of December 31, 2019	15,604
Additions <sup>(a)</sup>	17,008
Foreign currency translation adjustments	512
Balance as of December 31, 2020	\$33,124

(a) Goodwill additions related to the acquisition of Allergan in the second quarter of 2020 and the acquisition of Luminera in the fourth quarter of 2020 (see Note 5).

The company performs its annual goodwill impairment assessment in the third quarter, or earlier if impairment indicators exist. As of December 31, 2020, there were no accumulated goodwill impairment losses.

### Intangible Assets, Net

The following table summarizes intangible assets:

as of December 31 (in millions)	2020			2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangible assets						
Developed product rights	\$87,707	\$(11,620)	\$76,087	\$19,547	\$(6,405)	\$13,142
License agreements	7,828	(2,916)	4,912	7,798	(2,291)	5,507
Total definite-lived intangible assets	95,535	(14,536)	80,999	27,345	(8,696)	18,649
Indefinite-lived research and development	1,877	—	1,877	—	—	—
Total intangible assets, net	\$97,412	\$(14,536)	\$82,876	\$27,345	\$(8,696)	\$18,649

#### Definite-Lived Intangible Assets

The increase in definite-lived intangible assets during 2020 was primarily due to the acquisition of Allergan in the second quarter of 2020. The intangible assets will be amortized using the estimated pattern of economic benefit. Refer to Note 5 for additional information regarding this acquisition.

Definite-lived intangible assets are amortized over their estimated useful lives, which range between 1 to 16 years with an average of 12 years for developed product rights and 11 years for license agreements. Amortization expense was \$5.8 billion in 2020, \$1.6 billion in 2019 and \$1.3 billion in 2018 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, 2020 is as follows:

(in billions)	2021	2022	2023	2024	2025
Anticipated annual amortization expense	\$7.7	\$7.2	\$7.5	\$8.0	\$8.4

No definite-lived intangible asset impairment charges were recorded in 2020, 2019 or 2018.

#### *Indefinite-Lived Intangible Assets*

Indefinite-lived intangible assets represent acquired IPR&D associated with products that have not yet received regulatory approval. The increase in indefinite-lived research and development assets during 2020 was due to the acquisition of Allergan in the second quarter of 2020 and the acquisition of Luminera in the fourth quarter of 2020. Refer to Note 5 for additional information regarding these acquisitions.

The company performs its annual impairment assessment of indefinite-lived intangible assets in the third quarter, or earlier if impairment indicators exist. No indefinite-lived intangible asset impairment charges were recorded in 2020. In 2019, following the announcement of the decision to terminate the rovalpituzumab tesirine (Rova-T) R&D 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 termination was subsequent to the decision to stop enrollment for the TAHOE trial, which resulted in an impairment charge of \$5.1 billion in 2018. These impairment charges were recorded to R&D expense in the consolidated statements of earnings in 2019 and 2018.

## **Note 8 Integration and Restructuring Plans**

### **Allergan Integration Plan**

Following the closing of the Allergan acquisition, AbbVie implemented an integration plan designed to reduce costs, integrate and optimize the combined organization. To achieve these integration objectives, AbbVie expects to incur approximately \$2 billion of charges through 2022. These costs will consist of severance and employee benefit costs (cash severance, non-cash severance, including accelerated equity award compensation expense, retention and other termination benefits) and other integration expenses.

The following table summarizes the charges associated with the Allergan acquisition integration plan:

year ended December 31 (in millions)	2020	
	Severance and employee benefits	Other integration
Cost of products sold	\$109	\$ 21
Research and development	199	177
Selling, general and administrative	388	237
<b>Total charges</b>	<b>\$696</b>	<b>\$435</b>

The following table summarizes the cash activity in the recorded liability associated with the integration plan:

year ended December 31 (in millions)	2020	
	Severance and employee benefits	Other integration
Charges	\$ 594	\$ 435
Payments and other adjustments	(227)	(415)
Accrued balance as of December 31, 2020	\$ 367	\$ 20

### Other Restructuring

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 2020, 2019 and 2018, no such plans were individually significant. Restructuring charges recorded were \$60 million in 2020, \$234 million in 2019 and \$70 million in 2018 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 2020, 2019 and 2018:

(in millions)	
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
2020 restructuring charges	58
Payments and other adjustments	(108)
Accrued balance as of December 31, 2020	\$ 90

## 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 sheets:

as of December 31 (in millions)	Balance sheet caption	2020	2019
<b>Assets</b>			
Operating	Other assets	\$ 895	\$344
Finance	Property and equipment, net	27	23
Total lease assets		\$ 922	\$367
<b>Liabilities</b>			
Operating			
Current	Accounts payable and accrued liabilities	\$ 175	\$109
Noncurrent	Other long-term liabilities	832	251
Finance			
Current	Current portion of long-term debt and finance lease obligations	8	7
Noncurrent	Long-term debt and finance lease obligations	21	20
Total lease liabilities		\$1,036	\$387

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

years ended December 31 (in millions)	2020	2019
Operating lease cost	\$192	\$124
Short-term lease cost	59	34
Variable lease cost	60	62
Total lease cost	\$311	\$220

Sublease income and finance lease costs were insignificant in 2020 and 2019. Lease expense prior to the adoption of ASU No. 2016-02 was \$161 million in 2018.

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

	December 31, 2020	December 31, 2019
Weighted-average remaining lease term (years)		
Operating	8	5
Finance	3	3
Weighted-average discount rate		
Operating	2.5%	3.9%
Finance	1.4%	3.9%

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

years ended December 31 (in millions)	2020	2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$185	\$125
Right-of-use assets obtained in exchange for new operating lease liabilities	692	26

Finance lease cash flows were insignificant in 2020 and 2019. Right-of-use assets obtained in exchange for new operating lease liabilities included \$453 million of right-of-use assets acquired in the Allergan acquisition.

The following table summarizes the future maturities of AbbVie's operating and finance lease liabilities as of December 31, 2020:

(in millions)	Operating leases	Finance leases	Total <sup>(a)</sup>
2021	\$ 202	\$27	\$ 229
2022	178	3	181
2023	140	2	142
2024	111	1	112
2025	96	—	96
Thereafter	394	—	394
Total lease payments	1,121	33	1,154
Less: Interest	114	4	118
Present value of lease liabilities	\$1,007	\$29	\$1,036

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

## 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 2020 <sup>(a)</sup>	2020	Effective interest rate in 2019 <sup>(a)</sup>	2019
<b>Senior notes issued in 2012</b>				
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
<b>Senior notes issued in 2015</b>				
2.50% notes due 2020	2.65%	—	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
<b>Senior notes issued in 2016</b>				
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

as of December 31 (dollars in millions)	Effective interest rate in 2020 <sup>(a)</sup>	2020	Effective interest rate in 2019 <sup>(a)</sup>	2019
<b>Senior Euro notes issued in 2016</b>				
1.375% notes due 2024 (€1,450 principal)	1.46%	1,783	1.46%	1,625
2.125% notes due 2028 (€750 principal)	2.18%	922	2.18%	840
<b>Senior notes issued in 2018</b>				
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
<b>Senior Euro notes issued in 2019</b>				
0.75% notes due 2027 (€750 principal)	0.86%	922	0.86%	840
1.25% notes due 2031 (€650 principal)	1.30%	799	1.30%	728
<b>Senior notes issued in 2019</b>				
Floating rate notes due May 2021	1.33%	750	2.08%	750
Floating rate notes due November 2021	1.42%	750	2.12%	750
Floating rate notes due 2022	1.62%	750	2.29%	750
2.15% notes due 2021	2.23%	1,750	2.23%	1,750
2.30% notes due 2022	2.42%	3,000	2.42%	3,000
2.60% notes due 2024	2.69%	3,750	2.69%	3,750
2.95% notes due 2026	3.02%	4,000	3.02%	4,000
3.20% notes due 2029	3.25%	5,500	3.25%	5,500
4.05% notes due 2039	4.11%	4,000	4.11%	4,000
4.25% notes due 2049	4.29%	5,750	4.29%	5,750
<b>Term loan facilities</b>				
Floating rate notes due 2023	1.29%	1,000	—%	—
Floating rate notes due 2025	1.42%	2,000	—%	—
<b>Senior notes acquired in 2020</b>				
5.000% notes due 2021	1.59%	1,200	—%	—
3.450% notes due 2022	1.89%	2,878	—%	—
3.250% notes due 2022	1.85%	1,700	—%	—
2.800% notes due 2023	2.08%	350	—%	—
3.850% notes due 2024	1.98%	1,032	—%	—
3.800% notes due 2025	2.00%	3,021	—%	—
4.550% notes due 2035	3.43%	1,789	—%	—
4.625% notes due 2042	3.93%	457	—%	—
4.850% notes due 2044	4.02%	1,074	—%	—
4.750% notes due 2045	4.13%	881	—%	—
<b>Senior Euro notes acquired in 2020</b>				
0.500% notes due 2021 (€750 principal)	0.68%	922	—%	—
1.500% notes due 2023 (€500 principal)	0.48%	615	—%	—
1.250% notes due 2024 (€700 principal)	0.64%	861	—%	—
2.625% notes due 2028 (€500 principal)	1.18%	615	—%	—
2.125% notes due 2029 (€550 principal)	1.18%	677	—%	—
Other		29		27
Fair value hedges		278		(48)
Unamortized bond discounts		(146)		(161)
Unamortized deferred financing costs		(287)		(323)
Unamortized bond premiums <sup>(b)</sup>		1,200		—
Total long-term debt and finance lease obligations		86,022		66,728
Current portion		8,468		3,753
Noncurrent portion		\$77,554		\$62,975

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

(b) Represents unamortized purchase price adjustments of Allergan debt.

### *Allergan-Related Financing*

In connection with the acquisition of Allergan, in May 2020, the company borrowed \$3.0 billion under a \$6.0 billion term loan credit agreement, of which \$1.0 billion was outstanding under a floating rate three-year term loan tranche and \$2.0 billion outstanding under a floating rate five-year term loan tranche as of December 31, 2020. Subsequent to these borrowings, AbbVie terminated the unused commitments of the lenders under the term loan.

In May 2020, AbbVie completed its previously announced offers to exchange any and all outstanding notes of certain series issued by Allergan for new notes to be issued by AbbVie and cash. Following the settlement of the exchange offers, AbbVie issued \$14.0 billion and €3.1 billion of new notes in exchange for the Allergan notes tendered in the exchange offers. The aggregate principal amount of Allergan notes that remained outstanding following the settlement of the exchange offers was approximately \$1.5 billion and €635 million. The exchange transaction was accounted for as a modification of the assumed debt instruments.

In September 2020, the company repaid \$650 million aggregate principal amount of 3.375% Allergan exchange notes at maturity.

In November 2020, the company repaid €700 million aggregate principal amount of floating rate Allergan exchange notes at maturity and \$450 million aggregate principal amount of 4.875% Allergan exchange notes due February 2021 three months prior to maturity.

In November 2019, the company issued \$30.0 billion aggregate principal amount of unsecured senior notes. These senior notes rank equally with all other unsecured and unsubordinated indebtedness of the company. AbbVie may redeem the 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 used the net proceeds to fund a portion of the aggregate cash consideration due to Allergan shareholders in connection with the acquisition described in Note 5 and to pay related fees and expenses.

### *Other Long-Term Debt*

In May 2020, the company repaid \$3.8 billion aggregate principal amount of 2.50% senior notes at maturity.

In September 2019, the company issued €1.4 billion aggregate principal amount of unsecured senior Euro notes. These senior notes rank equally with all other unsecured and unsubordinated indebtedness of the company. AbbVie may redeem the senior notes prior to maturity at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium 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 May 2018, the company also repaid \$3.0 billion aggregate principal amount of 1.80% senior notes at maturity.

In September 2018, the company issued \$6.0 billion aggregate principal amount of unsecured senior notes. These senior notes rank equally with all other unsecured and unsubordinated indebtedness of the company. AbbVie may redeem the senior notes prior to maturity at a redemption price equal to the principal amount of the senior notes redeemed plus a make-whole premium, 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.

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 \$10.0 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, 2020, the company was in compliance with its senior note covenants and term loan covenants.

### **Short-Term Borrowings**

There were no commercial paper borrowings outstanding as of December 31, 2020 and December 31, 2019. The weighted-average interest rate on commercial paper borrowings was 1.8% in 2020, 2.5% in 2019 and 2.0% in 2018.

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, 2020. Commitment fees under AbbVie's revolving credit facilities were insignificant in 2020, 2019 and 2018. No amounts were outstanding under the company's credit facilities as of December 31, 2020 and December 31, 2019.

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, 2020:

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

2021	\$ 8,422
2022	12,428
2023	4,215
2024	7,426
2025	8,771
Thereafter	43,686
Total obligations and commitments	84,948
Fair value hedges, unamortized bond premiums and discounts, deferred financing costs and finance lease obligations	1,074
Total long-term debt and finance lease obligations	\$86,022

## 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 \$1.5 billion at December 31, 2020 and \$1.0 billion at December 31, 2019, are designated as cash flow hedges and are recorded at fair value. The durations of these forward exchange contracts were generally less than 18 months. Accumulated gains and losses as of December 31, 2020 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 is 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, 2020 and 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 are 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 \$8.6 billion at December 31, 2020 and \$7.1 billion at December 31, 2019.

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 an aggregate principal amount of senior Euro notes designated as net investment hedges of €6.6 billion at December 31, 2020 and €3.6 billion at December 31, 2019. In addition, the company had foreign currency forward exchange contracts designated as net investment hedges with notional amounts totaling €971 million at December 31, 2020 and €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 \$4.8 billion at December 31, 2020 and \$10.8 billion at December 31, 2019. 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	2020	2019	Balance sheet caption	2020	2019
Foreign currency forward exchange contracts						
Designated as cash flow hedges	Prepaid expenses and other	\$ 2	\$ 3	Accounts payable and accrued liabilities	\$ 82	\$ 14
Designated as cash flow hedges	Other assets	—	—	Other long-term liabilities	6	—
Designated as net investment hedges	Prepaid expenses and other	—	—	Accounts payable and accrued liabilities	11	24
Not designated as hedges	Prepaid expenses and other	49	19	Accounts payable and accrued liabilities	33	18
Interest rate swap contracts						
Designated as cash flow hedges	Prepaid expenses and other	—	—	Accounts payable and accrued liabilities	14	—
Designated as cash flow hedges	Other assets	—	3	Other long-term liabilities	20	—
Designated as fair value hedges	Prepaid expenses and other	7	—	Accounts payable and accrued liabilities	—	2
Designated as fair value hedges	Other assets	131	28	Other long-term liabilities	—	74
Total derivatives		\$189	\$53		\$166	\$132

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)	2020	2019	2018
Foreign currency forward exchange contracts			
Designated as cash flow hedges	\$(71)	\$ (5)	\$175
Designated as net investment hedges	(95)	33	—
Interest rate swap contracts designated as cash flow hedges	(53)	4	—
Treasury rate lock agreements designated as cash flow hedges	—	383	—

Assuming market rates remain constant through contract maturities, the company expects to reclassify pre-tax losses of \$93 million into cost of products sold for foreign currency cash flow hedges, pre-tax losses of \$24 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 losses of \$907 million in 2020, pre-tax gains of \$90 million in 2019 and pre-tax gains of \$178 million in 2018.

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	2020	2019	2018
Foreign currency forward exchange contracts				
Designated as cash flow hedges	Cost of products sold	\$ 23	\$ 167	\$(161)
Designated as net investment hedges	Interest expense, net	18	27	—
Not designated as hedges	Net foreign exchange loss	58	(70)	83
Treasury rate lock agreements designated as cash flow hedges				
	Interest expense, net	24	3	—
Interest rate swap contracts				
Designated as cash flow hedges	Interest expense, net	(17)	1	—
Designated as fair value hedges	Interest expense, net	365	418	(71)
Debt designated as hedged item in fair value hedges				
	Interest expense, net	(365)	(418)	71

### 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, 2020:

(in millions)	Total	Basis of fair value measurement		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets</b>				
Cash and equivalents	\$ 8,449	\$2,758	\$5,691	\$ —
Money market funds and time deposits	12	—	12	—
Debt securities	50	—	50	—
Equity securities	159	149	10	—
Interest rate swap contracts	138	—	138	—
Foreign currency contracts	51	—	51	—
<b>Total assets</b>	<b>\$ 8,859</b>	<b>\$2,907</b>	<b>\$5,952</b>	<b>\$ —</b>
<b>Liabilities</b>				
Interest rate swap contracts	\$ 34	\$ —	\$ 34	\$ —
Foreign currency contracts	132	—	132	—
Contingent consideration	12,997	—	—	12,997
<b>Total liabilities</b>	<b>\$13,163</b>	<b>\$ —</b>	<b>\$ 166</b>	<b>\$12,997</b>

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)
<b>Assets</b>				
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	—
<b>Total assets</b>	<b>\$40,004</b>	<b>\$1,566</b>	<b>\$38,438</b>	<b>\$ —</b>
<b>Liabilities</b>				
Interest rate swap contracts	\$ 76	\$ —	\$ 76	\$ —
Foreign currency contracts	56	—	56	—
Contingent consideration	7,340	—	—	7,340
<b>Total liabilities</b>	<b>\$ 7,472</b>	<b>\$ —</b>	<b>\$ 132</b>	<b>\$7,340</b>

Equity securities consist of investments for which the fair values were determined by using the published market price per unit multiplied by the number of units held, without consideration of transaction costs. The derivatives entered into by the company were valued using 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.

The fair value of the company's contingent consideration liabilities as of December 31, 2020 was calculated using the following significant unobservable inputs:

	Range	Weighted Average <sup>(a)</sup>
Discount rate	0.1% - 2.2%	1.1%
Probability of payment for unachieved milestones	56% - 92%	64%
Probability of payment for royalties by indication <sup>(b)</sup>	56% - 100%	91%
Projected year of payments	2021 - 2034	2027

(a) Unobservable inputs were weighted by the relative fair value of the contingent consideration liabilities.

(b) Excludes early stage indications with 0% estimated probability of payment and includes approved indications with 100% probability of payment. Excluding approved indications, the estimated probability of payment ranged from 56% to 89% at December 31, 2020.

There have been no transfers of assets or liabilities into or out of Level 3 of the fair value hierarchy. 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)	2020	2019	2018
Beginning balance	\$ 7,340	\$4,483	\$4,534
Additions <sup>(a)</sup>	225	—	—
Change in fair value recognized in net earnings	5,753	3,091	49
Payments	(321)	(234)	(100)
Ending balance	\$12,997	\$7,340	\$4,483

(a) Additions during the year ended December 31, 2020 represent contingent consideration liabilities assumed in the Allergan acquisition as well as contingent consideration resulting from the Luminera acquisition.

The change in fair value recognized in net earnings is recorded in other expense, net in the consolidated statements of earnings. During the fourth quarter of 2020, the company recorded a \$4.7 billion increase in the Skyrizi contingent consideration liability due to higher estimated future sales driven by stronger market share uptake and favorable clinical trial results as well as lower interest rates. 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 R&D 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, 2020 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)
<b>Liabilities</b>					
Short-term borrowings	\$ 34	\$ 34	\$ —	\$ 34	\$—
Current portion of long-term debt and finance lease obligations, excluding fair value hedges	8,461	8,542	8,249	293	—
Long-term debt and finance lease obligations, excluding fair value hedges	77,283	87,761	86,137	1,624	—
<b>Total liabilities</b>	<b>\$85,778</b>	<b>\$96,337</b>	<b>\$94,386</b>	<b>\$1,951</b>	<b>\$—</b>

The book values, approximate fair values and bases used to measure the approximate fair values of certain financial instruments as of December 31, 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)
<b>Liabilities</b>					
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	—
<b>Total liabilities</b>	<b>\$66,776</b>	<b>\$70,411</b>	<b>\$70,384</b>	<b>\$27</b>	<b>\$—</b>

AbbVie also holds investments in equity securities that do not have readily determinable fair values. The company records these investments at cost and remeasures them to fair value based on certain observable price changes or impairment events as they occur. The carrying amount of these investments was \$102 million as of December 31, 2020 and \$66 million as of December 31, 2019. No significant cumulative upward or downward adjustments have been recorded for these investments as of December 31, 2020.

### Concentrations of Risk

Of total net accounts receivable, three U.S. wholesalers accounted for 72% as of December 31, 2020 and 68% as of December 31, 2019, 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 43% of AbbVie's total net revenues in 2020, 58% in 2019 and 61% in 2018.

## 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, 2020 and 2019.

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	
	2020	2019	2020	2019
<b>Projected benefit obligations</b>				
Beginning of period	\$ 8,646	\$ 6,618	\$ 1,050	\$ 561
Service cost	370	269	42	25
Interest cost	264	259	34	29
Employee contributions	2	2	—	—
Amendments	—	—	(397)	—
Actuarial loss	1,105	1,703	40	451
Benefits paid	(249)	(206)	(17)	(17)
Acquisition	1,409	—	43	—
Other, primarily foreign currency translation adjustments	245	1	—	1
End of period	11,792	8,646	795	1,050
<b>Fair value of plan assets</b>				
Beginning of period	7,116	5,637	—	—
Actual return on plan assets	979	946	—	—
Company contributions	367	727	17	17
Employee contributions	2	2	—	—
Benefits paid	(249)	(206)	(17)	(17)
Acquisition	1,296	—	—	—
Other, primarily foreign currency translation adjustments	191	10	—	—
End of period	9,702	7,116	—	—
Funded status, end of period	\$(2,090)	\$(1,530)	\$ (795)	\$(1,050)
<b>Amounts recognized on the consolidated balance sheets</b>				
Other assets	\$ 563	\$ 395	\$ —	\$ —
Accounts payable and accrued liabilities	(12)	(8)	(23)	(18)
Other long-term liabilities	(2,641)	(1,917)	(772)	(1,032)
Net obligation	\$(2,090)	\$(1,530)	\$ (795)	\$(1,050)
Actuarial loss, net	\$ 4,163	\$ 3,633	\$ 482	\$ 469
Prior service cost (credit)	8	10	(408)	(16)
Accumulated other comprehensive loss	\$ 4,171	\$ 3,643	\$ 74	\$ 453

The projected benefit obligations (PBO) in the table above included \$3.5 billion at December 31, 2020 and \$2.3 billion at December 31, 2019, related to international defined benefit plans.

For plans reflected in the table above, the accumulated benefit obligations (ABO) were \$10.5 billion at December 31, 2020 and \$7.6 billion at December 31, 2019.

*Information For Pension Plans With An Accumulated Benefit Obligation In Excess Of Plan Assets*

as of December 31 (in millions)	2020	2019
Accumulated benefit obligation	\$7,527	\$5,752
Fair value of plan assets	6,066	4,820

*Information For Pension Plans With A Projected Benefit Obligation In Excess Of Plan Assets*

as of December 31 (in millions)	2020	2019
Projected benefit obligation	\$8,719	\$6,820
Fair value of plan assets	6,066	4,895

The 2020 actuarial losses of \$1.1 billion for qualified pension plans and \$40 million for other post-employment plans were primarily driven by a decrease in the assumed discount rate from 2019. The 2019 actuarial losses of \$1.7 billion for qualified pension plans and \$451 million for other post-employment plans were primarily driven by a decrease in the assumed discount rate from 2018.

A change to AbbVie's U.S. retiree health benefit plan was approved in 2020 and communicated to employees and retirees in October 2020. Beginning in 2022, Medicare-eligible retirees and Medicare-eligible dependents will choose health care coverage from insurance providers through a private Medicare exchange. AbbVie will continue to provide financial support to Medicare-eligible retirees. This change decreased AbbVie's post-employment benefit obligation and increased AbbVie's unrecognized prior service credit as of December 31, 2020 by \$397 million.

In connection with the Allergan acquisition, AbbVie assumed certain post-employment benefit obligations which were recorded at fair value. Upon acquisition in the second quarter of 2020, the excess of projected benefit obligations over the plan assets was recognized as a liability totaling \$156 million.

*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)	2020	2019	2018
<b>Defined benefit plans</b>			
Actuarial loss	\$ 701	\$1,231	\$ 209
Amortization of prior service cost	(2)	—	—
Amortization of actuarial loss	(227)	(109)	(140)
Foreign exchange loss (gain) and other	56	(6)	(13)
Total loss	\$ 528	\$1,116	\$ 56
<b>Other post-employment plans</b>			
Actuarial loss (gain)	\$ 40	\$ 451	\$(287)
Prior service cost (credit)	(397)	—	—
Amortization of prior service credit	4	—	—
Amortization of actuarial loss	(26)	(1)	(1)
Total loss (gain)	\$(379)	\$ 450	\$(288)

## Net Periodic Benefit Cost

years ended December 31 (in millions)	2020	2019	2018
<b>Defined benefit plans</b>			
Service cost	\$ 370	\$ 269	\$ 285
Interest cost	264	259	227
Expected return on plan assets	(575)	(474)	(439)
Amortization of prior service cost	2	—	—
Amortization of actuarial loss	227	109	140
Net periodic benefit cost	\$ 288	\$ 163	\$ 213
<b>Other post-employment plans</b>			
Service cost	\$ 42	\$ 25	\$ 26
Interest cost	34	29	25
Amortization of prior service credit	(4)	—	—
Amortization of actuarial loss	26	1	1
Net periodic benefit cost	\$ 98	\$ 55	\$ 52

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	2020	2019
<b>Defined benefit plans</b>		
Discount rate	2.4%	3.0%
Rate of compensation increases	4.6%	4.6%
Cash balance interest crediting rate	2.8%	2.8%
<b>Other post-employment plans</b>		
Discount rate	2.8%	3.6%

The assumptions used in calculating the December 31, 2020 measurement date benefit obligations will be used in the calculation of net periodic benefit cost in 2021.

## Weighted-Average Assumptions Used in Determining Net Periodic Benefit Cost

years ended December 31	2020	2019	2018
<b>Defined benefit plans</b>			
Discount rate for determining service cost	3.1%	4.0%	3.4%
Discount rate for determining interest cost	3.0%	4.0%	3.1%
Expected long-term rate of return on plan assets	7.1%	7.6%	7.7%
Expected rate of change in compensation	4.6%	4.6%	4.4%
Cash balance interest crediting rate	2.8%	2.8%	2.8%
<b>Other post-employment plans</b>			
Discount rate for determining service cost	3.7%	4.7%	4.0%
Discount rate for determining interest cost	3.2%	4.3%	3.7%

For the December 31, 2020 post-retirement health care obligations remeasurement, the company assumed a 6.3% pre-65 (6.7% 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 2090 and remain at that level thereafter. For purposes of measuring the 2020 post-retirement health care costs, 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% for 2050 and remain at that level thereafter.

*Defined Benefit Pension Plan Assets*

as of December 31 (in millions)	2020	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 <sup>(a)</sup>	\$1,143	\$1,143	\$ —	\$—
U.S. mid cap <sup>(b)</sup>	164	164	—	—
International <sup>(c)</sup>	524	524	—	—
Fixed income securities				
U.S. government securities <sup>(d)</sup>	132	18	114	—
Corporate debt instruments <sup>(d)</sup>	854	178	676	—
Non-U.S. government securities <sup>(d)</sup>	544	397	147	—
Other <sup>(d)</sup>	297	294	3	—
Absolute return funds <sup>(e)</sup>	310	4	306	—
Real assets	10	10	—	—
Other <sup>(f)</sup>	252	250	2	—
<b>Total</b>	<b>\$4,230</b>	<b>\$2,982</b>	<b>\$1,248</b>	<b>\$—</b>
Total assets measured at NAV	5,472			
Fair value of plan assets	\$9,702			

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 <sup>(a)</sup>	\$ 884	\$ 884	\$ —	\$—
U.S. mid cap <sup>(b)</sup>	138	138	—	—
International <sup>(c)</sup>	349	349	—	—
Fixed income securities				
U.S. government securities <sup>(d)</sup>	149	21	128	—
Corporate debt instruments <sup>(d)</sup>	372	112	260	—
Non-U.S. government securities <sup>(d)</sup>	202	84	118	—
Other <sup>(d)</sup>	320	318	2	—
Absolute return funds <sup>(e)</sup>	296	4	292	—
Real assets	9	9	—	—
Other <sup>(f)</sup>	132	132	—	—
<b>Total</b>	<b>\$2,851</b>	<b>\$2,051</b>	<b>\$800</b>	<b>\$—</b>
Total assets measured at NAV	4,265			
Fair value of plan assets	\$7,116			

(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 2020 target investment allocation for the AbbVie Pension Plan was 50% in equity securities, 20% in fixed income securities and 30% in asset allocation strategies and other holdings. There are no known significant concentrations of risk in the plan assets of the AbbVie Pension Plan or 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
2021	\$ 284	\$ 23
2022	301	29
2023	319	31
2024	339	33
2025	362	36
2026 to 2030	2,169	217

#### **Defined Contribution Plan**

AbbVie's principal defined contribution plans are the AbbVie Savings Plan and the Allergan Savings Plan. AbbVie recorded expense of \$191 million in 2020, \$102 million in 2019 and \$89 million in 2018 related to these plans. 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:

years ended December 31 (in millions)	2020	2019	2018
Cost of products sold	\$ 47	\$ 29	\$ 27
Research and development	247	171	169
Selling, general and administrative	459	230	225
Pre-tax compensation expense	753	430	421
Tax benefit	131	80	73
After-tax compensation expense	\$622	\$350	\$348

Realized excess tax benefits associated with stock-based compensation totaled \$34 million in 2020, \$15 million in 2019 and \$78 million in 2018.

#### 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 \$12.14 in 2020, \$12.54 in 2019 and \$21.63 in 2018.

In connection with the Allergan acquisition, during the second quarter of 2020, AbbVie issued 11.2 million stock options to holders of Allergan options as a result of the conversion of such options. These options were fair-valued using a lattice valuation model. Refer to Note 5 for additional information regarding the Allergan acquisition.

The following table summarizes AbbVie stock option activity in 2020:

(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, 2019	6,761	\$ 60.39	5.9	\$207
Granted	1,995	93.50		
Granted in acquisition	11,152	70.48		
Exercised	(4,129)	51.29		
Lapsed	(88)	107.33		
Outstanding at December 31, 2020	15,691	\$ 73.90	4.7	\$559
Exercisable at December 31, 2020	12,440	\$ 69.99	3.6	\$498

The total intrinsic value of options exercised was \$186 million in 2020, \$22 million in 2019 and \$215 million in 2018. The total fair value of options vested during 2020 was \$292 million. As of December 31, 2020, \$13 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 ratable increments over a three or four-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. For awards granted in 2020, performance is based on AbbVie's return on invested capital (ROIC) relative to a defined peer group of pharmaceutical, biotech and life science companies. For awards granted in 2018 and 2019, the tranches tied to 2020 performance are based on AbbVie's return on equity (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 2020:

(share units in thousands)	Share units	Weighted-average grant date fair value
Outstanding at December 31, 2019	10,232	\$81.72
Granted	5,524	92.35
Granted in acquisition	8,234	83.96
Vested	(6,667)	80.09
Forfeited	(1,405)	84.13
Outstanding at December 31, 2020	15,918	\$87.03

The fair market value of RSUs and performance shares (as applicable) vested was \$618 million in 2020, \$371 million in 2019 and \$583 million in 2018.

In connection with the Allergan acquisition, during the second quarter of 2020, AbbVie issued 8.2 million RSUs to holders of Allergan equity awards based on a conversion factor described in the transaction agreement. Refer to Note 5 for additional information regarding the Allergan acquisition.

As of December 31, 2020, \$579 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 \$4.84 in 2020, \$4.39 in 2019 and \$3.95 in 2018. The following table summarizes quarterly cash dividends declared during 2020, 2019 and 2018:

2020			2019			2018		
Date Declared	Payment Date	Dividend Per Share	Date Declared	Payment Date	Dividend Per Share	Date Declared	Payment Date	Dividend Per Share
10/30/20	02/16/21	\$1.30	11/01/19	02/14/20	\$1.18	11/02/18	02/15/19	\$1.07
09/11/20	11/16/20	\$1.18	09/06/19	11/15/19	\$1.07	09/07/18	11/15/18	\$0.96
06/17/20	08/14/20	\$1.18	06/20/19	08/15/19	\$1.07	06/14/18	08/15/18	\$0.96
02/20/20	05/15/20	\$1.18	02/21/19	05/15/19	\$1.07	02/15/18	05/15/18	\$0.96

### Stock Repurchase Program

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

AbbVie repurchased 8 million shares for \$757 million in 2020 and 4 million shares for \$300 million in 2019. AbbVie's remaining stock repurchase authorization was \$3.2 billion as of December 31, 2020.

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.

## Accumulated Other Comprehensive Loss

The following table summarizes the changes in each component of accumulated other comprehensive loss, net of tax, for 2020, 2019 and 2018:

(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, 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 income (loss) before reclassifications	1,511	(785)	(300)	—	(108)	318
Net losses (gains) reclassified from accumulated other comprehensive loss	—	(14)	198	—	(23)	161
Net current-period other comprehensive income (loss)	1,511	(799)	(102)	—	(131)	479
Balance as of December 31, 2020	\$ 583	\$(790)	\$(3,067)	\$ —	\$ 157	\$(3,117)

Other comprehensive income (loss) included foreign currency translation adjustments totaling gains of \$1.5 billion in 2020 which were principally due to the impact of the strengthening of the Euro on the translation of the company's Euro-denominated assets. Other comprehensive income (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.

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)	2020	2019	2018
<b>Net investment hedging activities</b>			
Gains on derivative amount excluded from effectiveness testing <sup>(a)</sup>	\$ (18)	\$ (27)	\$ —
Tax expense	4	6	—
Total reclassifications, net of tax	\$ (14)	\$ (21)	\$ —
<b>Pension and post-employment benefits</b>			
Amortization of actuarial losses and other <sup>(b)</sup>	\$251	\$ 110	\$141
Tax benefit	(53)	(23)	(28)
Total reclassifications, net of tax	\$198	\$ 87	\$113
<b>Cash flow hedging activities</b>			
Losses (gains) on foreign currency forward exchange contracts <sup>(c)</sup>	\$ (23)	\$ (167)	\$161
Gains on treasury rate lock agreements <sup>(a)</sup>	(24)	(3)	—
Losses (gains) on interest rate swap contracts <sup>(a)</sup>	17	(1)	—
Tax expense (benefit)	7	14	(4)
Total reclassifications, net of tax	\$ (23)	\$ (157)	\$157

(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, 2020, no shares of preferred stock were issued or outstanding.

### Note 14 Income Taxes

#### Earnings Before Income Tax Expense

years ended December 31 (in millions)	2020	2019	2018
Domestic	\$(4,467)	\$(2,784)	\$(4,274)
Foreign	7,865	11,210	9,471
Total earnings before income tax expense	\$ 3,398	\$ 8,426	\$ 5,197

## Income Tax Expense

years ended December 31 (in millions)	2020	2019	2018
<b>Current</b>			
Domestic	\$ 907	\$ 102	\$ 593
Foreign	194	320	434
Total current taxes	\$ 1,101	\$ 422	\$ 1,027
<b>Deferred</b>			
Domestic	\$ (58)	\$(137)	\$(1,497)
Foreign	(2,267)	259	(20)
Total deferred taxes	\$(2,325)	\$ 122	\$(1,517)
Total income tax expense (benefit)	\$(1,224)	\$ 544	\$ (490)

## Effective Tax Rate Reconciliation

years ended December 31	2020	2019	2018
Statutory tax rate	21.0%	21.0%	21.0%
Effect of foreign operations	2.4	(8.4)	(28.7)
U.S. tax credits	(10.6)	(3.3)	(7.3)
Impacts related to U.S. tax reform	(1.1)	(1.6)	8.2
Non-deductible expenses	7.2	1.0	1.2
Tax law changes and related restructuring	(48.5)	3.1	—
Stock-based compensation excess tax benefit	(0.9)	(0.2)	(1.5)
Tax audit settlements	(5.1)	(4.7)	(2.5)
All other, net	(0.4)	(0.4)	0.2
Effective tax rate	(36.0)%	6.5%	(9.4)%

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 2020, 2019 and 2018 differed from the statutory tax rate principally due to the impact of 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, changes in enacted tax rates and laws and related restructuring, the cost of repatriation decisions, tax audit settlements and Boehringer Ingelheim accretion on contingent consideration. The 2020 effective income tax rate included the recognition of a net tax benefit of \$1.7 billion related to changes in tax laws and related restructuring, including certain intra-group transfers of intellectual property and deferred tax remeasurement. 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 2020, 2019 and 2018 included 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, including a one-time transition tax on a mandatory deemed repatriation of earnings of certain foreign subsidiaries that were previously

untaxed. 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. 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 the previous year. The effective income tax rates for 2019 and 2018 also included the effects of Stemcentrx impairment related expenses.

## Deferred Tax Assets and Liabilities

as of December 31 (in millions)	2020	2019
<b>Deferred tax assets</b>		
Compensation and employee benefits	\$ 1,109	\$ 810
Accruals and reserves	438	371
Chargebacks and rebates	555	477
Advance payments	324	615
Net operating losses and other credit carryforwards	2,765	838
Other	1,371	406
Total deferred tax assets	6,562	3,517
Valuation allowances	(1,203)	(731)
Total net deferred tax assets	5,359	2,786
<b>Deferred tax liabilities</b>		
Excess of book basis over tax basis of intangible assets	(5,274)	(2,712)
Excess of book basis over tax basis in investments	(335)	(249)
Other	(982)	(440)
Total deferred tax liabilities	(6,591)	(3,401)
Net deferred tax liabilities	\$(1,232)	\$ (615)

The increases in deferred tax liabilities are primarily due to the acquisition of Allergan in which the company recorded the excess of book basis over tax basis of intangible assets. The increases in deferred tax assets are primarily due to deferred tax asset recognition related to the intra-group transfer of intellectual property.

As of December 31, 2020, the company had U.S. federal and state credit carryforwards of \$293 million as well as U.S. federal, state and non-U.S. net operating loss carryforwards of \$4.3 billion, which will expire at various times through 2040. The remaining U.S. federal and non-U.S. loss carryforwards of \$5.8 billion have no expiration.

The company had valuation allowances of \$1.2 billion as of December 31, 2020 and \$731 million as of December 31, 2019. These were principally related to foreign and state net operating losses and credit carryforwards that are not expected to be realized.

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 or eligible for the 100 percent foreign dividends received deduction are also not considered indefinitely reinvested earnings. However, the company generally 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.

## Unrecognized Tax Benefits

years ended December 31 (in millions)	2020	2019	2018
Beginning balance	\$2,661	\$2,852	\$2,701
Increase due to acquisition	2,674	—	—
Increase due to current year tax positions	91	113	163
Increase due to prior year tax positions	59	499	110
Decrease due to prior year tax positions	(7)	(21)	(36)
Settlements	(141)	(749)	(79)
Lapse of statutes of limitations	(73)	(33)	(7)
Ending balance	\$5,264	\$2,661	\$2,852

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 \$5.0 billion in 2020 and \$2.4 billion in 2019. Of the unrecognized tax benefits recorded in the table above as of December 31, 2020, AbbVie would be indemnified for approximately \$81 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. "Increase due to acquisition" in the table above includes amounts related to federal, state and international tax items recorded in acquisition accounting related to the Allergan acquisition.

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 \$142 million in 2020, \$51 million in 2019 and \$73 million in 2018, for interest and penalties related to income tax matters. AbbVie had an accrual for the payment of gross interest and penalties of \$642 million at December 31, 2020, \$191 million at December 31, 2019 and \$190 million at December 31, 2018.

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 \$68 million. All significant federal, state, local and international matters have been concluded for years through 2008. 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. The most significant matters are described below. 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 \$60 million as of December 31, 2020 and approximately \$290 million as of December 31, 2019. 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.

## Antitrust Litigation

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 pending in federal court 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 June 2020, the court denied the end-payers' motion to certify a class. 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 September 2014, the Federal Trade Commission (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 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. In September 2020, the United States Court of Appeals for the Third Circuit reversed the district court's finding of sham litigation with respect to one generic company and affirmed with respect to the other but held the FTC lacked authority to obtain a disgorgement remedy and vacated the district court's award. The Third Circuit also affirmed the district court's denial of the FTC's injunction request and reinstated the FTC's settlement-related claim for further proceedings in the district court.

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, alleging that 2006 patent litigation settlements and related agreements by Solvay Pharmaceuticals, Inc. (a company Abbott acquired in February 2010 and now known as AbbVie Products LLC) with three generic companies violated federal antitrust law, and also making allegations similar to those in *FTC v. AbbVie Inc.* (above). In May 2020, Perrigo Company and related entities filed a lawsuit against AbbVie and others in the United States District Court for the Eastern District of Pennsylvania, making sham litigation allegations similar to those in

*FTC v. AbbVie Inc.* (above). In October 2020, the Perrigo lawsuit was transferred to the United States District Court for New Jersey.

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 violated state and federal antitrust laws. The court consolidated these lawsuits as *In re: Humira (Adalimumab) Antitrust Litigation*. In June 2020, the court dismissed the consolidated litigation with prejudice. The plaintiffs have appealed the dismissal.

Lawsuits are pending against Forest Laboratories, LLC and others generally alleging that 2009 and 2010 patent litigation settlements involving Namenda entered into between Forest and generic companies and other conduct by Forest involving Namenda, violated state antitrust, unfair and deceptive trade practices, and unjust enrichment laws. Plaintiffs generally seek monetary damages, injunctive relief and attorneys' fees. The lawsuits, purported class actions filed by indirect purchasers of Namenda, are consolidated as *In re: Namenda Indirect Purchaser Antitrust Litigation* in the United States District Court for the Southern District of New York.

Lawsuits are pending against Allergan Inc. generally alleging that Allergan's petitioning to the U.S. Patent Office and Food and Drug Administration and other conduct by Allergan involving Restasis violated federal and state antitrust laws and state unfair and deceptive trade practices and unjust enrichment laws. Plaintiffs generally seek monetary damages, injunctive relief and attorneys' fees. The lawsuits, certified as a class action filed on behalf of indirect purchasers of Restasis, are consolidated for pre-trial purposes in the United States District Court for the Eastern District of New York under the MDL Rules as *In re: Restasis (Cyclosporine Ophthalmic Emulsion) Antitrust Litigation*, MDL No. 2819.

Lawsuits are pending against Forest Laboratories, LLC and others generally alleging that 2012 and 2013 patent litigation settlements involving Bystolic with six generic manufacturers violated federal and state antitrust laws and state unfair and deceptive trade practices and unjust enrichment laws. Plaintiffs generally seek monetary damages, injunctive relief, and attorneys' fees. The lawsuits, purported class actions filed on behalf of direct and indirect purchasers of Bystolic, are consolidated as *In re: Bystolic Antitrust Litigation* in the United States District Court for the Southern District of New York.

## **Government Proceedings**

Lawsuits are pending against Allergan and several other manufacturers generally alleging that they improperly promoted and sold prescription opioid products. Approximately 3,100 matters are pending against Allergan. The federal court cases are consolidated for pre-trial purposes in the United States District Court for the Northern District of Ohio under the MDL rules as *In re: National Prescription Opiate Litigation*, MDL No. 2804. Approximately 300 of the claims are pending in various state courts. The plaintiffs in these cases, which include states, counties, cities, and Native American tribes, generally seek compensatory damages.

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 October 2020, the state added a claim under the New Mexico False Advertising Act.

## **Shareholder and Securities Litigation**

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. The court granted motions dismissing the claims of three investment-fund plaintiffs, which they are appealing. One of these plaintiffs refiled its lawsuit in New York state court in June 2020 while the appeal of its dismissal in Illinois is pending. In November 2020, the New York Supreme Court for the County of New York dismissed that lawsuit. Plaintiffs seek compensatory and punitive damages.

In October 2018, a federal securities lawsuit, *Holwill v. AbbVie Inc., et al.*, was filed 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 alleged misconduct in connection with Humira patient and reimbursement support services and other services and items of value that allegedly induced Humira prescriptions.

In February 2020, a shareholder derivative lawsuit, *Elfers v. Gonzalez, et al.*, was filed in the United States District Court for the District of Delaware alleging that certain AbbVie directors and officers breached their fiduciary duties regarding alleged misconduct in connection with Humira patient and reimbursement support services and other services and items of value and in connection with the announcements of results of AbbVie's 2018 Dutch auction tender offer. In December 2020, the court dismissed the lawsuit.

Lawsuits are pending against Allergan and certain of its current and former officers alleging they made misrepresentations and omissions regarding Allergan's textured breast implants. The lawsuits, which were filed by Allergan shareholders, have been consolidated in the United States District Court for the Southern District of New York as *In re: Allergan plc Securities Litigation*. The plaintiffs generally seek compensatory damages and attorneys' fees. In September 2019, the court partially granted Allergan's motion to dismiss. In September 2020, the court denied plaintiffs' class certification motion because it found the lead plaintiff to be an inadequate representative of the proposed class but allowed another putative class member to propose itself as a new lead plaintiff. In December 2020, the court appointed a new lead plaintiff.

Lawsuits are pending against Allergan and certain of its current and former officers alleging they made misrepresentations and omissions regarding Allergan's former Actavis generics unit and its alleged anticompetitive conduct with other generic drug companies. The lawsuits were filed by Allergan shareholders and consist of three purported class actions and one individual action that have been consolidated in the U.S. District Court for the District of New Jersey as *In re: Allergan Generic Drug Pricing Securities Litigation*. Another individual action in New Jersey state court was dismissed in September 2020. The plaintiffs seek monetary damages and attorneys' fees.

## **Product Liability and General Litigation**

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 92 cases are pending in the United States District Court for the Southern District of Illinois along with one other pending in state court. Plaintiffs generally seek compensatory and punitive damages. Approximately ninety-eight percent of these pending cases, plus other unfiled claims, are subject to confidential settlement agreements or agreements-in-principle and are expected to be dismissed with prejudice.

In 2018, a qui tam lawsuit, *U.S. ex rel. Silbersher v. Allergan Inc., et al.*, was filed in the United States District Court for the Northern District of California against several Allergan entities and others, alleging that their conduct before the U.S. Patent Office resulted in false claims for payment being made to federal and state healthcare payors for Namenda XR and Namzaric. The plaintiff-

relator seeks damages and attorneys' fees under the federal False Claims Act and state law analogues. The federal government and state governments declined to intervene in the lawsuit.

### **Intellectual Property Litigation**

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 a lawsuit was filed in the United States District Court for the District of Delaware against Sandoz Inc. and Lek Pharmaceuticals D.D. In the case, Pharmacyclics alleges the defendants' 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 this suit.

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). Cases were filed in the United States District Court for the District of Delaware in March 2019 and March 2020 against Alvogen Pine Brook LLC and Natco Pharma Ltd., and in April 2020 against Zydus Worldwide DMCC and Cadila Healthcare Limited. In each case, Pharmacyclics alleges defendants' proposed generic ibrutinib tablet 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.

Allergan USA, Inc., Allergan Sales, LLC, and Forest Laboratories Holdings Limited, wholly owned subsidiaries of AbbVie, are seeking to enforce patent rights relating to cariprazine (a drug sold under the trademark Vraylar). Litigation was filed in the United States District Court for the District of Delaware in December 2019 against Sun Pharmaceutical Industries Limited and Sun Pharma Global FZE; Aurobindo Pharma Limited and Aurobindo Pharma USA, Inc.; and Zydus Pharmaceuticals (USA), Inc. and Cadila Healthcare Limited. Allergan alleges defendants' proposed generic cariprazine products infringe certain patents and seeks declaratory and injunctive relief. Gedeon Richter Plc, Inc. which is in a global collaboration with Allergan concerning the development and marketing of Vraylar, is the co-plaintiff in this suit.

In January 2019, Allergan, Inc. and Allergan plc (now Allergan Limited) and Medytox Inc. (collectively, "Complainants") filed a complaint with the United States International Trade Commission (ITC) against Daewoong Pharmaceuticals Co., Ltd., Daewoong Co., Ltd., and Evolus Inc. (collectively, "Respondents") requesting the ITC commence an investigation regarding the importation into the United States of Respondents' botulinum neurotoxin products, including Jeuveau, which Complainants assert were developed using Medytox's trade secrets. Complainants seek permanent exclusion and cease and desist orders covering Respondents' products, including Jeuveau. In July 2020, the administrative law judge issued an initial ruling in favor of Allergan and Medytox. In December 2020, the full Commission affirmed, in part, and reversed, in part, the initial ruling.

In August 2020, BTL Industries, Inc. (BTL) filed an ITC action against Allergan USA, Inc., Allergan Limited, Allergan, Inc., Zeltiq Aesthetics, Inc., Zeltiq Ireland Unlimited Company, and Zimmer Medizinsysteme GmbH, for patent infringement alleging that the CoolTone and CoolSculpting devices infringe its patents and seeking an exclusion order preventing importation of the devices and any components used to make or use the devices.

### **Note 16 Segment and Geographic Area Information**

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AbbVie operates as a single global business segment dedicated to the research and development, manufacturing, commercialization and sale of innovative medicines and therapies. This operating structure enables the Chief Executive Officer, as chief operating decision maker (CODM),

to allocate resources and assess business performance on a global basis in order to achieve established long-term strategic goals. Consistent with this structure, a global research and development and supply chain organization is responsible for the discovery, manufacturing and supply of products. Commercial efforts that coordinate the marketing, sales and distribution of these products are organized by geographic region or therapeutic area. All of these activities are supported by a global corporate administrative staff. The determination of a single business segment is consistent with the consolidated financial information regularly reviewed by the CODM for purposes of assessing performance, allocating resources and planning and forecasting future periods.

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)		2020	2019	2018
<b>Immunology</b>				
Humira	United States	\$16,112	\$14,864	\$13,685
	International	3,720	4,305	6,251
	Total	\$19,832	\$19,169	\$19,936
Skyrizi	United States	\$ 1,385	\$ 311	\$ —
	International	205	44	—
	Total	\$ 1,590	\$ 355	\$ —
Rinvoq	United States	\$ 653	\$ 47	\$ —
	International	78	—	—
	Total	\$ 731	\$ 47	\$ —
<b>Hematologic Oncology</b>				
Imbruvica	United States	\$ 4,305	\$ 3,830	\$ 2,968
	Collaboration revenues	1,009	844	622
	Total	\$ 5,314	\$ 4,674	\$ 3,590
Venclexta	United States	\$ 804	\$ 521	\$ 247
	International	533	271	97
	Total	\$ 1,337	\$ 792	\$ 344
<b>Aesthetics</b>				
Botox Cosmetic <sup>(a)</sup>	United States	\$ 687	\$ —	\$ —
	International	425	—	—
	Total	\$ 1,112	\$ —	\$ —
Juvederm Collection <sup>(a)</sup>	United States	\$ 318	\$ —	\$ —
	International	400	—	—
	Total	\$ 718	\$ —	\$ —
Other Aesthetics <sup>(a)</sup>	United States	\$ 666	\$ —	\$ —
	International	94	—	—
	Total	\$ 760	\$ —	\$ —
<b>Neuroscience</b>				
Botox Therapeutic <sup>(a)</sup>	United States	\$ 1,155	\$ —	\$ —
	International	232	—	—
	Total	\$ 1,387	\$ —	\$ —
Vraylar <sup>(a)</sup>	United States	\$ 951	\$ —	\$ —
Duodopa	United States	\$ 103	\$ 97	\$ 80
	International	391	364	350
	Total	\$ 494	\$ 461	\$ 430
Ubrelvy <sup>(a)</sup>	United States	\$ 125	\$ —	\$ —
Other Neuroscience <sup>(a)</sup>	United States	\$ 528	\$ —	\$ —
	International	11	—	—
	Total	\$ 539	\$ —	\$ —

years ended December 31 (in millions)		2020	2019	2018
<b>Eye Care</b>				
Lumigan/Ganfort <sup>(a)</sup>	United States	\$ 165	\$ —	\$ —
	International	213	—	—
	Total	\$ 378	\$ —	\$ —
Alphagan/Combigan <sup>(a)</sup>	United States	\$ 223	\$ —	\$ —
	International	103	—	—
	Total	\$ 326	\$ —	\$ —
Restasis <sup>(a)</sup>	United States	\$ 755	\$ —	\$ —
	International	32	—	—
	Total	\$ 787	\$ —	\$ —
Other Eye Care <sup>(a)</sup>	United States	\$ 305	\$ —	\$ —
	International	388	—	—
	Total	\$ 693	\$ —	\$ —
<b>Women's Health</b>				
Lo Loestrin <sup>(a)</sup>	United States	\$ 346	\$ —	\$ —
	International	10	—	—
	Total	\$ 356	\$ —	\$ —
Orilissa/Oriahnn	United States	\$ 121	\$ 91	\$ 11
	International	4	2	—
	Total	\$ 125	\$ 93	\$ 11
Other Women's Health <sup>(a)</sup>	United States	\$ 181	\$ —	\$ —
	International	11	—	—
	Total	\$ 192	\$ —	\$ —
<b>Other Key Products</b>				
Mavyret	United States	\$ 785	\$ 1,473	\$ 1,614
	International	1,045	1,420	1,824
	Total	\$ 1,830	\$ 2,893	\$ 3,438
Creon	United States	\$ 1,114	\$ 1,041	\$ 928
Lupron	United States	\$ 600	\$ 720	\$ 726
	International	152	167	166
	Total	\$ 752	\$ 887	\$ 892
Linzess/Constella <sup>(a)</sup>	United States	\$ 649	\$ —	\$ —
	International	18	—	—
	Total	\$ 667	\$ —	\$ —
Synthroid	United States	\$ 771	\$ 786	\$ 776
All other		\$ 2,923	\$ 2,068	\$ 2,408
Total net revenues		\$45,804	\$33,266	\$32,753

(a) Net revenues include Allergan product revenues from the date of the acquisition, May 8, 2020, through December 31, 2020.

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

years ended December 31 (in millions)	2020	2019	2018
United States	\$34,879	\$23,907	\$21,524
Japan	1,198	1,211	1,591
Canada	1,159	813	730
Germany	1,049	909	1,292
France	797	695	783
Australia	527	395	350
United Kingdom	509	372	855
China	471	195	152
Spain	453	472	611
Brazil	406	359	350
Italy	379	372	652
All other countries	3,977	3,566	3,863
<b>Total net revenues</b>	<b>\$45,804</b>	<b>\$33,266</b>	<b>\$32,753</b>

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

as of December 31 (in millions)	2020	2019
United States and Puerto Rico	\$3,354	\$2,026
Europe	1,534	646
All other	360	290
<b>Total long-lived assets</b>	<b>\$5,248</b>	<b>\$2,962</b>

## Note 17 Fourth Quarter Financial Results (unaudited)

quarter ended December 31 (in millions except per share data)	2020
Net revenues	\$13,858
Gross margin	9,174
Net earnings attributable to AbbVie Inc. <sup>(a)</sup>	36
Basic earnings per share attributable to AbbVie Inc.	\$ 0.01
Diluted earnings per share attributable to AbbVie Inc.	\$ 0.01
Cash dividends declared per common share	\$ 1.30

(a) Fourth quarter results in 2020 included after-tax charges of \$4.7 billion related to the change in fair value of contingent consideration liabilities partially offset by an after-tax benefit of \$1.5 billion due to impacts related to tax law changes.

## 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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 19, 2021 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 the related product is sold. At December 31, 2020, the Company had \$7,188 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 considering 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, 2020, the Company had \$12,997 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, including commercial dynamics, trends and utilization, as well as 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 considering 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.

*Description of the Matter*

**Accounting for Allergan plc acquisition—Valuation of intangible assets**

As discussed in Note 5 to the consolidated financial statements under the caption “Licensing, Acquisitions and Other Arrangements”, the Company completed the acquisition of Allergan plc (“Allergan”) on May 8, 2020 for approximately \$64,084 million. The Company measured the assets acquired and liabilities assumed at fair value, which resulted in the recognition of \$69,080 million of intangible assets, comprised of \$67,330 million of developed product rights and \$1,750 million of in-process research and development (“IPR&D”).

Auditing the valuation of intangible assets was complex and required significant auditor judgment due to the high degree of subjectivity in evaluating certain assumptions required to estimate the fair value of the identified intangible assets. In particular, the fair value measurement was sensitive to management’s forecasts of net revenues, including growth rates used to estimate future net cash flows for acquired aesthetics and recently launched products.

*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 accounting for acquisitions including, among others, management’s process to establish the significant assumptions used in determining the fair values of intangible assets. This included testing controls over management’s review of the significant assumptions and other inputs used in the determination of estimated future net revenues, the determination of future net cash flows, estimated growth rates, and review of the valuation model.

To test the estimated fair value of intangible assets, our audit procedures included, among others, inspecting the terms of the executed agreement, evaluating the valuation methods used, and testing the significant assumptions discussed above. We evaluated the assumptions and judgments considering observable industry and economic trends and standards, external data sources, and historical product trends, including those of comparable products, to the extent applicable. Estimated future net revenues were evaluated for reasonableness against internal and external analyses, including analyst expectations, industry trends, and market trends. 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 valuation model and to perform corroborative fair value calculations.

**Accounting for Allergan plc acquisition—Unrecognized tax benefits**

*Description of the Matter*

As discussed in Note 14 under the caption “Income Taxes,” as part of the acquisition of Allergan plc, the Company recorded \$2,674 million of unrecognized tax benefits resulting from uncertain tax positions. The Company applied judgment in evaluating the completeness of unrecognized tax benefits assumed as of the acquisition date. Some of the more significant judgments inherent in the Company’s evaluation of assumed uncertain tax positions included whether a tax position’s technical merits were more-likely-than-not to be sustained, including consideration of applicable tax statutes and related interpretations and precedents and the expected outcome of proceedings (or negotiations) with taxing and legal authorities.

Auditing the Company's analysis and accounting for uncertain tax positions was complex due to the interpretation of tax laws and legal rulings in multiple tax paying jurisdictions and required significant judgment in determining whether an assumed tax position's technical merits were more-likely-than-not to be sustained. In particular, each assumed unrecognized tax benefit involved unique facts and circumstances and multiple potential outcomes that were evaluated, with many uncertainties around initial recognition, including regulatory changes, litigation and examination activity. Management utilized outside tax and legal counsel, where appropriate, in its evaluation.

*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 accounting for acquisitions including, among others, management's process to evaluate the completeness and estimation of unrecognized tax benefits. This included testing controls over management's determination of whether an assumed tax position's technical merits were more-likely-than-not to be sustained and, if so, recognizing the estimated amount of qualified tax benefit. We also obtained an understanding, evaluated the design and tested the operating effectiveness of controls to ensure that the data used to evaluate and support the significant fair value assumptions and unrecognized tax benefits was complete, accurate and, where applicable, verified to external data sources.

To test the completeness and recognition of unrecognized tax benefits, our audit procedures included, among others, testing management's process for estimating the unrecognized tax benefits. Testing management's process included assessing management's interpretation of the unique facts, circumstances and related tax laws and legal rulings in each tax paying jurisdiction, examining whether the technical merits of each tax position were more-likely-than-not to be sustained, and evaluating the recognition of the amount of qualified tax benefit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the completeness and recognition of the Company's unrecognized tax benefits, including consideration of applicable tax statutes and related interpretations and precedents.

/s/ Ernst & Young LLP

*We have served as the Company's auditor since 2013.*

Chicago, Illinois

February 19, 2021

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

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None.

## ITEM 9A. CONTROLS AND PROCEDURES

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### *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, 2020.

**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, 2020. 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, 2020, based on the COSO criteria.

The effectiveness of AbbVie's internal control over financial reporting as of December 31, 2020 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, 2020.

***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, 2020, 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, 2020, 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, 2020 and 2019, 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, 2020, and the related notes and our report dated February 19, 2021 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 19, 2021

## ITEM 9B. OTHER INFORMATION

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None.

## PART III

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

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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 2021 AbbVie Inc. Proxy Statement. The 2021 Definitive Proxy Statement will be filed on or about March 22, 2021. 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](http://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

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The material to be included in the 2021 AbbVie Inc. Proxy Statement under the headings “Director Compensation,” “Executive Compensation,” and “Compensation Committee Report” is incorporated herein by reference. The 2021 Definitive Proxy Statement will be filed on or about March 22, 2021.

## 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, 2020 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 <sup>(1)</sup>	(b) Weighted-average exercise price of outstanding options, warrants and rights <sup>(2)</sup>	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(3)</sup>
Equity compensation plans approved by security holders	31,608,617	\$73.90	36,857,294
Equity compensation plans not approved by security holders	—	—	—
Total	31,608,617	\$73.90	36,857,294

(1) Includes 377,583 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, 2020, 77,467 options remained outstanding under this plan. The options have a weighted-average exercise price of \$16.55. 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 2021 AbbVie Inc. Proxy Statement. The 2021 Definitive Proxy Statement will be filed on or about March 22, 2021.

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

The material to be included in the 2021 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 2021 Definitive Proxy Statement will be filed on or about March 22, 2021.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The material to be included in the 2021 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 2021 Definitive Proxy Statement will be filed on or about March 22, 2021.

## 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 59 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	*Amendment to the Transaction Agreement, dated as of May 5, 2020, between AbbVie Inc., Allergan plc and Venice Subsidiary, LLC (incorporated by reference to Exhibit 2.1 of the company’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020).
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).
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).

Exhibit Number	Exhibit Description
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	*Supplemental Indenture No. 8, dated May 14, 2020, by and between AbbVie Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 of the company's Current Report on Form 8-K filed on May 14, 2020).
4.11	*Supplemental Indenture No. 9, dated May 14, 2020, among AbbVie Inc., U.S. Bank and National Association, as trustee, transfer agent and registrar, and Elavon Financial Services DAC, U.K. Branch, as paying agent (incorporated by reference to Exhibit 4.15 of the company's Current Report on Form 8-K filed on May 14, 2020).
4.12	*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).
4.13	*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, U.K. 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).
4.14	*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).
4.15	*Agency Agreement, dated May 14, 2020, among AbbVie Inc., U.S. Bank National Association, as trustee, transfer agent and registrar, and Elavon Financial Services DAC, U.K. Branch, as paying agent and calculation agent (incorporated by reference to Exhibit 4.16 of the company's Current Report on Form 8-K filed on May 14, 2020).
4.16	*Registration Rights Agreement, dated May 14, 2020, among AbbVie Inc. and Morgan Stanley & Co. LLC, BofA Securities, Inc., Citigroup Global Markets Inc., BNP Paribas Securities Corp., HSBC Securities (USA) Inc., Mizuho Securities USA LLC and Wells Fargo Securities, LLC (incorporated by reference to Exhibit 4.23 of the company's Current Report on Form 8-K filed on May 14, 2020).
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).**

Exhibit Number	Exhibit Description
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 10.2 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018).**
10.14	*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).**
10.15	*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).**
10.16	*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).**
10.17	*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, 2019).**

Exhibit Number	Exhibit Description
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, 2019).**
10.19	*AbbVie Non-Employee Directors' Fee Plan, as amended and restated (incorporated by reference to Exhibit 10.6 of the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020).**
10.20	*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).**
10.21	*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).**
10.22	*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, 2020).**
10.23	*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, 2020).**
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, 2020).**
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, 2020).**
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).
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).

Exhibit Number	Exhibit Description
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, 2020 filed on February 19, 2021, 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. 2021 Definitive Proxy Statement will be filed with the Securities and Exchange Commission under separate cover on or about March 22, 2021.

\* 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**

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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 19, 2021

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 19, 2021 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/ THOMAS C. FREYMAN

Thomas C. Freyman  
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 2021 Annual Meeting of Stockholders



## To the stockholders of our company:

You are cordially invited to attend the 2021 Annual Meeting of Stockholders to be held on May 7, 2021, where we will be voting on the below matters. You will be able to attend the Annual Meeting, vote, and submit questions via live webcast by visiting [www.virtualshareholdermeeting.com/ABBV2021](http://www.virtualshareholdermeeting.com/ABBV2021).

## Items of business

- To elect four directors to hold office until the 2024 Annual Meeting or until their successors are elected.
- To ratify the appointment of Ernst & Young LLP as AbbVie's independent registered public accounting firm for 2021.
- To vote on an advisory basis on the approval of executive compensation.
- To approve the amended and restated 2013 incentive stock program.
- To approve the amended and restated 2013 employee stock purchase plan for non-U.S. employees.
- To vote on a management proposal to eliminate supermajority voting.
- To consider any other matters that may properly come before the meeting, including two stockholder proposals, if presented during the meeting.

### Your vote is important.

Please vote promptly using one of the methods mentioned below:



#### Internet

Visit [www.proxyvote.com](http://www.proxyvote.com) to vote online.



#### Mail

Sign and return your proxy card in the enclosed envelope if you received a printed version of the proxy card.



#### Telephone

Call toll-free 1-800-690-6903 in the U.S. and Canada.



#### At the virtual meeting

To be admitted to the virtual meeting, you must enter the control number found on your proxy card, voting instructions form, or notice you received.

The Annual Meeting of Stockholders of AbbVie Inc. (the "Annual Meeting") will be held on Friday, May 7, 2021 at 9:00 a.m. CT. This year's Annual Meeting will be a virtual meeting of stockholders.



#### DATE AND TIME:

Friday, May 7, 2021  
9:00 a.m. CT



#### WHERE:

Via live webcast online at  
[www.virtualshareholdermeeting.com/ABBV2021](http://www.virtualshareholdermeeting.com/ABBV2021).



#### ADMISSION:

Stockholders of record at the close of business on March 8, 2021 are entitled to notice of and to vote at the annual meeting.

Thank you for your continued support of and interest in the company.

By Order of the Board of Directors,

**Laura J. Schumacher**

Secretary  
March 22, 2021



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# PROXY SUMMARY

## About the Meeting

The accompanying proxy is solicited on behalf of the Board of Directors for use at the Annual Meeting of Stockholders. This summary highlights selected information in the proxy statement. Please review the entire proxy statement and the AbbVie 2020 Annual Report before voting. The voting items expected to be proposed at the meeting are listed below along with the board's voting recommendations.

### 2021 Annual Meeting of Stockholders Information

**Date and Time:** Friday, May 7, 2021 at 9:00 a.m. CT

**Place:** Via live webcast online at [www.virtualshareholdermeeting.com/ABBV2021](http://www.virtualshareholdermeeting.com/ABBV2021)

**Record Date:** March 8, 2021

### Proposal 1: Election of Directors

Roxanne S. Austin    Rebecca B. Roberts  
Richard A. Gonzalez    Glenn F. Tilton

*Each of the nominees has the skills and experience necessary to fulfill his or her oversight role with respect to AbbVie's business and culture. See pages 14-20 for more information about the qualifications of our directors.*

**FOR**  
Each Nominee



### Proposal 2: Ratification of Independent Auditor

*Ernst & Young LLP has served as our independent auditor since 2013. The board and the audit committee believe it is in the best interests of the company and its stockholders to retain Ernst & Young LLP as the company's independent auditor. See page 67 for more information.*



### Proposal 3: Say on Pay – Advisory Vote on Executive Compensation

*AbbVie's compensation program aligns executive interests with the drivers of long-term, sustainable growth. Our program balances short- and long-term strategic objectives and directly links compensation to stockholder value. See pages 32-66 for more information.*



### Proposal 4: To Approve the Amended and Restated 2013 Incentive Stock Program

*AbbVie is seeking approval to increase the number of shares available and extend the term of the program. See pages 71-81 for more information.*



### Proposal 5: To Approve the Amended and Restated 2013 Employee Stock Purchase Plan for Non-U.S. Employees

*AbbVie is seeking approval to extend the term of the program. See pages 82-87 for more information.*



### Proposal 6: Management Proposal to Eliminate Supermajority Voting

*AbbVie is again seeking stockholder approval to eliminate supermajority voting thresholds in our charter and by-laws. See pages 88-89 for more information.*



## Stockholder Proposals

### Proposal 7: Stockholder Proposal on Lobbying Report

**AGAINST**

### Proposal 8: Stockholder Proposal on Independent Chair

**AGAINST**

## Who We Are



**~ 47,000**  
employees  
worldwide



Launched in  
**2013**



**Millions**  
of patient lives  
touched

### In more than 70 countries, AbbVie employees are working every day to advance health solutions for people around the world.

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 2020, AbbVie 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 approximately a quarter of AbbVie’s total sales in 2020 and will be important contributors in 2021 and beyond. AbbVie delivered another year of outstanding performance in 2020, 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; 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.

In May 2020, AbbVie completed its acquisition of Allergan plc. 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 focused on key therapeutic areas such as aesthetics, eye care, neuroscience, women’s health, and gastroenterology.

## AbbVie’s Principles are foundational:

### Transforming Lives

We inspire hope and transform lives every day. We make decisions based on our deep caring and compassion for people, delivering a lasting impact to our patients, their families, our employees and the community.

### Acting with Integrity

We strive to always do the right thing. With uncompromising integrity at the heart of everything we do, we pursue the highest standards in quality, compliance, safety and performance.

### Driving Innovation

We innovate relentlessly in everything we do to tackle unmet needs. We invest in the discovery and development of new medicines and healthcare approaches for a healthier world.

### Embracing Diversity & Inclusion

We treat everyone equally, with dignity and respect. Around the world, our employees embrace diverse backgrounds and perspectives, which allows us all to achieve our best.

### Serving the Community

We are proud to serve and support the community and do our part to protect the environment. We make a remarkable impact that’s felt within healthcare and beyond.

# Our Business Performance

AbbVie has delivered robust financial results since our launch in 2013

**13.6%**

Adjusted net revenues  
- compound annual growth rate (CAGR)\*

**334.1%**

8 year total stockholder return

**~\$11BN**

Revenues in 2020 from products launched since inception (excludes Allergan portfolio)

**~\$135BN**

Increase in market capitalization  
- added significant stockholder value

**18.9%**

Adjusted diluted earnings per share - compound annual growth rate\*

**225%**

Increase in quarterly dividend  
- raised quarterly dividend to \$1.30 per share from \$0.40 per share at inception

**1,170 bps**

Operating margin expansion, adjusted\*

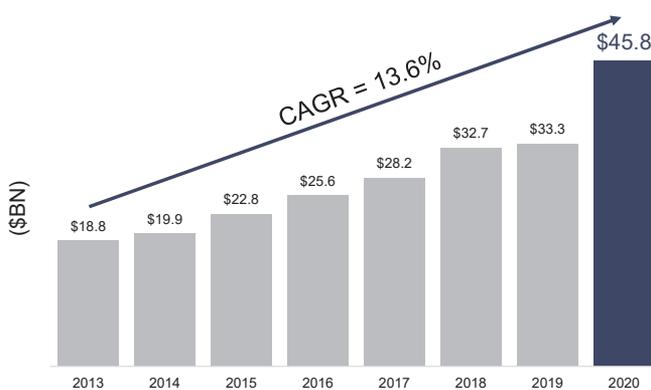
**90+**

Active clinical development programs  
- more than 50 compounds, devices, or indications in mid- and late-stage development

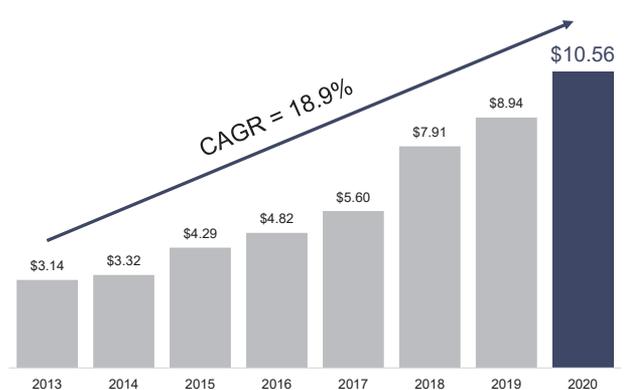
The measures set forth above were calculated as of December 31, 2020.

\*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.

**Adjusted Net Revenues\***



**Adjusted EPS\***



\*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.

**Since its launch in 2013, AbbVie has demonstrated an outstanding track record, consistently delivering top-tier results**

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 tier of its Health Care Peer Group.

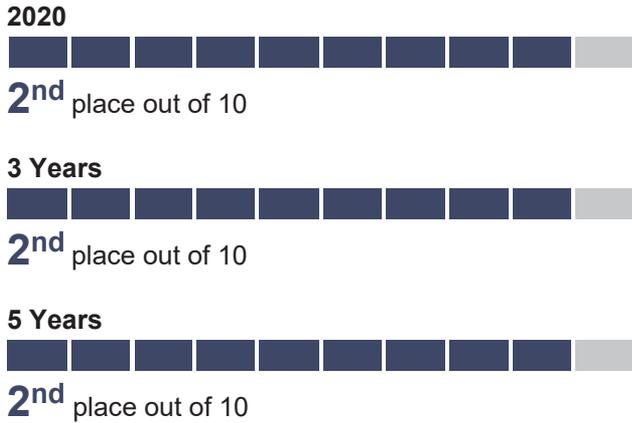
Additionally, AbbVie is committed to a robust return of capital to stockholders with an increase of 225% in its quarterly dividend since 2013 as part of a balanced and disciplined capital allocation program. AbbVie's total stockholder return (TSR) since inception of 334.1% also places AbbVie at the top of its Health Care Peer Group, and more than 124 percentage points above the Standard & Poor's 500 Index and more than 199 percentage points above the NYSE Arca Pharmaceutical Index over the same time period.

**Total stockholder return (TSR) since inception**

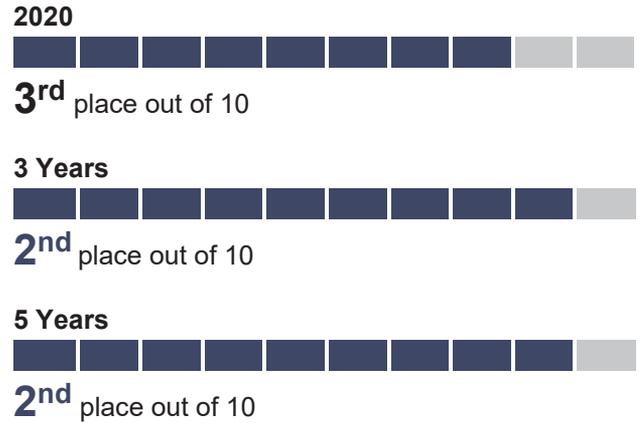


**AbbVie Rankings vs. Peer Group**

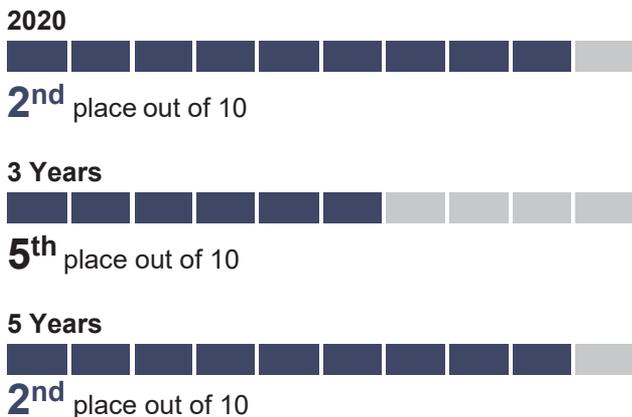
**% Revenue Growth**



**% Adjusted EPS Growth**



**Total Stockholder Return**



**Our Peer Group**

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
- Pfizer Inc.

## AbbVie also delivered strong business performance in 2020



**Net Revenues:** AbbVie reported worldwide net revenues of \$45.8 billion in 2020. Worldwide net revenues increased by 38% on a reported basis and on a constant currency basis, which included \$10.3 billion of contributed revenues from the Allergan acquisition, growth in the immunology portfolio from Skyrizi, Rinvoq and the continued strength of Humira in the U.S., as well as revenue growth from Imbruvica and Venclexta.

**Gross and Operating Margins:** In 2020, AbbVie reported a gross margin of 66.4% on a GAAP basis or 82.1% of net revenues on an adjusted basis. AbbVie’s operating margin was 24.8% on a GAAP basis or 48.0% of net revenues on an adjusted basis. The adjusted operating margin reflects an improvement of 70 basis points versus 2019.

**Earnings Per Share:** For 2020, AbbVie reported full-year diluted EPS of \$2.72 on a GAAP basis and adjusted diluted EPS of \$10.56, up 18.1%. For 2021, AbbVie provided a diluted EPS guidance range of \$6.69 to \$6.89 on a GAAP basis and \$12.32 to \$12.52 on an adjusted basis. The midpoint of the 2021 adjusted guidance represents growth of 17.6% over 2020, reflecting strong operating dynamics in the underlying business.

**Business Development:** AbbVie acquired Allergan, creating a more diversified biopharmaceutical company positioned for success with a comprehensive product portfolio that has leadership positions in key therapeutic areas of immunology, hematologic oncology, aesthetics, neuroscience, eye care, and women’s health. AbbVie also entered into collaboration agreements with Genmab to research, develop, and commercialize investigational bispecific antibody therapeutics for the treatment of cancer, as well as I-Mab Biopharma for the development and commercialization of lemparalizumab for the treatment of multiple cancers.



**Regulatory Milestones:** AbbVie also achieved a number of regulatory milestones in markets worldwide for several key products, including regulatory approvals for Imbruvica in combination with rituximab for the treatment of previously untreated patients with chronic lymphocytic leukemia (CLL) or small lymphocytic lymphoma (SLL), full approval of Venclexta in combination with azacitidine or decitabine or low-dose cytarabine in newly diagnosed acute myeloid leukemia (AML) patients ineligible for intensive chemotherapy, Oriahnn for the management of heavy menstrual bleeding due to uterine fibroids in premenopausal women, and Juvederm Voluma XC for the augmentation of the chin region to improve the chin profile in adults over the age of 21. AbbVie also submitted regulatory applications for Rinvoq in three additional indications: the treatment of adult patients with active psoriatic arthritis (PsA), for the treatment of adult patients with active ankylosing spondylitis (AS), and for the treatment of adults and adolescents with moderate to severe atopic dermatitis (AD).



**Pipeline Development:** With more than 50 programs in mid- and late-stage development, AbbVie made significant pipeline advancements in 2020. The company initiated several important Phase 3 programs including studies for Skyrizi in ulcerative colitis, Venclexta in myelodysplastic syndrome (MDS), and navitoclax in myelofibrosis. AbbVie also reported positive data from Phase 3 studies in other areas of the pipeline, including atogepant for migraine prevention and AGN-190584, an investigational ophthalmic solution, for the treatment of presbyopia.

## Our 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. Each year, AbbVie completes a robust investor engagement program with governance investment teams. In 2020, we reached out to stockholders representing over 40% of our outstanding shares. Our engagements in 2020 generally focused on (1) the impact of COVID on our business and how the company is supporting our employees, (2) the Allergan acquisition and integration, including the culture of the combined company, (3) AbbVie’s equity, equality, diversity, and inclusion programs and disclosures, (4) AbbVie’s executive compensation programs, and (5) AbbVie’s board composition and leadership structure, including the responsibilities of our lead independent director.

The board reviews feedback from these engagements and discusses opportunities to improve AbbVie’s governance practices. The following chart summarizes some of the governance practices that the board has adopted over the past several years as a result of dialogue with our stockholders:

Topic:	Actions taken by our board:
Stockholder Voting Rights	<p><b>approved a management proposal to eliminate supermajority voting</b> in this proxy statement (Item 6) 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 6 and previously submitted the same proposal to stockholder vote in 2020, 2019, and 2018 as well as a declassification management proposal to a stockholder vote in 2018, 2017, and 2016</p>
Proxy Access	<p><b>approved and implemented in 2016 a proxy access by-law provision</b>, as further detailed in the company’s By-Laws</p>
Lead Independent Director Role	<p><b>significantly expanded disclosure on the lead independent director responsibilities</b> in the 2019 and 2018 proxy statements, to better inform our stockholders on the robust leadership that the role provides</p> <p><b>changed the election criteria for the lead independent director</b>, so that the lead independent director can be elected from all of AbbVie’s independent directors, instead of the role being linked to the chair of the nominations and governance committee</p> <p><b>appointed the lead independent director to all committees</b> in 2019, further strengthening his active leadership role</p>
Board Skills Disclosure	<p><b>shared our board skills matrix beginning in 2016</b>, 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</p>
Environmental, Social, and Governance (ESG) Disclosures	<p><b>disclosed detailed data on the diversity of AbbVie’s U.S. workforce</b> by publishing AbbVie’s EEO-1 report on our website in 2020</p> <p><b>incorporated an overview of AbbVie’s corporate responsibility approach</b> and initiatives in the proxy statement beginning in 2018</p> <p><b>expanded the description of AbbVie’s clawback policy</b>, starting in the 2019 proxy statement</p> <p><b>added board diversity data</b>, starting in the 2019 proxy statement, along with an expanded discussion of the value of director diversity in this proxy statement</p>

**Additional highlights of our governance practices include:**

<p><b>Director independence</b></p> <ul style="list-style-type: none"> <li>✓ Eleven of AbbVie’s twelve directors are independent and regularly meet in executive session</li> <li>✓ Since our inception, we have had a lead independent director with robust responsibilities</li> <li>✓ All members of our audit, compensation, nomination and governance, and public policy committees are independent</li> </ul>	<p><b>Stockholder rights</b></p> <ul style="list-style-type: none"> <li>✓ Adopted a proxy access By-Law provision for 3%/3 years</li> <li>✓ We do not have a stockholder rights plan or “poison pill”</li> <li>✓ 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</li> </ul>	<p><b>Board and executive accountability</b></p> <ul style="list-style-type: none"> <li>✓ Annual executive succession planning, including an assessment of the diversity of executive candidates</li> <li>✓ Minimum stock ownership guidelines are in place for the CEO and other NEOs</li> <li>✓ We have a related person transaction policy to ensure appropriate oversight</li> <li>✓ We hold an annual say-on-pay advisory vote on executive compensation</li> </ul>
<p><b>Board composition and effectiveness</b></p> <ul style="list-style-type: none"> <li>✓ Our governance guidelines restrict the number of boards our directors may serve on to prevent overboarding</li> <li>✓ Annual board and committee self-assessments and annual board succession planning</li> <li>✓ For inclusion on the board, the nominations and governance committee considers diversity of race, ethnicity, gender, and geography, together with other voluntarily identified diversity criteria</li> </ul>	<p><b>Clawback and anti-hedging and anti-pledging policies</b></p> <ul style="list-style-type: none"> <li>✓ The Board has broad authority to recover incentive plan awards</li> <li>✓ Directors and executive officers are prohibited from buying or selling any financial instruments designed to hedge or offset any decrease in the market value of AbbVie equity securities they hold</li> <li>✓ Directors and executive officers are prohibited from pledging AbbVie stock as collateral for a loan</li> </ul>	<p><b>Other ESG practices</b></p> <ul style="list-style-type: none"> <li>✓ All executives have performance goals related to protecting the reputation and driving the sustainability of the company</li> <li>✓ We are guided by strong ethics programs and supplier guidelines</li> <li>✓ We disclose our corporate political contributions, our trade association memberships, and oversight process on our website</li> </ul>

# Our Corporate Responsibility 2020 Highlights

Acting responsibly is ingrained in everything we do and is how we drive a long-term, sustainable business that makes a genuine and lasting positive impact for patients, employees, and communities. During 2020, our corporate responsibility efforts focused on three key areas:

<p><b>1</b> Using our expertise and resources to <b>contribute to the fight against COVID-19</b></p>	<p><b>2</b> Driving meaningful change within AbbVie and our broader communities on <b>equity, equality, diversity, and inclusion</b>, as well as <b>racial justice</b></p>	<p><b>3</b> Proactively addressing other <b>environmental, social, and governance (ESG)</b> topics material to AbbVie</p>
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## Contributing to the fight against COVID-19

From the early days of the pandemic, AbbVie quickly marshalled our resources and expertise to help contribute to the fight against COVID-19 in four main areas:

- **Protecting our employees' well-being**
  - The health and safety of our employees remains a key priority for AbbVie during the pandemic. In order to protect our employees, we implemented, among other things, temporary office and facility closures and establishment of new safety and cleaning protocols; regular communication regarding the effect of the pandemic on our business and employees; establishment of physical distancing procedures, modification of workspaces, and provision of personal protective equipment for employees; temperature screening at all of our locations; a variety of testing resources including on-site and at-home testing; and remote working accommodations.
  - We also provided paid leave and other support and accommodations to our employees with relevant medical, pharmaceutical, R&D, science, and public health experience who desired or were requested to serve as volunteers during the pandemic.
  - We recognize the challenges working professionals are facing, especially those who are parents. In addition to existing employee assistance programs, we created new resources, such as a COVID-19 Childcare Relief Fund to support eligible employees to help with childcare or remote learning expenses.
  - Lastly, AbbVie's commitment to employees included no workforce reductions or salary reductions due to COVID-19.
- **Using our experience as a research-based biopharmaceutical company**
  - In response to the growing public health crisis, AbbVie has partnered with global authorities to support the experimental use of multiple AbbVie assets to determine their efficacy in the treatment of COVID-19.
  - Our R&D team reviewed our compounds, existing medicines, and pipeline assets to evaluate their efficacy as potential treatments while simultaneously building and accelerating discovery efforts for COVID-19 treatments. We also launched a Phase 2 study of ibrutinib as a potential treatment for COVID-19.
  - We have participated in numerous external collaborations, such as the Accelerating COVID-19 Therapeutic Interventions and Vaccines (ACTIV) partnership led by the National Institutes of Health and the Foundation for the NIH (FNIH), in order to help accelerate research on COVID-19 medicines.
  - Given the need to significantly increase access to testing, in 2020 we began using our laboratory expertise to work with health authorities locally and globally to create a clinical COVID testing capability. We have also used our capabilities to manufacture viral transport medium, which is necessary to preserve swabs prior to lab testing.

- **Giving back to communities through product donations, PPE donations, and financial support**
  - In 2020, AbbVie donated \$35 million to help support underserved communities and health care systems working to address the impact of the COVID-19 global pandemic. This funding has led to, among other things, the creation and operation of 26 mobile field hospitals across the U.S., distribution of millions of units of personal protective equipment, distribution of equipment and supplies in the hardest-hit European countries (including oxygen concentrators, ventilators and personal protective equipment), and protection for the most vulnerable, including the elderly, by enabling access to food and essential household supplies with minimal contact.
  - We donated over 100,000 units of our HIV medicine Kaletra/Aluvia (lopinavir/ritonavir) globally as an experimental option for the treatment of COVID-19 during the early part of the pandemic. We also donated approximately 50,000 units of Nimbox, which is administered to intubated patients, to the U.S. government.
  - We donated over 350,000 surgical and N95 masks to various hospital systems across major locations where AbbVie operates. Additionally, AbbVie manufactured hand sanitizer and donated pallets of excess personal protective equipment, including gowns, gloves and hair covers, to various institutions, including health departments, jails, long term care facilities, medical centers and veterans' organizations in Illinois and the Bay Area.
  - To support the Illinois Department of Public Health, we donated approximately 280,000 units of viral transport media.
- **Ensuring continuity of supply and access for AbbVie's patients**
  - In the initial weeks of the pandemic, AbbVie made a global decision to give up all patent rights to Kaletra/Aluvia. The pandemic caused unprecedented demand for Kaletra/Aluvia, which was widely tested as a potential COVID-19 treatment. Releasing our patent rights allowed other companies to manufacture Kaletra/Aluvia, helping to meet this unprecedented demand.
  - As assurance of treatment supply for our patients has been our most critical priority during COVID-19, AbbVie's Manufacturing, Purchasing and Supply Chain readied its network to ensure we pre-purchased our key materials to maintain zero back orders in 2020 and build enough inventory to support our 2021 demand.
  - Through our U.S. patient assistance program, myAbbVieAssist, and the Allergan Patient Assistance Program, we help patients who may be having trouble paying for their AbbVie medicine. In 2020, more than 153,000 patients received their AbbVie medicines from our programs at no cost. Starting in March 2020, we leveraged national television, newspaper, and digital advertisements to raise awareness about our patient assistance programs to help people affected by the pandemic continue to receive their AbbVie medicine.

## Driving meaningful change on EED&I and racial justice

During 2020, AbbVie intensified its efforts to drive meaningful change on equity, equality, diversity, and inclusion (EED&I), as well as racial justice. These efforts included internal initiatives at the company and significant external philanthropic initiatives to support underserved Black communities across the United States.

**“The private sector has a responsibility to help address racial inequity issues plaguing our nation. We believe investing in this important work – in partnership with national and local nonprofits – will create immediate opportunities and advance meaningful and lasting change.”**  
**– Richard A. Gonzalez, Chairman and CEO, AbbVie**

- A cornerstone of AbbVie's human capital management approach is to value and take into account the backgrounds and perspectives of our diverse workforce. In 2019, we adopted a five-year Equity, Equality, Diversity & Inclusion (EED&I) roadmap that defines key global focus areas, objectives and associated initiatives, and includes implementation plans organized by business function and geography. AbbVie's senior leaders have adopted formal goals aligned with executing this strategy.
- In 2020, AbbVie appointed two additional senior level positions, including our Chief Equity Officer, to drive change and awareness company-wide and take deliberate steps to ensure we lead by example in promoting racial equity.
- 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. In 2020, we increased education resources across the

company by launching our virtual *Impact through Inclusion Learning Series* comprised of two awareness sessions: *Stand by Me*, completed by more than 18,000 employees and *Talking Race*, completed by more than 5,000 people leaders. More than 6,000 employees globally completed AbbVie's *Inclusive Culture Learning Series* as well.

- With a focus on nurturing an inclusive culture, our Employee Resource Groups (ERGs) created connections and community, hosted awareness events, and provided leadership and career opportunities. In 2020, we increased membership across every Employee Resource Group, 53% overall and 165% outside the United States.
- We made a donation of \$5 million to NAACP Legal Defense and Education Fund and the Equal Justice Initiative to address issues in our criminal justice system and made an additional commitment of \$50 million in a five-year program to support underserved Black communities across the United States. On December 9, 2020, we announced the nonprofit partners for the \$50 million investment. AbbVie will collaborate with these partners to bring lasting and real change at the community level by 1) promoting health equity for Black Americans and other historically underserved populations, 2) fostering workforce development opportunities for Black Americans, and 3) expanding educational opportunities for historically underserved youth and young adults. In addition, we expanded our employee matching program to \$3-to-\$1 for donations to civil rights nonprofits fostering racial equity.
- Allergan Aesthetics, an AbbVie company, and Skinbetter Science® announced the launch of a new long-term, educational initiative – DREAM: Driving Racial Equity in Aesthetic Medicine™. The DREAM Initiative™ is committed to furthering the principles of racial and ethnic diversity, inclusion, respect and understanding in the fields of dermatology and plastic surgery.

## Proactively addressing environmental, social, and governance priorities

At AbbVie, we know that in order to be successful over the long-term, we need to proactively address environmental, social, and governance topics that are material to the company, including:

- **Delivering innovative medicines that offer significant health benefit**
  - 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 2020, AbbVie achieved 12 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, has been shown to be safe in a Phase 1 study in healthy volunteers. Preparations to start a Phase 2 study in patients with river blindness in the Democratic Republic of the Congo included renovating a clinic and training medical staff in a remote area. The study, which will start in early 2021, will be conducted by our partner, Drugs for Neglected Diseases initiative, with drug product and pro-bono technical support from AbbVie.
  - AbbVie announced that the FDA granted Orphan Drug and Fast Track designation for elezanumab (ABT-555), an investigational treatment for patients following spinal cord injury. Elezanumab is currently in phase 2 studies for the treatment of spinal cord injuries, multiple sclerosis, and acute ischemic stroke.
- **Advancing our environmental sustainability**
  - We continued progress on our 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 engagement campaign called EcoChallenge to encourage the adoption of sustainable behaviors at work and home. Over 48,100 sustainable actions were completed and 2,200 colleagues from 36 different countries participated.

- We completed the first year of our SPARK Innovation Accelerator, an incubator for employee-driven AbbVie sustainability proposals. The estimated positive impact from the proposals is a reduction of 95,700 cubic meters of water (38 Olympic swimming pools) and a reduction of 613 metric tons of waste (307 garbage trucks). The program was highly successful prompting us to solicit proposals again for 2021. Colleagues from 37 different global sites submitted over 200 ideas for the second year of the innovation program.
- 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 20%, on track to meet our 2025 target of 25%. We increased the percentage of purchased electricity that is from renewable sources to more than 25%, also on track to meet our 2025 target of 50%.
- At our manufacturing site in Sligo, Ireland, our on-site water treatment system has reduced 5,000 metric tons of water waste. Similarly, our new co-generation system at our manufacturing site in Barceloneta, Puerto Rico enables AbbVie's plant to generate its own electricity and operates completely on liquified natural gas, replacing our use of #6 fuel oil, which has higher emissions.
- AbbVie is actively working toward fleet sustainability through the transition of sales force vehicles to electric and hybrid vehicles, with some of our global markets already over 75% transitioned.
- **Stewarding our ethical business**
  - As part of our commitment to ethical privacy practices and compliance with global privacy laws, in 2020 we launched a global privacy awareness campaign with engaging interactive content, highlighting important privacy principles for our employees. The program reinforced the ways our employees can remain compliant with privacy requirements in their day-to-day work and emphasizes the importance of being good stewards of AbbVie's data.
  - With the acquisition of Allergan in 2020, we began executing on plans to merge and harmonize the robust ethics and compliance programs of AbbVie and Allergan to best meet the needs of our business. All employees received AbbVie's annual training on our Code of Business Conduct and updated conflicts of interest training. Employees in relevant functions also received mandatory training on topics such as anti-corruption and anti-bribery, 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.
  - Creating an environment where employees can raise questions and concerns helps us advance our commitment to ethical behavior. We have established systems and processes for all employees to ask questions and report suspected or actual violations of our Code, policies, and procedures. We offer various reporting resources to employees, such as our Ethics and Compliance Helpline (which permits reports in several different languages), a telephone and Web-based hotline available 24 hours a day, seven days a week. Employees may also contact the Office of Ethics and Compliance or Chief Ethics and Compliance Officer directly. Pursuant to our Code, AbbVie does not tolerate retaliation against anyone who makes a good faith report.

PROXY SUMMARY

AbbVie has been consistently recognized by external rankings and ratings as a leader on corporate responsibility. For more information about our efforts, please visit [abbvie.com/responsibility](http://abbvie.com/responsibility).

**EXTERNAL RECOGNITION**

<p><b>DiversityInc.</b> Top 50 Companies for Diversity  <i>Ranked in the top 20</i></p>	<p><b>FORTUNE</b> 100 Best Companies to Work For  <i>Included for three consecutive years</i></p>	<p><b>Great Place to Work</b> World's Best Workplaces  <i>Included for four consecutive years</i></p>
<p><b>Human Rights Campaign</b> Corporate Equality Index  <i>Scored 100% for five consecutive years</i></p>	<p><b>Working Mother</b> 100 Best Companies  <i>Top 10 for three consecutive years</i></p>	<p><b>Dow Jones</b> Sustainability World Index  <i>Included in the index for eight consecutive years</i></p>
<p><b>3BL Media</b> 100 Best Corporate Citizens  <i>Top 30</i></p>	<p><b>EcoVadis</b>  <i>Advanced ranking</i></p>	<p><b>PEOPLE's</b> 50 Companies that Care  <i>Included for two consecutive years</i></p>

# Executive Compensation Highlights

The compensation committee has designed and implemented an executive compensation program in which a substantial majority of named executive officer (NEO) compensation at AbbVie is performance-based.

The goals of our compensation program are to:

- |  |   |  |
|--|---|--|
| <p><b>1</b> <b>Align executive interests</b> with the drivers of stockholder returns and profitable growth</p> | <p><b>2</b> Support achievement of the company's <b>primary business goals</b> to have a remarkable impact on patients' lives</p> | <p><b>3</b> <b>Attract and retain world-class executives</b> whose talents and contributions sustain the growth in long-term stockholder value</p> |
|--|---|--|

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.

### Key components and design of our executive compensation program:

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.

Element	Type	Primary Objective	Key Characteristics
<b>Base Salary</b>	Fixed	Attract & retain top talent	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
<b>Short-Term Incentives</b>	At-Risk	Encourage achievement of company's primary business goals	Plan utilizes non-GAAP financial goals as well as an assessment of individual performance against strategic objectives: <ul style="list-style-type: none"> <li>— Net revenues</li> <li>— Income before taxes</li> <li>— Operating margin</li> <li>— Return on assets</li> <li>— Strategic and leadership goals</li> </ul>
<b>Long-Term Incentives</b>	At-Risk	Align NEO interests with stockholders	Long-term incentive annual awards are granted in the form of: <ul style="list-style-type: none"> <li>— Performance shares and performance vested restricted stock units (80% of NEO's LTI award)</li> <li>— Non-qualified stock options (20% of NEO's LTI award)</li> </ul>

# INFORMATION CONCERNING DIRECTOR NOMINEES

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## What am I voting on and how should I vote?

*You are being asked to elect four Class III directors at the Annual Meeting.*

***The board of directors therefore recommends you vote “FOR” each of the nominees set forth below.***

The board of directors consists of three classes currently comprised of four 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 III directors are presented for re-election to hold office until the expiration of their term at the 2024 annual meeting of stockholders and until their successors are elected and qualified or until their earlier death or resignation. All of the nominees are currently serving as directors.

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 2020 Annual Report on Form 10-K.

## Nominees (Class III)



### **Roxanne S. Austin**

Director Since: **2013**

Age: **60**

Committees: **Audit and Compensation**

Primary Occupation: **President, Austin Investment Advisors**

#### **Business Experience:**

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., Teledyne Technologies, Inc., and Verizon Communications Inc. Ms. Austin has notified Teledyne of her intent to resign from its Board of Directors at the company's next annual meeting of stockholders, currently planned for April 2021. Ms. Austin also served as a director of Telefonaktiebolaget LM Ericsson from 2008 to 2016.

#### **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**

Director Since: **2013**

Age: **67**

Primary Occupation: **Chairman of the Board and Chief Executive Officer, AbbVie Inc.**

#### **Business Experience:**

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.

#### **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.

INFORMATION CONCERNING DIRECTOR  
NOMINEES



**Rebecca B. Roberts**

Director Since: **2018**

Age: **68**

Committees: **Nominations & Governance and Public Policy**

Primary Occupation: **Retired President of Chevron Pipe Line Company**

**Business Experience:**

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.

**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**

Director Since: **2013**

Age: **72**

Committees: **Audit, Compensation, Nominations & Governance, and Public Policy**

Primary Occupation: **Retired Chairman and Chief Executive Officer of the UAL**

**Corporation**

**Lead Independent Director**

**Business Experience:**

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.

**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**

Director Since: **2013**

Age: **69**

Committees: **Audit and Nominations & Governance**

Primary Occupation: **Retired Senior Vice President and Director at The Boston Consulting Group**

#### **Business Experience:**

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.

#### **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.



### **Thomas C. Freyman**

Director Since: **2020**

Age: **66**

Committees: **Compensation**

Primary Occupation: **Retired Executive Vice President, Finance and Administration, Abbott Laboratories**

#### **Business Experience:**

Mr. Freyman served as a director at Allergan from 2018 to 2020, when AbbVie acquired Allergan plc. Mr. Freyman previously served as executive vice president, finance and administration at Abbott Laboratories from 2015 until his retirement in 2017. He previously served at Abbott as chief financial officer and executive vice president, finance and was first appointed chief financial officer and senior vice president, finance in 2001. He also serves as a director of Tenneco Inc. and Hanger, Inc.

#### **Key Contributions to the Board:**

- Mr. Freyman's extensive experience as a leader in the healthcare industry, knowledge of the Allergan businesses, and expertise in complex accounting and financial issues provides the board with significant global industry experience, continuity in oversight of the Allergan businesses, and finance and risk expertise.

INFORMATION CONCERNING DIRECTOR  
NOMINEES



**Brett J. Hart**

Director Since: **2016**

Age: **51**

Committees: **Nominations & Governance and Public Policy**

Primary Occupation: **President, United Airlines Holdings, Inc.**

**Business Experience:**

Mr. Hart is the president of United Airlines Holdings, Inc. (UAL) and United Airlines, Inc. He served as executive vice president and chief administrative officer between March 2019 and May 2020, 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.

**Key Contributions to the Board:**

- As president and as 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**

Director Since: **2013**

Age: **63**

Committees: **Audit and Nominations & Governance**

Primary Occupation: **Retired Group President for Resource Industries of Caterpillar Inc.**

**Business Experience:**

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.

**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.

## Class II—Directors whose terms expire in 2023



### **Robert J. Alpern, M.D.**

Director Since: **2013**

Age: **70**

Committees: **Nominations & Governance and Public Policy**

Primary Occupation: **Ensign Professor of Medicine, Professor of Internal Medicine, and Former Dean of Yale School of Medicine**

#### **Business Experience:**

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.

#### **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**

Director Since: **2013**

Age: **75**

Committees: **Compensation and Public Policy**

Primary Occupation: **Retired Chairman & CEO, The Allstate Corporation**

#### **Business Experience:**

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. Mr. Liddy also served as a director at 3M Company from 2000 to 2020 and The Boeing Company from 2010 to 2020.

#### **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.

INFORMATION CONCERNING DIRECTOR  
NOMINEES



**Melody B. Meyer**

Director Since: **2017**

Age: **63**

Committees: **Audit and Public Policy**

Primary Occupation: **Retired President, Chevron Asia Pacific Exploration and Production**

**Business Experience:**

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 NOV, Inc.

**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**

Director Since: **2013**

Age: **67**

Committees: **Audit and Compensation**

Primary Occupation: **Former Chairman of the Board and Chief Executive Officer of Northern Trust Corporation and The Northern Trust Company**

**Business Experience:**

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.

**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.

# THE BOARD OF DIRECTORS AND ITS COMMITTEES

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The board of directors held seven meetings in 2020. The average attendance of all incumbent directors at board and committee meetings in 2020 was ninety-eight 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 2020 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. Freyman, 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. The board and its committees regularly review environmental, social, and governance (ESG) topics that are material to AbbVie. For more details about committee responsibilities and oversight, please see the committee discussion on pages 24-26.

The board 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.

In 2020, the board spent a significant amount of time overseeing the company's response to the COVID-19 pandemic, including the impact on AbbVie's employees and the availability of resources to support employees' health and well-being. The board also reviewed the pandemic's impact on pipeline and marketed products, as well as overall company strategy. Finally, the board oversaw AbbVie's efforts to contribute to the fight against COVID-19, via product and financial donations as well as research and development programs designed to develop treatments.

Over the past year, the board has also prioritized oversight of AbbVie's response to the U.S. racial justice movement, including overseeing internal programs designed to ensure that AbbVie is attracting, retaining, and developing diverse talent. The board also reviewed AbbVie's efforts to drive racial justice externally, including the commitment of \$55 million in charitable donations to promote health and education equity in underserved Black communities and to address issues in our criminal justice system.

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.

Our **Lead Independent Director** has robust and well-defined responsibilities that provide our board with significant leadership and oversight:

- ✓ 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
- ✓ reviews and guides agenda items for board meetings
- ✓ 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
- ✓ 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. In 2020, AbbVie engaged an independent firm to review the board and committee self-evaluation materials, in order to ensure the self-evaluation process reflects current best practices.

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.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

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 the 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.

	ALPERN	AUSTIN	BURNSIDE	FREYMAN	GONZALEZ	HART	LIDDY	MEYER	RAPP	ROBERTS	TILTON	WADDELL
Healthcare Industry	•	•		•	•		•				•	
Leadership	•	•	•	•	•	•	•	•	•	•	•	•
Global Business & Strategy	•	•	•	•	•	•	•	•	•	•	•	•
Corporate Governance & Public Company Board	•	•	•	•	•	•	•	•	•	•	•	•
Finance or Accounting		•	•	•	•		•	•	•		•	•
Government Relations & Regulatory	•	•	•	•	•	•	•	•	•	•	•	•

## Board Diversity

AbbVie is committed to diversity in its workforce and on its board of directors. AbbVie serves patients in over 175 countries and across many different diseases. A diverse workforce and a diverse board are critical to bringing innovative new medicines to patients and to meeting their unique needs. In particular, diverse perspectives strengthen the oversight of AbbVie’s business.



Diversity, including diversity of race, ethnicity, gender, and age, is an integral factor in identifying prospective directors. In the process of identifying nominees to serve as a member of the board of directors, the nominations and governance committee considers the existing board’s diversity and assesses the effectiveness of the recruitment process in achieving a diverse board. More details about our workforce diversity efforts are available in the “Corporate Responsibility Highlights” section of this proxy statement.

## Committees of the Board of Directors

### Audit Committee

Members	Key Characteristics and Responsibilities	Meetings in 2020: 6
<p><b>R. Austin</b> (Chair)</p> <p><b>W. Burnside</b></p> <p><b>M. Meyer</b></p> <p><b>E. Rapp</b></p> <p><b>G. Tilton</b></p> <p><b>F. Waddell</b></p>	<ul style="list-style-type: none"> <li>✓ 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.</li> <li>✓ 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. The audit committee is directly responsible for the appointment, fees, retention, and oversight of the work of AbbVie’s independent auditors.</li> <li>✓ 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”).</li> <li>✓ The board of directors has determined that Ms. Austin, the committee’s chairperson, is an “audit committee financial expert.”</li> </ul>	

**Compensation Committee**

Members	Key Characteristics and Responsibilities	Meetings in 2020: 3
<b>R. Austin</b> <b>T. Freyman</b> <b>E. Liddy</b> <b>(Chair)</b> <b>G. Tilton</b> <b>F. Waddell</b>	<ul style="list-style-type: none"> <li>✓ The compensation committee is governed by a written charter.</li> <li>✓ 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.</li> <li>✓ 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.</li> <li>✓ 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.</li> <li>✓ 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.</li> <li>✓ 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).</li> </ul>	

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 2020.

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.

## THE BOARD OF DIRECTORS AND ITS COMMITTEES

### Nominations and Governance Committee

Members	Key Characteristics and Responsibilities	Meetings in 2020: 4
R. Alpern	✓ The nominations and governance committee is governed by a written charter.	
W. Burnside	✓ 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.	
B. Hart		
E. Rapp		
(Chair)		
R. Roberts	✓ 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 22-23.	
G. Tilton	✓ 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

Members	Key Characteristics and Responsibilities	Meetings in 2020: 3
R. Alpern	✓ The public policy committee is governed by a written charter.	
B. Hart	✓ 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.	
(Chair)		
E. Liddy	✓ 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.	
M. Meyer		
R. Roberts		
G. Tilton		

### 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' 2020 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	112,917	194,934	0	44,483	25,000	377,334
R. Austin	137,917	194,934	0	0	25,000	357,851
W. Burnside	118,917	194,934	0	0	25,000	338,851
T. Freyman	67,083	194,934	0	0	0	262,017
B. Hart	132,917	194,934	0	0	25,000	352,851
E. Liddy	132,917	194,934	0	0	0	327,851
M. Meyer	118,917	194,934	0	0	25,000	338,851
E. Rapp	138,917	194,934	0	0	26,321	360,172
R. Roberts	112,917	194,934	0	0	25,000	332,851
G. Tilton	168,917	194,934	0	0	30,699	394,550
F. Waddell	118,917	194,934	0	0	26,319	340,170

(1) Under the Non-Employee Directors' Fee Plan as in effect during 2020, non-employee directors earned \$115,000 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. The lead director received \$50,000 in 2020 for service in that role. 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 2020, 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 on the day of the 2020 annual stockholder meeting received under the AbbVie 2013

## DIRECTOR COMPENSATION

Incentive Stock Program vested restricted stock units with a target grant date value of \$195,000. In 2020, this equated to 2,333 restricted stock units (after rounding the award down to the nearest whole unit), with a reportable value of \$194,934. 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, 2020: R. Alpern, 28,440; R. Austin, 36,103; W. Burnside, 19,881; B. Hart, 12,395; T. Freyman, 2,333; E. Liddy, 23,867; M. Meyer, 9,421; E. Rapp, 19,881; R. Roberts, 6,651; G. Tilton, 32,087; and F. Waddell, 19,881. 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, 2020.
- (4) The totals in this column include reportable interest credited under the AbbVie Non-Employee Directors' Fee Plan during 2020.
- (5) Charitable contributions made by AbbVie's non-employee directors are eligible for a matching contribution (up to \$25,000 annually). For 2020 contributions, the AbbVie Foundation made charitable matching contributions on behalf of the following AbbVie directors: R. Alpern, \$25,000; R. Austin, \$25,000; W. Burnside, \$25,000; B. Hart, \$25,000; M. Meyer, \$25,000; E. Rapp, \$25,000; R. Roberts, \$25,000; 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, 2021, 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 <sup>(1)(2)(3)</sup>	Stock Options Exercisable within 60 days of January 31, 2020	Stock Equivalent Units
R. Gonzalez	315,815	678,291	0
R. Alpern	28,440	0	7,602
R. Austin	119,447	0	0
W. Burnside	19,881	0	0
T. Freyman	123,674	0	0
B. Hart	12,395	0	0
E. Liddy	25,002	0	27,440
M. Meyer	9,421	0	0
E. Rapp	35,870	0	19,289
R. Roberts	6,651	0	0
G. Tilton	44,837	0	33,651
F. Waddell	21,881	0	0
R. Michael	20,270	65,935	0
L. Schumacher	177,541	373,300	0
C. Alban	155,341	445,047	0
M. Severino	67,281	460,189	0
All directors and executive officers as a group <sup>(4)</sup>	1,522,722	4,444,067	87,982

- (1) The table includes shares held in the executive officers' accounts in the AbbVie Savings Plan as follows: all executive officers as a group, 5,057. 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, 28,415; T. Freyman, 4,000; G. Tilton, 350; C. Alban, 40,442; and all directors and executive officers as a group, 142,616.
- (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, 2020 by The Vanguard Group and BlackRock, Inc. (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 10, 2021 and by BlackRock, Inc. on January 29, 2021. The Vanguard Group reported that it had sole voting power with respect to 0 shares, shared voting power with respect to 3,048,712 shares, sole dispositive power with respect to 134,585,241 shares and shared dispositive power with respect to 7,977,833 shares. BlackRock, Inc. reported that it had sole voting power with respect to 107,834,642 shares, shared voting power with respect to 0 shares, sole dispositive power with respect to 124,423,484 shares and shared dispositive power with respect to 0 shares.

SECURITIES OWNERSHIP

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	142,563,074	8.08 %
BlackRock, Inc. 55 East 52 <sup>nd</sup> Street New York, NY 10055	124,423,484	7.0 %

# 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:

<b>RICHARD A. GONZALEZ</b> Chairman of the Board of Directors and Chief Executive Officer	<b>ROBERT A. MICHAEL</b> Executive Vice President, Chief Financial Officer	<b>LAURA J. SCHUMACHER</b> Vice Chairman, External Affairs and Chief Legal Officer	<b>CARLOS ALBAN</b> Vice Chairman, Chief Commercial Officer	<b>MICHAEL E. SEVERINO</b> Vice Chairman and President
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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. The content of this section is organized according to the following.

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## Executive Summary

### UNIQUE EVENTS IN 2020

Throughout this CD&A you will see references to our successful completion of the acquisition of Allergan plc on May 8, 2020 and subsequent integration. Adjusting for Allergan’s accretive impact on our business results caused us to revise our full year financial plan and, accordingly, our goals were increased to become more challenging in both our short-term and long-term incentive plans.

This year we also faced the unprecedented challenge of COVID-19. Despite the uncertainty of a fast-developing global pandemic, our strong culture and operating principles allowed us to respond quickly and effectively. Our response to COVID-19 took many forms, some of which are highlighted here:

- No workforce reductions and no salary reductions associated with COVID-19
- No compensation discretion was used in 2020 to account for COVID-19
- Placing our patients first by ensuring no disruption to supply chains or access to key medicines
- Prioritizing the wellbeing of our workforce with onsite testing and safety protocols to protect onsite employees, as well as supporting remote work arrangements
- Goals were adjusted to be more challenging, not less challenging
- \$35 million in charitable donations directed toward COVID-19 relief efforts

During 2020, AbbVie also intensified its efforts to drive meaningful change on equity, equality, diversity, and inclusion (EED&I), as well as racial justice. For example, we committed \$55 million in charitable donations to support health and education opportunity in underserved Black communities and to address issues in our criminal justice system.

For more information about AbbVie’s leadership through 2020, COVID-19, racial equity, and other areas of corporate responsibility, see “Our Corporate Responsibility 2020 Highlights”.

### COMPENSATION PHILOSOPHY

We believe that a well-designed compensation program should:

# 1

**Align executive interests** with the drivers of stockholder returns and profitable growth

# 2

Support achievement of the company’s **primary business goals** to have a remarkable impact on patients’ lives

# 3

**Attract and retain world-class executives** whose talents and contributions sustain the growth in long-term stockholder value

**WHAT WE DO**

- ✓ We balance short- and long-term strategic objectives and directly link compensation to stockholder value.
- ✓ We tie more than three-fourths of our NEO compensation to performance.
- ✓ We complete an annual review to ensure pay is equitable across genders and ethnicities among U.S. employees.
- ✓ We have 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.
- ✓ We engage annually with our largest stockholders to gather feedback on our policies and practices.
- ✓ We have robust stock ownership guidelines and prohibit the selling of shares unless ownership guidelines have been met.

**WHAT WE DO NOT DO**

- X We do not have employment agreements with any of our NEOs.
- X We do not provide excise tax gross-ups on NEO compensation.
- X NEOs are prohibited from entering 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.
- X We do not include pay design features that may have the potential to encourage excessive risk-taking.
- X We do not pay dividends on unearned performance shares.
- X We do not have single trigger change in control.

**BUSINESS OVERVIEW**

On May 8, 2020, AbbVie completed the acquisition of Allergan plc (Allergan). The acquisition of Allergan creates a diversified biopharmaceutical company positioned for success with a comprehensive product portfolio that has leadership positions in key therapeutic areas of immunology, hematologic oncology, aesthetics, neuroscience, eye care, and women's health. AbbVie also has a pipeline of promising new medicines in clinical development across such important medical specialties as immunology, oncology, and neuroscience.

**BUSINESS PERFORMANCE HIGHLIGHTS**

**AbbVie has delivered robust financial results since our launch in 2013**

**Adjusted Net Revenues**

**13.6%**

compound annual growth rate\*

**TSR**

**334.1%**

8 year total stockholder return

**Revenues in 2020**

**~\$11BN**

from products launched since inception (excludes Allergan portfolio)

**Market Capitalization Increase**

**\$135BN**

added significant stockholder value

**Quarterly Dividend Increase**

**225%**

raised to \$1.30 per share from \$0.40 per share at inception

**Adjusted Diluted EPS**

**18.9%**

compound annual growth rate\*

**1,170 bps**

operating margin expansion, adjusted\*

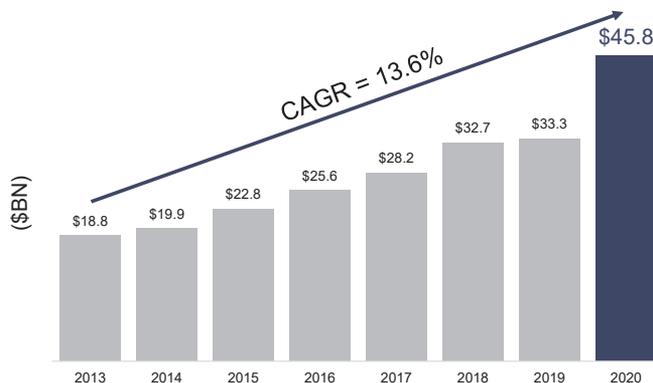
**90+**

active clinical development programs

**The measures set forth in this table were calculated as of 12/31/2020.**

\* 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 tier of its Health Care Peer Group. Additionally, AbbVie is committed to a robust return of capital to stockholders with an increase of 225% 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 334.1% also places AbbVie at the top of its Health Care Peer Group, and more than 124 percentage points above the Standard & Poor's 500 Index and more than 199 percentage points above the NYSE Arca Pharmaceutical Index over the same time period.

**Adjusted Net Revenues\*****Adjusted EPS\***

\*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.

## NET REVENUES

AbbVie reported worldwide net revenues of \$45.8 billion in 2020. Worldwide net revenues increased by 38% on a reported basis and on a constant currency basis, which included \$10.3 billion of contributed revenues from the Allergan acquisition, growth in the immunology portfolio from Skyrizi, Rinvoq and the continued strength of Humira in the U.S., as well as revenue growth from Imbruvica and Venclexta.

## BUSINESS DEVELOPMENT

AbbVie acquired Allergan creating a more diversified biopharmaceutical company positioned for success with a comprehensive product portfolio that has leadership positions in key therapeutic areas of immunology, hematologic oncology, aesthetics, neuroscience, eye care, and women's health.

AbbVie also entered into collaboration agreements with Genmab to research, develop and commercialize investigational bispecific antibody therapeutics for the treatment of cancer, as well as I-Mab Biopharma for the development and commercialization of lempzoparlimab for the treatment of multiple cancers.

## GROSS AND OPERATING MARGINS

In 2020, AbbVie reported a gross margin of 66.4% on a GAAP basis or 82.1% of net revenues on an adjusted basis.

AbbVie's operating margin was 24.8% on a GAAP basis or 48.0% of net revenues on an adjusted basis. The adjusted operating margin reflects an improvement of 70 basis points versus 2019.

## EARNINGS PER SHARE

For 2020, AbbVie reported full-year diluted EPS of \$2.72 on a GAAP basis and adjusted diluted EPS of \$10.56, up 18.1%.

For 2021, AbbVie provided a diluted EPS guidance range of \$6.69 to \$6.89 on a GAAP basis and \$12.32 to \$12.52 on an adjusted basis. The midpoint of the 2021 adjusted guidance represents growth of 17.6% over 2020, 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 Imbruvica in combination with rituximab for the treatment of previously untreated patients with chronic lymphocytic leukemia (CLL) or small lymphocytic lymphoma (SLL), full approval of Venclexta in combination with azacitidine or decitabine or low-dose cytarabine in newly diagnosed acute myeloid leukemia patients ineligible for intensive chemotherapy, Oriahnn for the management of heavy menstrual bleeding due to uterine fibroids in premenopausal women, and Juveferm Voluma XC for the augmentation of the chin region to improve the chin profile in adults over the age of 21.

AbbVie also submitted regulatory applications for Rinvoq in three additional indications including for the treatment of adult patients with active psoriatic arthritis (PsA), for the treatment of adult patients with active ankylosing spondylitis (AS), and for the treatment of adults and adolescents with moderate to severe atopic dermatitis (AD).

## PIPELINE DEVELOPMENT

With more than 50 programs in mid- and late-stage development, AbbVie made significant pipeline advancements in 2020. The company initiated several important Phase 3 programs including studies for Skyrizi in ulcerative colitis, Venclexta in myelodysplastic syndrome (MDS) and navitoclax in myelofibrosis. AbbVie also reported positive data from Phase 3 studies in other areas of the pipeline including atogepant for migraine prevention and AGN-190584, an investigational ophthalmic solution, for the treatment of presbyopia.

## Performance Relative to Peer Group

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

### Since Inception (2013-2020)

Metric	0 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	100 <sup>th</sup>
GAAP Sales Growth					95%
Adjusted Operating Income Growth					100%
Adjusted EPS Growth				86%	
GAAP Operating Cash Flow Growth					100%
Adjusted Return on Equity					100%

### Last Year (2020)

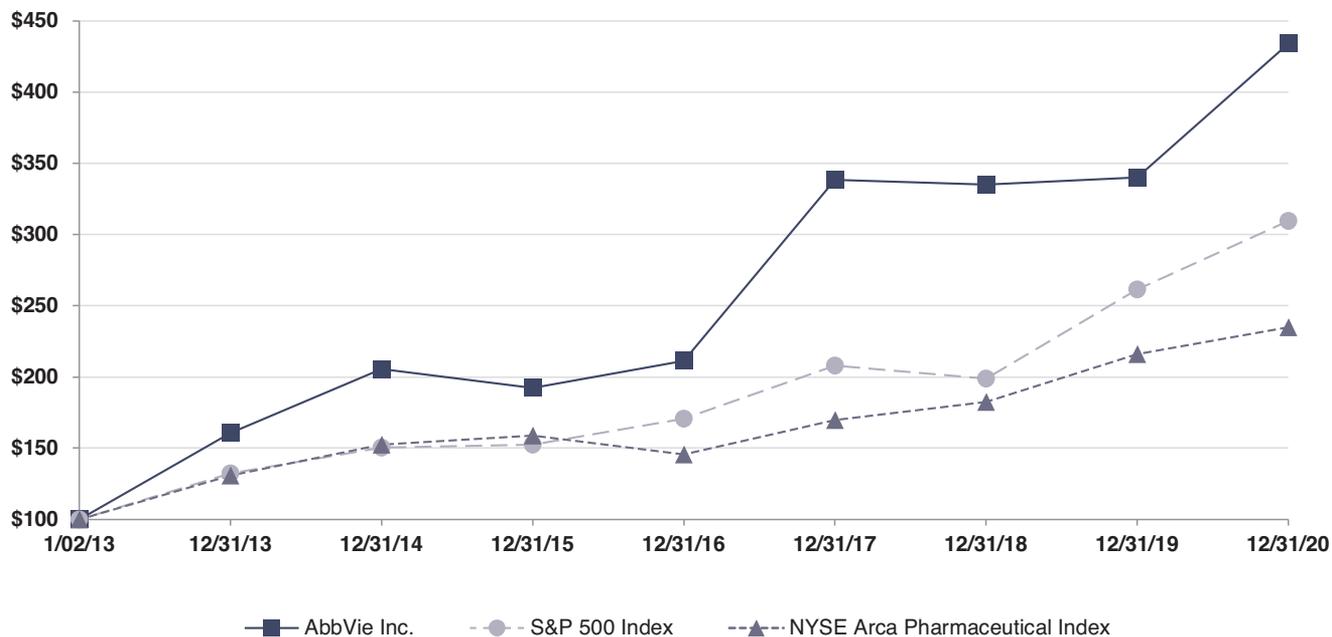
Metric	0 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	100 <sup>th</sup>
GAAP Sales Growth					94%
Adjusted Operating Income Growth					90%
Adjusted EPS Growth				77%	
GAAP Operating Cash Flow Growth				80%	
Adjusted Return on Equity					90%

EXECUTIVE COMPENSATION

**TOTAL STOCKHOLDER RETURN (TSR)**

Since becoming a public company in 2013, AbbVie has delivered a total stockholder return of 334.1%, 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, 2020. 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**



## 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.

<p><b>Base Salary</b></p> <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>	<p><b>Short-Term Incentives</b></p> <p><b>Performance Incentive Plan (PIP)</b></p> <p>Based on non-GAAP performance measures such as:</p> <ul style="list-style-type: none"> <li>— Net revenues</li> <li>— Income before taxes</li> <li>— Operating margin</li> <li>— Return on assets</li> <li>— Strategic and leadership goals</li> </ul>	<p><b>Long-Term Incentives</b></p> <p><b>80%</b> Performance shares and performance-vested restricted stock units</p> <p><b>20%</b> Non-qualified stock options</p>	<p><b>Our Compensation Philosophy</b></p> <p><b>Align executive interests</b> with the drivers of stockholder returns and profitable growth</p> <p>Support achievement of the company's <b>primary business goals</b> to have a remarkable impact on patients' lives</p> <p><b>Attract and retain world-class executives</b> whose talents and contributions sustain the growth in long-term stockholder value</p>
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The compensation 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.

The committee believes the use of non-GAAP metrics to measure company performance for incentive plan purposes is appropriate. The use of certain non-GAAP metrics aligns NEOs to performance objectives that are commonly used to evaluate the performance of the company, provide accountability, and avoid inappropriate windfalls or penalties due to factors outside of their control. Importantly, both the goals and the financial performance are presented on a consistent non-GAAP basis.

## 2020 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 2020 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 <sup>(1)</sup>	2019 Actual	2020 Target	2020 Target vs.		2020 Actual vs.	
			2019 Actual	2020 Actual	2020 Actual	2020 Target
A. Non-GAAP Net Revenues	\$ 33.3 BN <sup>(2)</sup>	\$ 45.5 BN	137 %	\$ 45.5 BN <sup>(2)</sup>	100 %	
B. Non-GAAP Income Before Taxes	\$ 14.7 BN <sup>(2)</sup>	\$ 19.5 BN	133 %	\$ 20.1 BN <sup>(2)</sup>	103 %	
C. Adjusted Return on Assets	30.5 %	20.7 % <sup>(3)</sup>	N/A <sup>(3)</sup>	22.1 %	107 %	
D. Non-GAAP Operating Margin	\$ 15.8 BN <sup>(2)</sup>	\$ 22.1 BN	140 %	\$ 22.1 BN <sup>(2)</sup>	100 %	

- (1) Results achieved reflect certain specified items, which are reconciled in Appendix B. Following the acquisition of Allergan, which closed on May 8, 2020, 2020 target performance goals were increased to become more challenging.
- (2) Evaluated on a constant currency basis.
- (3) Target was increased to account for the accretive impact of the acquisition of Allergan, but also reflects a larger asset base due to Allergan.

The committee reviews and ensures all goals are appropriately rigorous and in line with the long-term success of the company. Each NEO achieved or exceeded his or her 2020 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.

In 2020, our NEOs continued to take a formal goal 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:

- Donated \$35 million to help support underserved communities and health care systems working to address the impact of the COVID-19 global pandemic.
- In 2019, we adopted a five-year Equity, Equality, Diversity & Inclusion (EED&I) roadmap that defines key global focus areas, objectives and associated initiatives, and includes implementation plans organized by business function and geography. AbbVie's senior leaders have adopted formal goals aligned with executing this strategy.
- Appointed two additional senior level positions, including our Chief Equity Officer, to drive change and awareness company-wide and taking deliberate steps to ensure we lead by example in promoting racial equity.
- Committed \$55 million in charitable donations to support health and education opportunity in underserved Black communities and to address issues in our criminal justice system.

- 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 20%, on track to meet our 2025 target of 25%. We increased the percentage of purchased electricity that is from renewable sources to more than 25%, also on track to meet our 2025 target of 50%.
- Continued to be 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,” Human Rights Campaign’s “Corporate Equality Index,” and Working Mother’s “100 Best Companies.”
- For more information about AbbVie’s leadership through 2020, COVID-19, racial equity, and other areas of corporate responsibility, see “Our Corporate Responsibility 2020 Highlights”.

## STOCKHOLDER ENGAGEMENT

### 2020 Say on Pay Results

At our 2020 Annual Meeting, the say on pay proposal received support from nearly 94% of our stockholders. The board and compensation committee are encouraged by the continued, consistent stockholder support for our executive compensation program.

**94%**

**Say on Pay Results**

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 2020 AbbVie reached out to stockholders holding over 40% 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 programs.

**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:

**Good Governance Practices**

Balanced Incentive Plan Design	<ul style="list-style-type: none"> <li>✓ Annual incentive plan includes financial, operational, and strategic metrics to assess performance</li> <li>✓ 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)</li> <li>✓ Long-term incentive design emphasizing multiple, relative performance metrics and multi-year performance periods</li> <li>✓ No duplication of performance metrics in short- and long-term incentives</li> </ul>
Pay Equity and Sustainability	<ul style="list-style-type: none"> <li>✓ Equitable pay across genders and ethnicities</li> <li>✓ Incorporation of reputation and sustainability into the strategic/leadership goals within the annual incentive plan</li> </ul>
Strong Governance Practices	<ul style="list-style-type: none"> <li>✓ 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</li> <li>✓ Anti-hedging and anti-pledging policies</li> <li>✓ Annual comprehensive compensation program risk review</li> <li>✓ Independent compensation consultant that performs no other work for the company</li> </ul>
Pay for Performance and Stockholder Alignment	<ul style="list-style-type: none"> <li>✓ Short- and long-term incentive programs closely align with performance</li> <li>✓ Majority of NEO compensation tied to long-term performance</li> <li>✓ Proactive stockholder engagement process</li> </ul>
Robust Stock Ownership Requirements	<ul style="list-style-type: none"> <li>✓ 6x salary for CEO and 3x salary for NEOs</li> <li>✓ 5x annual fees for non-employee directors</li> <li>✓ NEOs must hold and not sell equity until the minimum stock ownership requirement is satisfied</li> </ul>
Responsible Pay Practices	<ul style="list-style-type: none"> <li>✓ No single trigger vesting of equity or other benefits in the event of a change in control</li> <li>✓ No repricing of stock options without express stockholder approval</li> <li>✓ No tax gross-ups in executive compensation program</li> <li>✓ No employment contracts</li> <li>✓ No guaranteed short-term incentives or equity awards</li> <li>✓ No dividends paid on unearned performance awards</li> </ul>

## 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 company performance, 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.

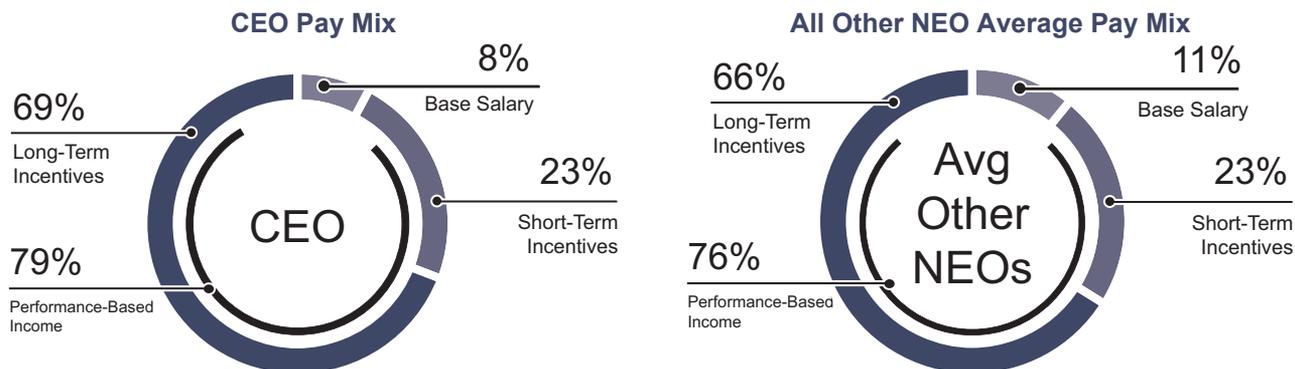
**COMPENSATION RISK OVERSIGHT**

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 or based on misconduct that would constitute a material breach of the AbbVie Code of Business Conduct. The committee, in collaboration with its independent compensation consultant, identified no material risks in AbbVie’s compensation programs in 2020.

When considering compensation-related risk, the committee is aware of certain risks associated with drug pricing decisions. The Committee weighs these, as well as other risks material to the company, when designing AbbVie’s compensation programs. In addition, the committee, comprised entirely of independent directors, has discretion to adjust incentive payments, if needed, including to reflect decisions executives make that may impact AbbVie’s reputation and long-term sustainability.

**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**

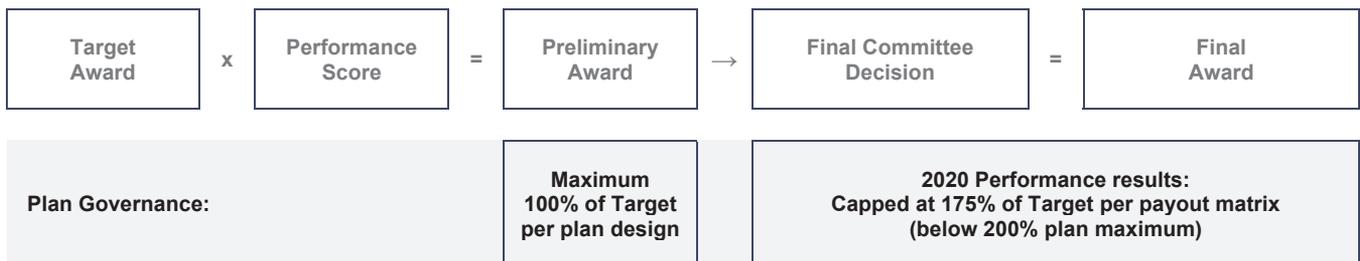
**Performance Incentive Plan**

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. For the 2020 performance year, Mr. Gonzalez's target was increased to 165% of base salary. The targets for the other NEOs range from 110% to 125% of base salary. 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 income before taxes 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 2020 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	Allergan Integration	Other
Richard A. Gonzalez	20 %	50 %	10 %		10 %	10 %	
Robert A. Michael	20 %	60 %			10 %	10 %	
Laura J. Schumacher	20 %	20 %	10 %	10 %	10 %	10 %	20 %
Carlos Alban	20 %	50 %			10 %	10 %	10 %
Michael E. Severino	20 %	20 %	30 %	10 %	10 %	10 %	

Assessments of performance against financial results consider the effect of foreign exchange and other specified adjustments and/or unusual or unpredictable events, and the appropriateness of these adjustments is reviewed annually by the committee. In 2020, specified adjustments included intangible asset amortization, acquisition and integration-related costs, milestones and other research and development expenses, acquired in process research and development, change in fair value of contingent consideration, tax audit settlements, impacts related to tax law changes, and other items, as described in Appendix B.

## 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 2020, actual net revenue performance was 100% compared to target, while actual income before taxes was 103% 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 <sup>(1)</sup>	2019 Actual	2020 Target	2020 Target vs. 2019 Actual	2020 Actual	2020 Actual vs. 2020 Target
Non-GAAP Net Revenues	\$ 33.3 BN <sup>(2)</sup>	\$ 45.5 BN	137 %	\$ 45.5 BN <sup>(2)</sup>	100 %
Non-GAAP Income Before Taxes	\$ 14.7 BN <sup>(2)</sup>	\$ 19.5 BN	133 %	\$ 20.1 BN <sup>(2)</sup>	103 %
			<b>2020 Payout Matrix Result</b>		<b>Capped at 175% of target (below 200% plan maximum)</b>

(1) Results achieved reflect certain specified items, which are reconciled in Appendix B. Following the acquisition of Allergan, which closed on May 8, 2020, 2020 target performance goals were increased to become more challenging.

(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	\$2,805,000	\$4,908,750	175 %
Robert A. Michael	1,210,000	2,110,000	174 %
Laura J. Schumacher	1,464,000	2,550,000	174 %
Carlos Alban	1,464,000	2,475,000	169 %
Michael E. Severino	1,724,000	2,700,000	157 %

## 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 2020, 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 Invested Capital	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 200% of target in one-third increments during a three-year performance period based on AbbVie's return on invested capital (ROIC) 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 2020 annual grant awards of performance shares and performance-vested restricted stock are shown below. Total stockholder 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. Beginning with performance-vested restricted stock awards made in 2020, we replaced the relative return on equity (ROE) metric with a relative ROIC metric in order to place more emphasis on debt management and debt reduction, particularly in the context of the Allergan acquisition. We continue to proactively monitor the effectiveness of our incentive design and look for ways to further align with the strategic direction of the company and the interests of stockholders.

Performance Objective	Threshold	Target	Maximum	Result	Impact on Payout
Adjusted Diluted EPS <sup>(1)</sup>	\$10.23	\$10.28	\$10.48	\$10.56	200%
Relative TSR	Relative TSR is measured over a 3-year performance period and used as a modifier				
Relative ROIC (2020 Award)	40 <sup>th</sup> - 50 <sup>th</sup> percentile	50 <sup>th</sup> - 65 <sup>th</sup> percentile	>85 <sup>th</sup> percentile	76 <sup>th</sup> percentile	175%
Relative ROE (2018 & 2019 Award)	50 <sup>th</sup> - 75 <sup>th</sup> percentile	75 <sup>th</sup> - 90 <sup>th</sup> percentile	>90 <sup>th</sup> percentile	>90 <sup>th</sup> 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. Following the acquisition of Allergan, which closed on May 8, 2020, the performance range targets were increased to become more challenging.

## EXECUTIVE COMPENSATION

AbbVie granted performance shares in 2018 that were subject to a 3-year performance cycle that ended December 31, 2020. 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	12.4 pts below index	85%

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 2020 annual grant was \$93.50. The high, low and closing prices of an AbbVie common share on the grant date (February 20, 2020) were \$94.39, \$92.59, and \$94.23 respectively. All LTI awards are subject to a minimum vesting period of 12 months.

### 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

The NEOs and other eligible U.S. employees 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

The NEOs and other eligible U.S. employees are permitted 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 64 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.”

**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:

<b>Executive</b>	<b>Stock Ownership Requirement</b>	<b>Requirement Met?</b>
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](http://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, T. Freyman, G. Tilton, and F. Waddell

## Compensation Risk Assessment

During 2020, 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 2020, 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.

## EXECUTIVE COMPENSATION

- 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, 2020. The following table summarizes compensation awarded to, earned by and/or paid to AbbVie's NEOs in connection with their service to AbbVie during 2020, 2019 and 2018, as applicable. 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	2020	\$ 1,688,462	0	11,644,996	2,781,662	4,908,750	2,224,135	759,586	\$ 24,007,591
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
Robert A. Michael	2020	1,065,385	0	5,406,515	1,291,477	2,110,000	3,571,858	49,394	13,494,629
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	2020	1,211,808	0	5,822,401	1,390,831	2,550,000	5,716,702	434,534	17,126,276
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
Carlos Alban	2020	1,211,808	0	5,822,401	1,390,831	2,475,000	5,629,242	324,644	16,853,926
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
Michael E. Severino	2020	1,369,923	0	5,822,401	1,390,831	2,700,000	1,910,985	216,918	13,411,058
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

- (1) 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.
- (2) 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 2020, along with the weighted-average grant date fair value, are shown below:

Assumption	
Risk-free interest rate	1.40 %
Average life of options (years)	6.0
Volatility	26.96 %
Dividend yield	5.30 %
Fair value per stock option	\$ 12.14

- (3) The compensation reported in this column for 2020 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.

## EXECUTIVE COMPENSATION

- (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 2020, 2019, and 2018, 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: \$8,696 / \$(8,305) / \$(111,651); R. Michael: \$214,038 / \$246,392 / \$(46,048); L. Schumacher: \$219,159 / \$318,167 / \$72,009; C. Alban: \$242,266 / \$353,675 / \$(33,817); and M. Severino: \$58,277 / \$57,916 / \$11,833.

### *AbbVie Supplemental Pension Plan*

R. Gonzalez: \$1,298,329 / \$2,485,115 / \$(1,790,327); R. Michael: \$3,357,820 / \$2,375,716 / \$725,580; L. Schumacher: \$4,235,519 / \$5,040,017 / \$2,027,233; C. Alban: \$4,484,978 / \$5,265,442 / \$432,490; and M. Severino: \$1,416,157 / \$1,127,049 / \$210,855.

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: \$917,110 / \$889,910 / \$463,205; L. Schumacher: \$1,262,024 / \$1,221,256 / \$640,727; C. Alban: \$901,998 / \$837,686 / \$423,257; and M. Severino: \$436,551 / \$340,126 / \$136,369.

- (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 2020, 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 2020 was 3.02% for the Pension Plan and 2.94% for the Supplemental Pension Plan. The discount rate used for 2019 was 3.56% for the Pension Plan and 3.51% for the Supplemental Pension Plan, while the discount rate used for 2018 was 4.62% for the Pension Plan and 4.58% 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 2020, 2019 and 2018, respectively, as applicable.

*Earnings for Non-Qualified Defined Benefit and Non-Qualified Defined Contribution Plans*

R. Gonzalez: \$212,566 / \$372,310 / \$246,041; L. Schumacher: \$341,999 / \$621,724 / \$420,337; C. Alban: \$236,002 / \$412,229 / \$266,141; and M. Severino: \$100,398 / \$135,497 / \$66,157.

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: \$84,423 / \$82,500 / \$82,500; R. Michael: \$14,250 / \$14,000 / \$13,750; L. Schumacher: \$60,590 / \$58,827 / \$52,179; C. Alban: \$60,590 / \$58,827 / \$50,826; and M. Severino: \$68,496 / \$66,500 / \$55,030.

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 2020 Compensation*

The totals shown in the table include the cost of providing a corporate automobile less the amount reimbursed by the NEO: R. Gonzalez: \$19,982; R. Michael: \$13,823; L. Schumacher: \$12,127; C. Alban: \$18,052; and M. Severino: \$23,140. 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 and services: R. Gonzalez: \$340,001; R. Michael: \$11,321; L. Schumacher: \$9,818; and M. Severino: \$14,884. 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 \$92,614 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 64 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 2020, as reported in the Summary Compensation Table in this proxy statement, to the median employee annual total compensation determined on the same basis was 154:1. For 2020, the annual total compensation of our median employee (other than Mr. Gonzalez) was \$155,772. To identify the median employee, we prepared a list of active AbbVie employees throughout the world as of December 25, 2020. In accordance with SEC rules, we omitted approximately 16,935 legacy Allergan employees who became our employees during 2020 as a result of our acquisition of Allergan plc. The consistently applied compensation measure used to identify the median employee was annual base pay and target bonus, using hours worked during 2020 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, taking into account demographic characteristics that best represent a typical AbbVie employee, including tenure, location, employment status and applicable compensation and benefit programs.

## 2020 Grants of Plan-Based Awards

The following table summarizes the equity awards granted under the AbbVie 2013 Incentive Stock Program to the NEOs during 2020.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>		Estimated Future Payouts Under Equity Incentive Plan Awards Target (\$)	All Other Option Awards: Numbers of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (#)	Closing Market Price on Grant Date	Grant Date Fair Value of Stock and Option Awards
		Target (\$)	Maximum (\$)					
R. Gonzalez	2/20/2020			59,893 <sup>(2)</sup>				\$6,045,599 <sup>(4)</sup>
	2/20/2020			59,893 <sup>(3)</sup>				5,599,397 <sup>(4)</sup>
	2/20/2020				229,132 <sup>(5)</sup>	\$93.50	\$94.23	2,781,662 <sup>(6)</sup>
R. Michael	2/20/2020			27,807 <sup>(2)</sup>				2,806,839 <sup>(4)</sup>
	2/20/2020			27,807 <sup>(3)</sup>				2,599,676 <sup>(4)</sup>
	2/20/2020				106,382 <sup>(5)</sup>	93.50	94.23	1,291,477 <sup>(6)</sup>
L. Schumacher	2/20/2020			29,946 <sup>(2)</sup>				3,022,749 <sup>(4)</sup>
	2/20/2020			29,946 <sup>(3)</sup>				2,799,652 <sup>(4)</sup>
	2/20/2020				114,566 <sup>(5)</sup>	93.50	94.23	1,390,831 <sup>(6)</sup>
C. Alban	2/20/2020			29,946 <sup>(2)</sup>				3,022,749 <sup>(4)</sup>
	2/20/2020			29,946 <sup>(3)</sup>				2,799,652 <sup>(4)</sup>
	2/20/2020				114,566 <sup>(5)</sup>	93.50	94.23	1,390,831 <sup>(6)</sup>
M. Severino	2/20/2020			29,946 <sup>(2)</sup>				3,022,749 <sup>(4)</sup>
	2/20/2020			29,946 <sup>(3)</sup>				2,799,652 <sup>(4)</sup>
	2/20/2020				114,566 <sup>(5)</sup>	93.50	94.23	1,390,831 <sup>(6)</sup>

- (1) During 2020, each of the NEOs participated in the AbbVie Performance Incentive Plan. The annual cash incentive award earned by the NEO in 2020 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 2020 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 2020, AbbVie's EPS performance resulted in the banking of the award on February 28, 2021 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, 2022. 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 200% of target, in one-third increments, during a three-year performance period based on AbbVie's return on invested capital (ROIC) 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 2020, AbbVie's relative ROIC performance resulted in the vesting on February 28, 2021 of one-third of the award at 175% 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.

## 2020 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)				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	170,113	-	\$ 54.8600	2/17/2026			62,947 <sup>(2)</sup>	6,744,771
	261,150	-	61.3600	2/15/2027			97,021 <sup>(2)</sup>	10,395,800
	85,073	42,537 <sup>(2)</sup>	114.3600	2/14/2028			119,786 <sup>(2)</sup>	12,835,070
	59,709	119,418 <sup>(2)</sup>	79.0200	2/20/2029			-	-
	-	229,132 <sup>(2)</sup>	93.5000	2/19/2030			-	-
R. Michael	10,140	-	54.8600	2/17/2026			3,960 <sup>(2)</sup>	424,314
	11,420	-	61.3600	2/15/2027			29,528 <sup>(2)</sup>	3,163,925
	5,353	2,677 <sup>(2)</sup>	114.3600	2/14/2028			55,614 <sup>(2)</sup>	5,959,040
	18,173	36,344 <sup>(2)</sup>	79.0200	2/20/2029			-	-
	-	106,382 <sup>(2)</sup>	93.5000	2/19/2030			-	-
L. Schumacher	103,220	-	58.8800	2/18/2025			22,613 <sup>(2)</sup>	2,422,983
	78,450	-	54.8600	2/17/2026			37,120 <sup>(2)</sup>	3,977,408
	100,100	-	61.3600	2/15/2027			59,892 <sup>(2)</sup>	6,417,428
	30,560	15,280 <sup>(2)</sup>	114.3600	2/14/2028			-	-
	22,845	45,690 <sup>(2)</sup>	79.0200	2/20/2029			-	-
-	114,566 <sup>(2)</sup>	93.5000	2/19/2030			-	-	
C. Alban	81,500	-	51.4200	2/19/2024			21,907 <sup>(2)</sup>	2,347,335
	101,960	-	58.8800	2/18/2025			33,746 <sup>(2)</sup>	3,615,884
	79,870	-	54.8600	2/17/2026			59,892 <sup>(2)</sup>	6,417,428
	95,750	-	61.3600	2/15/2027			-	-
	29,620	14,810 <sup>(2)</sup>	114.3600	2/14/2028			-	-
	20,769	41,536 <sup>(2)</sup>	79.0200	2/20/2029			-	-
	-	114,566 <sup>(2)</sup>	93.5000	2/19/2030			-	-
M. Severino	74,309	-	54.4400	6/01/2024			22,840 <sup>(2)</sup>	2,447,306
	104,480	-	58.8800	2/18/2025			34,926 <sup>(2)</sup>	3,742,321
	91,990	-	54.8600	2/17/2026			59,892 <sup>(2)</sup>	6,417,428
	100,100	-	61.3600	2/15/2027			-	-
	30,880	15,440 <sup>(2)</sup>	114.3600	2/14/2028			-	-
	21,495	42,990 <sup>(2)</sup>	79.0200	2/20/2029			-	-
	-	114,566 <sup>(2)</sup>	93.5000	2/19/2030			-	-

(1) Except as noted, the stock options are fully vested.

- (2) The vesting dates of AbbVie unexercisable stock options and unvested performance share and restricted stock/unit awards outstanding at December 31, 2020 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 2021	Number of Option Shares Vesting—Date Vested 2022	Number of Option Shares Vesting—Date Vested 2023	Number of Shares of Restricted Stock or Units	Number of Shares of Restricted Stock or Units Vesting—Date Vested 2021	Number of Shares of Restricted Stock or Units Vesting—Date Vested 2022	Number of Shares of Restricted Stock or Units Vesting—Date Vested 2023
R. Gonzalez	42,537	42,537 - 2/15			47,210	(a)		
	119,418	59,709 - 2/21	59,709 - 2/21		15,737	(b)		
	229,132	76,378 - 2/20	76,377 - 2/20	76,377 - 2/20	58,213	(c)		
					38,808	(d)		
					59,893	(e)		
					59,893	(f)		
R. Michael	2,677	2,677 - 2/15			2,970	(a)		
	36,344	18,172 - 2/21	18,172 - 2/21		990	(b)		
	106,382	35,461 - 2/20	35,461 - 2/20	35,460 - 2/20	17,717	(c)		
					11,811	(d)		
					27,807	(e)		
					27,807	(f)		
L. Schumacher	15,280	15,280 - 2/15			16,960	(a)		
	45,690	22,845 - 2/21	22,845 - 2/21		5,653	(b)		
	114,566	38,189 - 2/20	38,189 - 2/20	38,188 - 2/20	22,272	(c)		
					14,848	(d)		
					29,946	(e)		
					29,946	(f)		
C. Alban	14,810	14,810 - 2/15			16,430	(a)		
	41,536	20,768 - 2/21	20,768 - 2/21		5,477	(b)		
	114,566	38,189 - 2/20	38,189 - 2/20	38,188 - 2/20	20,248	(c)		
					13,498	(d)		
					29,946	(e)		
					29,946	(f)		
M. Severino	15,440	15,440 - 2/15			17,130	(a)		
	42,990	21,495 - 2/21	21,495 - 2/21		5,710	(b)		
	114,566	38,189 - 2/20	38,189 - 2/20	38,188 - 2/20	20,956	(c)		
					13,970	(d)		
					29,946	(e)		
					29,946	(f)		

- (a) These are performance shares that remained outstanding and unvested on December 31, 2020 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. In 2020, AbbVie's 3-year relative TSR performance resulted in a 15% downward modification of the previously-banked award, and final vesting on February 28, 2021 of the award at 170% of target.
- (b) These are performance-vested restricted stock units that remained outstanding and unvested on December 31, 2020, 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 2020, AbbVie's relative ROE performance resulted in the vesting on February 28, 2021 of one-third of the award at 150% of target.
- (c) These are performance shares that remained outstanding and unvested on December 31, 2020 from an award made on February 21, 2019. The award has the potential to vest at 0% to 250% of target during a

## EXECUTIVE COMPENSATION

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.

- (d) These are performance-vested restricted stock units that remained outstanding and unvested on December 31, 2020, 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 2020, AbbVie's relative ROE performance resulted in the vesting on February 28, 2021 of one-third of the award at 150% of target.
- (e) These are performance shares that remained outstanding and unvested on December 31, 2020 from an award made on February 20, 2020. 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 2020, 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, 2022.
- (f) These are performance-vested restricted stock units that remained outstanding and unvested on December 31, 2020, from an award made on February 20, 2020. The award has the potential to vest at 0% to 200% of target, in one-third increments, during a 3-year performance period based on AbbVie's return on invested capital (ROIC) 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 2020, AbbVie's relative ROIC performance resulted in the vesting on February 28, 2021 of one-third of the award at 175% of target.

## 2020 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 2020:

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	194,154	\$ 7,761,926	200,262	\$ 17,106,380
R. Michael	0	0	16,795	1,434,629
L. Schumacher	0	0	76,166	6,506,100
C. Alban	115,830	7,427,020	72,439	6,187,739
M. Severino	0	0	75,595	6,457,325

## PENSION BENEFITS

During 2020, 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

## EXECUTIVE COMPENSATION

employee's age plus years of benefit service total 70 or more. Mr. Gonzalez, Mr. Michael, 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, Mr. Michael, 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	\$ 281,372	\$ 0
	AbbVie Supplemental Pension Plan	35	20,833,310	1,092,715 <sup>(2)</sup>
R. Michael	AbbVie Pension Plan	28	953,584	0
	AbbVie Supplemental Pension Plan	28	7,411,852	0
L. Schumacher	AbbVie Pension Plan	30	1,494,631	0
	AbbVie Supplemental Pension Plan	30	22,231,288	1,558,708 <sup>(2)</sup>
C. Alban	AbbVie Pension Plan	34	1,685,356	0
	AbbVie Supplemental Pension Plan	34	21,917,194	1,992,801 <sup>(2)</sup>
M. Severino	AbbVie Pension Plan	7	222,565	0
	AbbVie Supplemental Pension Plan	7	3,963,034	0

- (1) AbbVie calculated these present values using: (i) a discount rate of 3.02% for the Pension Plan and a discount rate of 2.94% 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 Pri-2012 Healthy Annuitant table with white collar adjustment projected fully generationally with MP2020 mortality improvement scale), but do not include a factor for preretirement termination, mortality, or disability.
- (2) During 2020, 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."

## 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, 2020. 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, \$859,156; Ms. Schumacher, \$1,183,493; Mr. Alban, \$870,680; and Dr. Severino, \$478,544. 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; Mr. Michael \$2,838,460, Ms. Schumacher, \$1,944,244; Mr. Alban, \$1,615,543 and Dr. Severino, \$381,722. As of December 31, 2020, Mr. Gonzalez, Mr. Michael, 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: \$245,438; Mr. Michael, \$105,500; Ms. Schumacher: \$127,500; Mr. Alban: \$123,750; and Dr. Severino: \$135,000. 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, 2020 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, 2022, 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, 2020, 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—\$17,664,375; additional Supplemental Pension Plan benefits—\$2,922,024; welfare and fringe benefits—\$81,926.
- Mr. Michael: cash termination payments—\$6,930,000; additional Supplemental Pension Plan benefits—\$1,445,048; welfare and fringe benefits—\$84,453.
- Ms. Schumacher: cash termination payments—\$9,969,049; additional Supplemental Pension Plan benefits—\$3,977,454; welfare and fringe benefits—\$68,646.
- Mr. Alban: cash termination payments—\$9,732,419; additional Supplemental Pension Plan benefits—\$4,028,736; welfare and fringe benefits—\$63,079.
- Dr. Severino: cash termination payments—\$10,310,900; additional Supplemental Pension Plan benefits—\$1,279,341; welfare and fringe benefits—\$85,413.

## 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.

## EXECUTIVE COMPENSATION

If a change in control had occurred on December 31, 2020 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) 391,087 unvested AbbVie stock options with a value of \$6,486,880, (ii) 146,982 AbbVie restricted stock units with a value of \$15,749,148, and (iii) 346,416 AbbVie performance shares with a value of \$37,118,421.
- Mr. Michael would have vested in (i) 145,403 unvested AbbVie stock options with a value of \$2,474,471, (ii) 94,890 AbbVie restricted stock units with a value of \$10,167,490, and (iii) 190,993 AbbVie performance shares with a value of \$20,464,846.
- Ms. Schumacher would have vested in (i) 175,536 unvested AbbVie stock options with a value of \$2,849,086, (ii) 103,846 AbbVie restricted stock units with a value of \$11,127,045 and (iii) 220,123 AbbVie performance shares with a value of \$23,586,179.
- Mr. Alban would have vested in (i) 170,912 unvested AbbVie stock options with a value of \$2,732,234, (ii) 103,582 AbbVie restricted stock units with a value of \$11,098,758, and (iii) 219,222 AbbVie performance shares with a value of \$23,489,637.
- Dr. Severino would have vested in (i) 172,996 unvested AbbVie stock options with a value of \$2,773,134, (ii) 103,931 AbbVie restricted stock units with a value of \$11,136,207, and (iii) 220,412 AbbVie performance shares with a value of \$23,617,146.

The value of stock options shown is based on the excess of the closing price of one share of common stock on December 31, 2020 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, 2020 in accordance with the applicable equity award agreement terms and the closing price of one share of common stock on December 31, 2020.

# RATIFICATION OF ERNST & YOUNG LLP AS ABBVIE'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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## What am I voting on and how should I vote?

*You are being asked to ratify the appointment of Ernst & Young LLP to perform independent audit services for the fiscal year ending December 31, 2021. Ernst & Young LLP has served as our independent auditor since 2013. The board and the audit committee believe it is in the best interests of the company and its stockholders to retain Ernst & Young LLP as the company's independent auditor.*

***The board of directors therefore recommends you vote "FOR" ratification of the appointment of Ernst & Young LLP as AbbVie's independent registered public accounting firm for 2021.***

The audit committee of the board of directors is directly responsible for the appointment, fees, retention and oversight of the independent registered public accounting firm retained to audit the company's financial statements. On October 22, 2020, the audit committee appointed Ernst & Young LLP (the independent auditor) to perform independent audit services for the fiscal year ending December 31, 2021. 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 2021. For this reason, stockholders are being asked to ratify this appointment. If the stockholders do not ratify the appointment of Ernst & Young LLP for 2021, 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 attend 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.

# 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, 2020 and December 31, 2019, and fees for other services rendered to AbbVie by Ernst & Young LLP for those periods.

	2020 (millions)	2019 (millions)
Audit fees: <sup>(1)</sup>	\$ 23.7	\$ 10.6
Audit related fees: <sup>(2)</sup>	0.4	0.9
Tax fees: <sup>(3)</sup>	7.6	2.5
Other fees: <sup>(4)</sup>	0.5	0.0
Total	\$ 32.1	\$ 14.0

(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.

(4) Other fees principally relate to a pre-implementation assessment of certain information systems.

## 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 2020 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, 2020 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

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## What am I voting on and how should I vote?

*You are being asked to approve the compensation of AbbVie's named executive officers described in the Executive Compensation section of this proxy statement. This vote is non-binding. The board will take the results into account when making future compensation decisions.*

***The compensation committee has thoroughly reviewed the company's compensation program and has determined that the pay decisions for the named executive officers are appropriate given the company's performance, the executives' contributions, and our stockholders' interests. The board of directors therefore recommends you vote "FOR" the approval of the named executive officers' compensation.***

As required by Section 14A of the Exchange Act, 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. We currently ask our stockholders to vote on executive compensation on an annual basis.

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.

# TO APPROVE THE ABBVIE AMENDED AND RESTATED 2013 INCENTIVE STOCK PROGRAM

## What am I voting on and how should I vote?

*We are asking stockholders to approve the AbbVie Amended and Restated 2013 Incentive Stock Program (the “Amended Plan”), which amends and restates the AbbVie 2013 Incentive Stock Program (the “Plan”), including to increase the number of shares available for issuance and extend the term of the program. The Amended Plan has been adopted by the board, subject to stockholder approval. If the Amended Plan is approved at the Annual Meeting, it will become effective as of May 7, 2021 upon such stockholder approval and will remain in effect for a period of 10 years, unless earlier terminated by the board.*

*If the Amended Plan is not approved by stockholders, then the Amended Plan will not become effective and the Plan will continue in full force and effect.*

*A copy of the Amended Plan is attached to this proxy statement as Appendix C.*

***The board of directors therefore recommends you vote “FOR” the approval of the Amended Plan.***

## WHY STOCKHOLDERS SHOULD APPROVE THE AMENDED PLAN

- **Program expiration.** The current equity Plan will expire on January 1, 2023. By forward planning for the Plan’s continuity, AbbVie ensures its ability to attract, retain, and motivate its employees, officers and non-employee directors.
- **Equity incentives align the interests of our employees, officers and non-employee directors with those of other stockholders.** AbbVie believes that equity incentives motivate recipients to focus on behaviors that, over time, lead to sustained growth in stockholder value.
- **The Amended Plan provides flexibility.** AbbVie will be able to continue to adapt the compensation of key individuals to accommodate changes in best practices, law, accounting principles, and corporate objectives if the Amended Plan is approved.

## Share Usage

The table below identifies the annual share usage under the Plan for the last three fiscal years.

Fiscal Year	Stock Options Granted	Restricted Stock Units and Performance Shares Granted	Weighted Average Common Shares Outstanding	Run Rate
2020 <sup>1</sup>	1,995,477	5,524,337	1,667,000,000	0.45%
2019	1,002,000	5,584,000	1,481,000,000	0.44%
2018	634,000	4,771,000	1,541,000,000	0.35%
			Three-Year Average	0.42%

<sup>1</sup>Excludes approximately 19,386,000 substitute awards granted in connection with AbbVie’s acquisition of Allergan.

TO APPROVE THE ABBVIE AMENDED AND  
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**Outstanding Awards**

The table below outlines key information regarding outstanding awards under the Plan as of December 31, 2020. As of December 31, 2020, AbbVie had 1,765,132,819 total shares of common stock outstanding.

	2013 Incentive Stock Program
Stock options outstanding	15,690,880
Weighted average exercise price	\$73.90
Weighted average remaining contractual life	4.66 years
Full-value awards outstanding (unvested)	15,917,737
Shares remaining for grant under the Plan	29,143,956

For additional information regarding stock-based awards previously granted, see Note 13 to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

**Request for Increase in Share Reserve for the Amended Plan**

Taking into account the 29,143,956 shares remaining available for issuance under the Plan as of December 31, 2020, and in order to have an appropriate number of shares available for future equity awards to hire and retain the talent necessary to achieve strong performance, on recommendation of the compensation committee, the board approved an increase in the number of shares reserved for issuance under the Amended Plan of 44,000,000 shares. Accordingly, an aggregate of 73,143,956 shares initially will be available for issuance under the Amended Plan, as adjusted to reflect awards issued and forfeited between January 1, 2021 and the effective date of the Amended Plan.

The number of additional shares reserved for issuance under the Amended Plan was determined based on analysis of various factors, including historical run rate, potential dilution, industry plan cost standards, and anticipated equity compensation needs. Over 2018, 2019 and 2020, the Plan's average run rate was 0.42%, calculated by dividing the number of stock options plus full value shares granted under the Plan in each fiscal year by the weighted average shares of common stock outstanding during that fiscal year.

The potential dilution to current stockholders that could result from the future issuance of shares available under the Amended Plan, in addition to shares subject to awards outstanding under the Plan, would be approximately 5.9%. For this purpose, dilution is calculated as a percentage, where the numerator is the sum of the 29,143,956 shares remaining available under the Plan for granting of equity awards, plus the 31,608,617 shares subject to outstanding awards, plus, for purposes of the estimated future dilution, the 44,000,000 new shares that would be added if our Amended Plan is approved by stockholders, and the denominator is the number of our shares of common stock outstanding.

Based on these factors and AbbVie's current grant practices, the shares requested for use under the Amended Plan are expected to meet AbbVie's equity grant needs for approximately 8 years. The shares reserved may, however, last for more or less than 8 years depending on currently unknown factors, such as the number of grant recipients, future grant practices, and AbbVie's share price.

## Material Changes to the Plan

The following summary highlights the proposed material changes to the Plan.

- *Term of the Plan:* The term of the plan is extended through the tenth anniversary of the date on which our stockholders approve the Amended Plan (i.e., assuming approval, to May 7, 2031).
- *Increase in Authorized Shares:* An additional 44,000,000 shares are authorized for issuance under the Amended Plan.

## Other Changes to the Plan

In addition to the changes noted above, the amendments include the following, as well as other administrative, clarifying and conforming changes:

- *Elimination of Replacement Options:* The Amended Plan no longer provides for the grant of replacement options in connection with the exercise of certain options originally granted under an Abbott Laboratories stock program, prior to AbbVie's separation from Abbott Laboratories in 2013.
- *Tax Cuts and Jobs Act Updates:* The Plan has been updated to remove provisions required to grant awards that qualified for the "performance-based compensation" deduction limit exception under Section 162(m) of the Internal Revenue Code ("the Code"), given the repeal of that exception by the Tax Cuts and Jobs Act, including provisions preventing the exercise of positive discretion in determining the amount payable under an award to a 162(m) covered employee. However, the Amended Plan maintains the same individual annual award limits as applied under the Plan.
- *Forfeiture and Clawback:* The Amended Plan incorporates AbbVie's clawback, reflecting the compensation committee's discretion to cancel awards or recoup amounts paid pursuant to awards in the event of a material restatement of results on which such awards were based or a participant's breach of the AbbVie Code of Business Conduct, as well as to the extent required to comply with applicable laws.
- *Fractional Shares:* The Amended Plan gives the committee discretion to determine whether fractional shares will be issued pursuant to awards.
- *Tax Withholding:* The tax withholding provisions of the Plan are updated, including to reflect the AbbVie's ability to use a variety of specified methods and other methods to satisfy tax withholding.
- *Compliance with Laws:* The Amended Plan strengthens AbbVie's ability to amend the Amended Plan or outstanding awards to qualify for or comply with any tax or regulatory requirement.

## KEY PLAN FEATURES

We have sought to design the Amended Plan in accordance with currently accepted corporate governance standards for the design and implementation of employee equity incentive programs. Accordingly, the Amended Plan:

- Limits grants to any individual participant in a calendar year
- Prohibits repricing of underwater stock options or stock appreciation rights without stockholder approval, other than in the case of adjustment for corporate transactions
- Prohibits liberal share recycling, such that shares tendered by a participant to pay the exercise price of an option, shares repurchased using proceeds from option exercises and shares withheld for payment of taxes or not issued as a result of a net settlement of an option or stock appreciation right will not be added back to the number of shares available for issuance.
- Does not have evergreen share pool provisions
- Does not have a replacement option feature
- Does not provide tax gross-ups to officers or non-employee directors

## TO APPROVE THE ABBVIE AMENDED AND RESTATED 2013 INCENTIVE STOCK PROGRAM

### **PLAN SUMMARY:**

This summary of the Amended Plan's principal features is qualified in its entirety by reference to the Amended Plan, which is attached to this proxy statement as Appendix C.

The purpose of the Amended Plan is to attract and retain outstanding employees, officers, and non-employee directors of AbbVie and its subsidiaries and to motivate such individuals by providing opportunities to acquire AbbVie shares of common stock or to receive payments based on the value of such shares or on the financial performance of AbbVie, or both, on advantageous terms and to further align such persons' interests with those of AbbVie's other stockholders. To enable AbbVie to accomplish this, the Amended Plan authorizes the grant of several different forms of benefits including nonqualified stock options, restricted stock awards, restricted stock units, performance awards, other share-based awards, including stock appreciation rights, dividend equivalents and recognition awards, and foreign benefits ("Benefits" or "awards").

The Amended Plan also contains provisions relating to awards that were initially granted under an Abbott Laboratories stock program prior to AbbVie's separation from Abbott and that were converted into AbbVie awards and granted under the Plan as of its initial effective date in January 2013 (such awards, the "Adjusted Awards").

### **Shares Reserved**

An aggregate of 100,000,000 shares of AbbVie common stock were initially reserved for issuance under the Plan as of its inception on January 1, 2013, and an additional 44,000,000 shares have been reserved for issuance under the Amended Plan, subject to adjustment as described below under "Adjustments." As of December 31, 2020, 29,143,956 shares remain available for issuance under the Plan and such number of shares less the shares subject to awards issued or forfeited under the Plan prior to the effective date of the Amended Plan, will be available for issuance under the Amended Plan, along with the additional 44,000,000 shares authorized under the Amended Plan.

If there is a lapse, expiration, termination, forfeiture, cancellation, or cash settlement of any Benefit granted under the Amended Plan or the Plan without the issuance of shares, the shares that had been subject to that Benefit may be used for the grant of new Benefits under the Amended Plan.

Shares that are issued under any Benefit and thereafter reacquired by AbbVie pursuant to rights reserved upon the issuance of the shares or pursuant to the payment of the exercise price under stock options by delivery of other AbbVie shares, shares under options or stock-settled stock appreciation rights that are not issued upon the net exercise or net settlement of the option or stock appreciation right, and shares of common stock that are exchanged by the grantee or withheld by AbbVie to satisfy tax withholding requirements in connection with any Benefit will not be available for subsequent awards under the Amended Plan. Benefits settled in cash will not reduce the number of shares of common stock available for subsequent awards under the Amended Plan.

Notwithstanding the foregoing, any shares issued pursuant to Adjusted Awards are not counted against the shares available under the Amended Plan and if such Adjusted Awards lapse, expire, terminate or are forfeited, cancelled or cash settled, the shares subject to those awards do not become available under the Amended Plan.

The shares of common stock covered by the Amended Plan may be either authorized but unissued shares or shares that have been or may be reacquired by AbbVie in the open market, in private transactions, or otherwise. On March 18, 2021, the closing price of an AbbVie share on the New York Stock Exchange was \$103.77.

### **Administration**

The Amended Plan provides that grants of Benefits and other determinations under the Amended Plan will be made by the compensation committee of the board of directors or such other committee consisting entirely of persons who are "non-employee directors" as defined in Rule 16b-3 of the Securities Exchange Act, as amended (the "committee"), except that the committee may delegate its authority to the extent consistent with applicable

## TO APPROVE THE ABBVIE AMENDED AND RESTATED 2013 INCENTIVE STOCK PROGRAM

law and Securities and Exchange Commission rules, and except that the Chief Executive Officer may grant Benefits under the Amended Plan to eligible persons other than directors and executive officers of AbbVie, which grants shall be reported to the committee.

To the extent not inconsistent with the Amended Plan's provisions, the committee's powers will include the power:

- to administer the Amended Plan;
- to exercise all the power and authority either specifically granted to it under the Amended Plan or necessary or advisable in the administration of the Amended Plan;
- to grant Benefits;
- to determine the persons to whom and the time or times at which Benefits will be granted;
- to determine the type and number of Benefits to be granted and the terms and conditions relating to any Benefit;
- to determine whether and to what extent, a Benefit may be settled, canceled, forfeited, accelerated, exchanged, deferred in accordance with Code Section 409A, or surrendered;
- to make adjustments in the terms and conditions (including performance goals) applicable to Benefits;
- to construe and interpret the Amended Plan and any Benefit;
- to prescribe, amend, and rescind rules and regulations relating to the Amended Plan;
- to determine the terms and provisions of any Benefit agreement; and
- to make all other determinations deemed necessary or advisable for the administration of the Amended Plan.

All determinations of the committee will be made by the vote of a majority of its members, which will constitute a quorum.

### **Eligibility**

Employees of AbbVie and its subsidiaries selected by the committee will be eligible to receive Benefits under the Amended Plan. Directors who are not employees of AbbVie or its subsidiaries are eligible to receive certain restricted stock unit awards and nonqualified stock options, as described in more detail below. As of December 31, 2020, approximately 13,619 persons, including 13,561 employees, 47 senior executives and officers and 11 non-employee directors were eligible to receive awards under the Amended Plan.

### **Duration**

The Amended Plan was adopted by the board of directors on February 18, 2021, subject to the approval of AbbVie stockholders, and will become effective on the date of such stockholder approval. If approved by the stockholders, the Amended Plan will continue in effect until the tenth anniversary of its approval by AbbVie's stockholders, unless terminated earlier by the board of directors.

### **Individual Award Limits**

Under the Amended Plan, an individual participant can receive in any year: (i) no more than 2 million shares subject to stock options and stock appreciation rights; and (ii) no more than \$15 million worth of shares subject to other awards that are performance awards, determined by multiplying the number of shares or units granted under the award by the fair market value of a share on the date of grant.

### **Adjustments**

The Amended Plan provides for equitable adjustment by the committee in the event of certain corporate events such as a stock split, special dividend (in cash, shares or other property), merger, spin-off, or similar occurrence affecting the shares including, for example, adjustments to the number of shares reserved under the Amended Plan, the number of shares covered by, or issuable pursuant to each outstanding Benefit, the exercise price or purchase price relating to any Benefit, the performance goals, and the individual and share limitations under the Amended Plan.

## TO APPROVE THE ABBVIE AMENDED AND RESTATED 2013 INCENTIVE STOCK PROGRAM

### **No Repricing**

The Amended Plan prohibits repricing of stock options or stock appreciation rights other than in connection with an adjustment. Specifically, the Amended Plan provides that without prior approval of stockholders, the committee may not lower the exercise price or base price of an outstanding stock option or stock appreciation right nor grant any Benefit or provide cash in replacement of a canceled stock option or stock appreciation right which had been granted at a higher exercise price or base price.

### **Options**

The Amended Plan provides that the exercise price of any stock option will be at least 100% of the fair market value of the shares of common stock on the grant date of the option, except in connection with an adjustment or a substitute option granted in connection with a corporate transaction. The committee may provide for the payment of the exercise price in cash, by delivery of other AbbVie shares of common stock having a market value equal to the purchase price of such shares, including by withholding of shares that would otherwise be distributed to the grantee upon exercise, through an open-market broker-assisted transaction, or by any other method approved by the committee.

No option other than a substitute option or an option granted to a non-employee director in lieu of directors' fees (as discussed below) may be exercisable earlier than six months from its date of grant. No option may be granted with a term in excess of ten years from the date of grant. The Amended Plan contains special rules covering the time of exercise in case of retirement, death, disability, or other termination of employment.

### **Restricted Stock Awards and Restricted Stock Units**

Restricted stock awards consist of shares of common stock transferred to participants, without payment, as additional compensation for their services to AbbVie or one of its subsidiaries. Restricted stock units consist of a contractual right of the participant to receive shares of common stock, or cash equal in value to those shares, in the future, without payment, as additional compensation for their services to AbbVie or one of its subsidiaries. Restricted stock awards and restricted stock units awarded under the Amended Plan will be subject to such terms and conditions as the committee determines are appropriate, including without limitation, restrictions on the sale or other disposition of such shares.

### **Performance Awards**

The Amended Plan permits the grant of performance awards in the form of restricted stock, restricted stock units and other share-based awards. The goals established by the committee shall be based on any one or a combination of the following criteria, or such other criteria as determined by the committee in its discretion: earnings per share, return on equity, return on assets, return on net assets, return on investment, total stockholder return, net operating income, cash flow, increase in revenue, economic value added, increase in share price or cash flow return on investment, and may be applied to the performance of AbbVie, a subsidiary, or a division or strategic business unit of AbbVie, or may be applied to AbbVie performance relative to a market index, a group of other companies or a combination thereof, all as determined by the committee. The performance goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). The committee may make equitable adjustments to the performance goals in recognition of unusual or non-recurring events affecting AbbVie or any subsidiary or the financial statements of AbbVie or any subsidiary, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles. Payments earned under awards may be decreased or increased in the sole discretion of the committee based on such factors as it deems appropriate.

### **Other Share-Based Awards and Recognition Awards**

The committee may grant other share-based awards, stock appreciation rights and other awards based on the value of AbbVie shares of common stock, subject to such terms and conditions as the committee determines are appropriate. The committee may provide the right to vote and receive dividends on restricted stock and dividend equivalents on restricted stock units granted under the Amended Plan. Unless otherwise provided in a Benefit agreement or determined by the committee, any dividends or dividend equivalents received, including in connection with a stock split of the shares of common stock underlying an award, generally will be subject to the same restrictions as the shares of common stock underlying the award. The Amended Plan provides that the base price of any stock appreciation right will be at least equal to the fair market value of the shares of common stock on the date of grant of the stock appreciation right, except in connection with an adjustment, and that a stock appreciation right may not be granted with a term in excess of ten years from the date of grant. The committee may grant no more than one thousand fully vested shares of common stock to any one individual in any one calendar year, as a “recognition award.”

### **Foreign Benefits**

The committee may grant Benefits to such officers and employees of AbbVie and its subsidiaries who reside in foreign jurisdictions, subject to such terms and conditions as the committee determines are appropriate. The committee may amend or vary the terms of the Amended Plan in order to conform such terms with the requirements of each jurisdiction where a subsidiary is located as it considers necessary or desirable to take into account or to mitigate the burden of taxation and social security contributions for participants and/or the subsidiary, or amend or vary the terms of the Amended Plan in a jurisdiction where the subsidiary is located as it considers necessary or desirable to meet the objectives of the Amended Plan. The committee may establish one or more sub-plans for these purposes. The committee may establish administrative rules and procedures to facilitate the operation of the Amended Plan in such jurisdictions. To the extent permitted under applicable law, the committee, which may delegate its authority and responsibilities regarding Foreign Benefits to one or more officers of AbbVie, has delegated its authority and responsibilities with respect to the administration of Benefits granted to officers and employees of AbbVie and its subsidiaries who reside in foreign jurisdictions to the Executive Vice President, Chief Human Resources Officer.

### **Nonqualified Stock Options to Non-Employee Directors**

The Amended Plan permits each director of AbbVie who is not also an employee of AbbVie or its subsidiaries (“non-employee directors”) to elect to receive any or all of his or her directors’ fees earned under AbbVie’s Non-Employee Directors’ Fee Plan in the form of nonqualified stock options, provided that such election is made by December 31 of the year preceding the period in which the fees are earned. The fees covered by any such election will be converted to stock options based on a reasonable valuation method. Each nonqualified stock option due to a director under the Amended Plan will be granted annually, on the date of the annual stockholders meeting, will be immediately exercisable and non-forfeitable and will not be exercisable after the tenth anniversary of the date of grant.

### **Restricted Stock Units to Non-Employee Directors**

The Amended Plan also provides that restricted stock units will automatically be awarded to each person elected a director of AbbVie at the annual stockholders meeting who is not also an employee of AbbVie or its subsidiaries. The awards will be made on the date the person is elected as a director, and each award will cover a number of shares of common stock set by the board in its sole discretion, upon recommendation by the committee, provided that the fair market value of the shares on the award date will not exceed \$250,000. The shares covered by the awards will be fully vested on the award date. The non-employee director receiving the restricted stock units will be entitled to receive one share for each restricted stock unit upon the earliest of the date the director experiences a “separation from service” (within the meaning of Code Section 409A), the date the director dies or the date of a Change in Control that also qualifies as a “change in control event” within the meaning of Code Section 409A.

### **Change in Control**

Unless otherwise provided in an award agreement (including award agreements with executive officers), upon the occurrence of a Change in Control of AbbVie, the Amended Plan provides that: (i) stock options will become fully vested and exercisable; (ii) terms and conditions of restricted stock awards and restricted stock units will be deemed to be satisfied, and all restrictions will lapse; (iii) other share-based awards will become fully vested and stock appreciation rights will become fully vested and exercisable; and (iv) performance awards will be deemed to have been fully earned and immediately payable. The Amended Plan's award agreements for AbbVie's executive officers provide for accelerated vesting of Benefits in connection with a Change in Control only in double-trigger circumstances.

### **Forfeiture and Clawback**

Subject to the discretion of the compensation committee, all awards (including any shares, proceeds, gains, or other economic benefit received by a participant under an award) are subject to forfeiture and/or repayment to AbbVie to the extent and in the event (i) required to comply with any applicable laws or securities exchange rules or regulations, (ii) of a material restatement of applicable AbbVie earnings or other financial results upon which the award was based, or (iii) the award holder has engaged in misconduct constituting a material breach of the AbbVie Code of Business Conduct.

### **Tax Withholding**

The committee may permit or require a participant to pay all or a portion of the federal, state and local taxes (in U.S. or non-U.S. jurisdictions), including social security and Medicare withholding tax, arising in connection with the receipt or exercise of any Benefit, by having AbbVie withhold shares or by delivering shares received in connection with the Benefit or previously acquired, having a fair market value approximating the amount to be withheld, by having AbbVie or a subsidiary withhold from any cash compensation payable to the participant or sell shares issued pursuant to a Benefit and withhold from the proceeds, or by having the participant repay AbbVie for taxes paid on the participant's behalf.

### **Nontransferability**

Except as provided by the committee, Benefits granted under the Amended Plan will be exercisable only by the holder during the holder's lifetime; provided, however, that such Benefits will be transferable by will or by the laws of descent and distribution.

### **Amendment and Termination**

The Amended Plan may be amended from time to time or terminated by the board of directors. In the absence of stockholder approval, however, no such amendment may increase the aggregate number of shares available for Benefits, extend the term of the Amended Plan, or change or add a category or categories of individuals who are eligible to participate in the Amended Plan. In addition, without the written consent of the holder, no amendment or termination of the Amended Plan may materially and adversely modify the holder's rights under the terms and conditions of an outstanding Benefit, except that the Amended Plan may be amended for purposes of granting Benefits to employees in foreign jurisdictions (as described above under "Foreign Benefits") or as needed to comply with any tax or regulatory requirement, as determined by the board of directors or the committee. Without limiting the foregoing, the Amended Plan provides that the Amended Plan or any Benefit may be amended without the consent of the holder to comply with or qualify for exemption from Code Section 409A.

TO APPROVE THE ABBVIE AMENDED AND  
RESTATED 2013 INCENTIVE STOCK PROGRAM

**New Plan Benefits**

Future awards of Benefits under the Amended Plan will be determined by the committee and may vary from year to year and from participant to participant. Future awards under the Amended Plan are generally not determinable at this time because the awards are discretionary and/or depend on the value of AbbVie's shares of common stock at the time that grants are determined. In addition, as discussed above, under the Amended Plan, each non-employee director who is elected to the board of directors at the annual stockholder meeting receives an award of a number of restricted stock units covering the number of shares of common stock having a fair market value on the date of the grant not exceeding \$250,000. In 2020, this was 2,333 restricted stock units.

**Prior Grants under the Plan**

The following table shows, as of December 31, 2020, information regarding the grants of stock-based awards under the Plan among the persons and groups identified below, but excluding approximately 19,386,000 substitute awards granted in connection with AbbVie's acquisition of Allergan. No awards have been granted under the Plan to any nominee for election as a director prior to their election or to any associate of a non-employee director, nominee or executive officer, and no other person has been granted 5% or more of the total amount of awards granted under the Plan.

	<b><u>Stock Options Number of Shares</u></b>	<b><u>Restricted Stock Units and Performance Shares<sup>1</sup> Number of Shares</u></b>
<b>Named Executive Officers:</b>		
Richard A. Gonzalez Chairman of the Board and Chief Executive Officer	2,186,939	1,339,641
Robert A. Michael Executive Vice President, Chief Financial Officer	190,489	146,294
Laura J. Schumacher Vice Chairman, External Affairs and Chief Legal Officer	759,289	522,915
Carlos Alban Vice Chairman, Chief Commercial Officer	696,211	452,057
Michael E. Severino Vice Chairman and President	596,250	509,739
<b>Current Executive Officers as a Group</b>	5,374,791	3,856,459
<b>Current Non-Executive Director Group</b>	-	167,634
<b>Non-Executive Officer Employee Group</b>	5,914,787	41,666,148

<sup>1</sup>Performance-vested RSUs and performance shares are disclosed by reference to the target number of shares granted.

**FEDERAL INCOME TAX CONSEQUENCES**

The following discussion is a brief summary of the principal United States federal income tax consequences of the Amended Plan for a participant who is a U.S. tax resident under the provisions of the Code currently in effect. The

## TO APPROVE THE ABBVIE AMENDED AND RESTATED 2013 INCENTIVE STOCK PROGRAM

Internal Revenue Code and its regulations are subject to change. This summary is not intended to be exhaustive and does not describe, among other things, state, local or foreign income and other tax consequences. The specific tax consequences to a participant will depend upon that participant's individual circumstances.

### **Options and Stock Appreciation Rights**

Under existing law and regulations, the grant of nonqualified stock options and stock appreciation rights will not result in income taxable to the employee or director or provide a deduction to AbbVie. However, the exercise of a nonqualified stock option or stock appreciation right results in taxable income to the holder, and AbbVie may be entitled to a corresponding tax deduction, subject to the limits of Code Section 162(m). At the time of the exercise of a nonqualified stock option, the participant will be taxed at ordinary income tax rates on the excess of the fair market value of the shares purchased over the option's exercise price. At the time of the exercise of a stock appreciation right, the participant will be taxed at ordinary income tax rates on the amount of the cash, or the fair market value of the shares, received by the employee upon exercise.

### **Restricted Stock Awards**

A participant in the Amended Plan who is granted a restricted stock award will not be taxed upon the acquisition of such shares so long as the interest in such shares is subject to a "substantial risk of forfeiture" within the meaning of Code Section 83. Upon lapse or release of the restrictions, the recipient will be taxed at ordinary income tax rates on an amount equal to the then current fair market value of the shares. Any such awards that are not subject to a substantial risk of forfeiture will be taxed at the time of grant. AbbVie may be entitled to a corresponding tax deduction when the value of the award is included in the recipient's taxable income, subject to the limits of Code Section 162(m). The basis of restricted shares held after lapse or termination of restrictions will be equal to their fair market value on the date of lapse or termination of restrictions, and upon subsequent disposition any further gain or loss will be a long-term or short-term capital gain or loss, depending upon the length of time the shares are held. A recipient of a restricted stock award may elect to be taxed at ordinary income tax rates on the full fair market value of the restricted shares at the time of grant. If this election is made, the basis of the shares acquired will be equal to the fair market value at the time of grant, no tax will be payable upon the subsequent lapse or release of the restrictions, and any gain or loss upon disposition will be a capital gain or loss.

### **Restricted Stock Units**

An employee or non-employee director who is granted a restricted stock unit will not be taxed upon the grant of the award. Upon receipt of payment of cash or shares of common stock pursuant to a restricted stock unit, the employee or non-employee director will realize ordinary income in an amount equal to any cash received and the fair market value of any shares of common stock received. Subject to the limits of Code Section 162(m), AbbVie may be entitled to an income tax deduction equal to the amount of ordinary income recognized by the employee or non-employee director.

### **Performance Awards**

A recipient of a performance award will generally realize ordinary income at the time shares of common stock are transferred or cash is paid to the grantee with respect to such award. AbbVie may be entitled to a corresponding tax deduction equal to the ordinary income recognized by the participant, subject to the limits of Code Section 162(m).

### **Section 409A**

Section 409A of the Code imposes certain requirements on nonqualified deferred compensation arrangements. These include requirements on an individual's election to defer compensation and the individual's selection of the timing and form of distribution of the deferred compensation. Section 409A also generally provides that distributions must be made on or following the occurrence of certain events (such as the individual's separation from service, a predetermined date, or the individual's death). Section 409A imposes restrictions on an

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individual's ability to change his or her distribution timing or form after the compensation has been deferred. For certain individuals who are officers, Section 409A requires that such individual's distribution commence no earlier than six months after such officer's separation from service. Certain awards under the Amended Plan may be designed to be subject to the requirements of Section 409A in form and in operation. For example, restricted stock units that provide for a settlement date following the vesting date may be subject to Section 409A. If an award under the Amended Plan is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with the requirements of Section 409A, Section 409A imposes an additional 20% federal penalty tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

***The board of directors recommends a vote "FOR" the approval of the AbbVie Amended and Restated 2013 Incentive Stock Program.***

# TO APPROVE THE ABBVIE AMENDED AND RESTATED 2013 EMPLOYEE STOCK PURCHASE PLAN FOR NON-U.S. EMPLOYEES

## What am I voting on and how should I vote?

*We are asking stockholders to approve the AbbVie Amended and Restated 2013 Employee Stock Purchase Plan for Non-U.S. Employees (the “Amended ESPP”), which amends and restates the AbbVie 2013 Employee Stock Purchase Plan for Non-U.S. Employees (the “ESPP”) and extends the term of the plan. We are not asking stockholders to approve an increase in the number of shares available under the ESPP. The Amended ESPP has been adopted by the board, subject to stockholder approval. If the Amended ESPP is approved at the Annual Meeting, it will become effective as of August 1, 2021 and will remain in effect for a period of 10 years, unless earlier terminated by the board.*

*If the Amended ESPP is not approved by stockholders, then the Amended ESPP will not become effective and the ESPP will continue in full force and effect.*

*A copy of the Amended ESPP is attached to this proxy statement as Appendix D.*

***The board of directors therefore recommends you vote “FOR” the approval of the Amended ESPP.***

## Material Changes to the ESPP

The following summary highlights the proposed material changes to the ESPP.

- **Term of the Plan:** The term of the ESPP is extended through the tenth anniversary of the effective date of the Amended ESPP (i.e., assuming approval, to August 1, 2031).

## Other Changes to the ESPP

In addition to the change noted above, the amendments include the following, as well as other administrative, clarifying and conforming changes:

- **Contribution Limits:** The Amended ESPP gives its Administrator authority to alter the maximum amount that a participant may contribute towards the purchase of shares in a purchase cycle (currently, \$12,500).
- **Sub-Plans:** The Amended ESPP clarifies that shares purchased under sub-plans to the plan are counted against the authorized shares available under the Amended ESPP, and upon forfeiture of the purchase rights to which they relate, again become available for issuance under the Amended ESPP.
- **Fractional Shares:** The Amended ESPP provides for the ability for participants’ plan contributions to be applied to acquire a notional interest in a fractional share, which will be paid in cash upon distribution of a participant’s account under the plan.
- **Compliance with Laws:** The Amended ESPP strengthens AbbVie’s ability to amend the Amended ESPP to qualify for or comply with any tax or regulatory requirement.
- **Termination of Employment:** The Amended ESPP eliminates discretion on the part of a participant’s employer to allow a participant who terminates employment in connection with a spinoff or similar event to purchase shares at the end of the purchase cycle in which the participant terminated using pre-termination contributions.

## AMENDED ESPP SUMMARY

The Amended ESPP is a broad-based plan offering eligible employees the opportunity to acquire a stock ownership interest in AbbVie, through periodic contributions applied towards the purchase of AbbVie shares of

## TO APPROVE THE ABBVIE AMENDED AND RESTATED 2013 EMPLOYEE STOCK PURCHASE PLAN FOR NON-U.S. EMPLOYEES

common stock at a discount from the then-current market price. The purpose of the Amended ESPP is to provide an opportunity for non-U.S. employees of certain AbbVie subsidiaries to share in AbbVie's growth.

This summary of the principal features of the Amended ESPP is qualified in its entirety by reference to the Amended ESPP, which is attached to this proxy statement as Appendix D.

### **Administration**

The Amended ESPP provides that either the compensation committee or any other committee as the board of directors may designate from time to time (the "Administrator") will administer the Amended ESPP. To the extent permitted under applicable law, the Administrator may delegate its authority and responsibilities under the Amended ESPP to one or more AbbVie officers at any time in its sole discretion. In this regard, to the extent permitted under applicable law, the Administrator's authority and responsibilities under the Amended ESPP are delegated to AbbVie's Executive Vice President, Chief Human Resources Officer. Further, subject to applicable law, the board of directors may administer the Amended ESPP.

The Administrator and, to the extent permitted under applicable law, its delegate(s), have full power and authority to promulgate any rules and regulations deemed necessary for the proper administration of the Amended ESPP, to interpret the provisions and supervise the administration of the Amended ESPP, to correct any defect or supply any omission or reconcile any inconsistency in the terms of the Amended ESPP and any enrollment form or other instrument, to make factual determinations relevant to Amended ESPP entitlements and to take all action in connection with administration of the Amended ESPP as deemed necessary or advisable. Decisions of each of the Administrator and, where applicable, its delegate(s) will be final and binding upon all eligible employees who elect to participate in the Amended ESPP. AbbVie will pay all reasonable expenses incurred in the administration of the Amended ESPP.

The Administrator may amend or vary the terms of the Amended ESPP, including through the adoption of one or more sub-plans, to: (i) conform such terms with the requirements of each jurisdiction where an Employer (as defined below) is located, (ii) take into account or mitigate or reduce the burden of taxation and social security contributions for participants and/or the Employer, or (iii) meet the goals and objectives of the Amended ESPP.

### **Eligibility and Participation**

Any individual who is an employee, as defined under the Amended ESPP, of a participating AbbVie subsidiary (each an "Employer"), is eligible to participate in the Amended ESPP. However, the Administrator or, to the extent permitted by applicable law, an Employer, may prospectively condition participation by its employees upon a period of service with such Employer. AbbVie's officers and directors are not eligible to participate in the Amended ESPP. A participant's employment with an Employer will be deemed to be terminated on the day such entity ceases to be an AbbVie subsidiary.

Eligible employees may join a purchase cycle prior to the start of that purchase cycle. The first purchase cycle under the ESPP commenced on February 1, 2013 and ended on July 31, 2013 and subsequent purchase cycles have commenced on each August 1 and February 1 thereafter through the present time. As of December 31, 2020, AbbVie estimates that approximately 13,700 employees are eligible to participate in the Amended ESPP.

### **Share Reserve**

An aggregate of 10,000,000 shares of AbbVie common stock were initially reserved for issuance under the ESPP as of its inception on January 1, 2013, subject to adjustment as described below under "Adjustments." As of December 31, 2020, 7,713,338 shares remain available for issuance under the ESPP and such number of shares, less the shares purchased under the ESPP prior to the effective date of the Amended ESPP, will be available for issuance under the Amended ESPP, including under any sub-plans to the Amended ESPP.

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The shares may be authorized but unissued shares, treasury shares, shares purchased on the open market, or a combination of each, as determined from time to time by the board of directors. If any purchase right granted under the Amended ESPP or under any sub-plan expires or terminates for any reason without having been exercised in full, the unpurchased shares subject to that purchase right will become available under the Amended ESPP.

If on any purchase date the number of shares otherwise purchasable by participants is greater than the number of shares then remaining available under the Amended ESPP, the Administrator will allocate the available shares among the participants in such manner as it deems appropriate in its sole discretion.

### **Purchase Cycles and Purchase Dates**

AbbVie shares of common stock will be offered under the Amended ESPP through a series of purchase cycles. Unless otherwise determined by the Administrator, including with respect to a particular jurisdiction, subsidiary, or sub-plan, each purchase cycle will be six consecutive calendar months and subsequent purchase cycles will run consecutively after each preceding purchase cycle. Purchases will occur on the last business day of each purchase cycle. Except where prohibited by applicable law, the Administrator will have the power to make any changes without approval of the board of directors, and without regard to the expectations of any participants; provided, however, that AbbVie and/or the Employer must notify participants of any such change within a reasonable time before such change becomes effective.

### **Purchase Price**

The purchase price of the AbbVie shares of common stock acquired on each purchase date will be 85% of the lesser of (i) the closing selling price per share of AbbVie shares of common stock on the date such purchase cycle begins and (ii) the closing selling price per share of AbbVie shares of common stock on the last business day of such purchase cycle.

The closing selling price of AbbVie shares of common stock on any relevant date under the Amended ESPP will be deemed to be equal to the closing selling price per share on such date as reported in the New York Stock Exchange Composite Transactions, or if no sale has been reported in the New York Stock Exchange Composite Transactions on that date, the closing price reported in the New York Stock Exchange Composite Transactions on the last preceding date on which there was a sale. On March 18, 2021, the closing selling price per share determined on such basis was \$103.77 per share.

### **Payroll Deductions/Contributions and Stock Purchases**

Each participant may authorize periodic payroll deductions in any multiple of 1% to 10% (or such other maximum percentage that may be specified by the Administrator), in whole percentages only, of his or her eligible compensation. Where payroll deductions are prohibited under local law, the Administrator may permit participants to contribute to the Amended ESPP by an alternative method of contribution, including personal checks or direct debits from personal bank accounts. Under procedures established by the Administrator, a participant's authorization and enrollment form will continue in effect from one purchase cycle to the next, unless the participant suspends his or her payroll deductions or contributions or discontinues his or her participation in the Amended ESPP. Unless otherwise prohibited under local law or unless alternative procedures are established by the Administrator in its sole discretion, each Employer will convert the payroll deductions or contributions of its participants paid in non-U.S. currency into U.S. dollars at the end of the applicable purchase cycle. For purposes of the Amended ESPP, eligible compensation means the basic rate of cash remuneration of any employee as it appears on the books and records of such employee's Employer.

Unless a participant has previously ceased participation in the Amended ESPP during a purchase cycle, a participant's purchase right will be automatically exercised on each purchase date to purchase that number of full AbbVie shares of common stock that the balance credited to such participant's account will entitle him or her to purchase. Unless otherwise determined by the Administrator, any cash remaining in a participant's account after the purchase of AbbVie shares of common stock will be credited towards an interest in a fractional share, and in

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any case will remain in such participant's account for use in the next purchase cycle. Upon distribution of a participant's account, any interest in a fractional share will be paid in cash.

### **Special Limitations**

The Amended ESPP imposes certain limitations upon a participant's right to acquire AbbVie shares of common stock, including that no participant may contribute more than the equivalent in local currency of \$12,500 during any purchase cycle towards the purchase of AbbVie shares of common stock, unless otherwise determined by the Administrator.

### **Discontinuance of Participation or Termination of Employment**

The participant may discontinue participation in the Amended ESPP during a purchase cycle and his or her accumulated payroll deductions will be refunded without interest (unless otherwise required under local law) as soon as administratively practicable. A participant who discontinues participation during a purchase cycle will be ineligible to participate in the Amended ESPP until he or she re-enrolls in the Amended ESPP for a subsequent purchase cycle in accordance with the Amended ESPP.

If a participant terminates employment with his or her Employer for any reason prior to the expiration of a purchase cycle, then the participant's participation in the Amended ESPP will immediately terminate and the amount credited to the participant's account will be refunded as soon as reasonably practicable.

### **Stockholder Rights**

No participant will have any voting, dividend, or other stockholder rights with respect to AbbVie shares of common stock subject to any purchase right under the Amended ESPP until the shares of common stock have been purchased and delivered to the participant or into an account for the benefit of the participant as provided in the Amended ESPP.

### **Adjustments**

If after the grant of a purchase right, but prior to the purchase of AbbVie shares of common stock with respect to a particular purchase period, there is any increase or decrease in the number of outstanding AbbVie shares of common stock because of a stock split, stock dividend, combination or recapitalization, the Administrator in its sole discretion will make any substitution or adjustment as it deems appropriate with respect to: the maximum number and kind of AbbVie shares of common stock that may be issued under the Amended ESPP, the purchase price per share of AbbVie shares of common stock, and any other limitations provided under the Amended ESPP.

In the event AbbVie effects one or more reorganizations, recapitalizations, spin-offs, split-ups, rights offerings or reductions of its outstanding shares of common stock, the Administrator in its sole discretion may make any substitution or adjustment as it deems appropriate with respect to: the maximum number of AbbVie shares of common stock available under the Amended ESPP, the purchase price per share of AbbVie shares of common stock covered by each outstanding purchase right, and any other limitations provided under the Amended ESPP.

### **Assignability**

No purchase rights will be assignable or transferable by the participant. Any attempted assignment, transfer, pledge or other disposition will be null and void and without effect.

### **Liquidation or Dissolution**

In the event of the proposed liquidation or dissolution of AbbVie, the purchase cycle then in progress will terminate immediately prior to the consummation of such proposed liquidation or dissolution, unless otherwise provided by the Administrator in its sole discretion, and all outstanding purchase rights will automatically terminate

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and the amounts of all payroll deductions will be refunded without interest (unless otherwise required under local law) to the participants as soon as reasonably practicable.

### **Change in Control**

In the event of a proposed sale of all or substantially all of the assets of AbbVie, or the merger or consolidation of AbbVie with or into another entity, then in the sole discretion of the Administrator, (i) each purchase right will be assumed, or an equivalent purchase right will be substituted, by the successor corporation or parent or subsidiary of such successor corporation, or (ii) a new purchase date will be established by the Administrator on or before the date of the consummation of such merger, consolidation or sale, and all outstanding purchase rights will be automatically exercised on such new date.

### **Duration, Termination or Amendment of the Amended ESPP**

If the stockholders approve the Amended ESPP, then it will be effective as of August 1, 2021 and terminate on August 1, 2031, unless terminated earlier by the Board in its sole discretion. If stockholders do not approve the Amended ESPP, then the extension of the ESPP's term will not become effective.

The board of directors may at any time amend the Amended ESPP without stockholder approval; however, stockholder approval must be obtained if required by any applicable laws, stock exchange rules or regulations.

The Board may terminate or suspend the Amended ESPP at any time in its sole discretion including shortening a purchase cycle and establishing a new purchase date for such purchase cycle for some or all participants in connection with a spin-off or other similar corporate event. The termination, suspension or amendment of the Amended ESPP will not alter rights or obligations under any purchase right previously granted under the Amended ESPP in any material adverse way without the consent of the affected participants, unless such termination, suspension or amendment is necessary or advisable to qualify for or comply with any tax or regulatory requirement.

### **Certain Income Tax Consequences**

AbbVie does not offer the Amended ESPP to employees in the United States, so the issuance and exercise of purchase rights under the Amended ESPP should generally not have any federal income tax consequences for AbbVie or Amended ESPP participants. However, depending on the tax rules of the foreign jurisdictions in which Amended ESPP participants reside, there may be ordinary income to the participants at the time of their purchase of shares of common stock under the Amended ESPP. If the participant recognizes ordinary income in connection with his or her purchase of shares of common stock under the Amended ESPP, then the Employer may be entitled to a deduction in the same amount at the time such ordinary income is recognized.

In the event that AbbVie or an Employer is required to withhold any applicable taxes with regard to any compensation or other income realized by a participant under the Amended ESPP, then AbbVie or such Employer may deduct from any benefits of any kind otherwise due to a participant, including without limitation the proceeds of any sale of AbbVie shares of common stock for the account of the participant, the aggregate amount of such applicable taxes required to be withheld or, if such payments are insufficient to satisfy such applicable taxes, the participant will be required to pay to AbbVie or such Employer, or make other arrangement satisfactory to AbbVie or such Employer regarding payment to AbbVie or such Employer of, the aggregate amount of any such taxes.

The Amended ESPP is not intended to qualify under Section 423 of the Internal Revenue Code.

The foregoing is only a general summary of the effect of income taxation with respect to the purchase of shares under the Amended ESPP and does not discuss U.S. federal income tax laws or the income tax laws of any municipality, state or foreign country.

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**New Plan Benefits**

The benefits to be received by those AbbVie employees who are eligible to participate in the Amended ESPP are not determinable, since the amounts of future purchases by participants are based on elective participant contributions and also depend on the value of AbbVie's shares of common stock. No purchase rights have been granted, and no shares of common stock have been issued, with respect to the share increase for which stockholder approval is sought under this Proposal.

**Past Participation in the ESPP**

The table below sets forth the number of shares of common stock purchased by participating employees since the inception of the ESPP through December 31, 2020. Executive officers and non-employee directors of the Company (including nominees for election as director) and associates of such individuals, were not eligible to participate in the ESPP. No participating employee has purchased five percent or more of the total amount of shares of common stock purchased under the ESPP.

<b>Name and Position</b>	<b>Aggregate Number of Shares Purchased</b>
Named Executive Officers	0
All current executive officers as a group	0
All current directors who are not executive officers as a group	0
All current and former employees, excluding current executive officers as a group	2,286,662

***The board of directors recommends a vote "FOR" the approval of the AbbVie Amended and Restated 2013 Employee Stock Purchase Plan for Non-U.S. Employees.***

# MANAGEMENT PROPOSAL TO ELIMINATE SUPERMAJORITY VOTING

## What am I voting on and how should I vote?

*You are being asked to amend and restate the Certificate of Incorporation to remove the supermajority voting requirement. Currently, certain amendments to the company's Certificate of Incorporation or By-Laws require the affirmative vote of at least 80 percent of the outstanding shares. The proposed amendment will allow for a regular majority to pass such amendments in the future.*

***The board of directors therefore recommends you vote "FOR" the management proposal to amend and restate the Certificate of Incorporation to eliminate supermajority voting.***

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.

MANAGEMENT PROPOSAL TO ELIMINATE  
SUPERMAJORITY VOTING

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 2021 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.

# STOCKHOLDER PROPOSALS

## What am I voting on and how should I vote?

*Two 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 you vote "AGAINST" the proposals for the reasons set forth following the proposals.***

## Stockholder Proposal on Lobbying Report

Zevin Asset Management, on behalf of William Creighton, and co-filers Benedictine Sisters of Virginia, Congregation of Divine Providence Trust, Dana Investment Advisors, Dominican Sisters of Springfield, IL, First Affirmative Financial Network, LLC for Jane M. Ritchie Trust, Miller/Howard for Michael Roomberg, and Providence Trust 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

AbbVie spent \$41,580,000 from 2013 – 2019 on federal lobbying. This does not include state lobbying, where AbbVie also lobbies but disclosure is uneven or absent. For example, AbbVie had at least 67 lobbyists in 14 states in 2019 (followthemoney.org) and spent \$2,346,703 on lobbying in California from 2013 – 2019.

AbbVie belongs to the Chamber of Commerce, which has spent over \$1.6 billion on lobbying since 1998, and sits on the board of the Pharmaceutical Research and Manufacturers of America (PhRMA). AbbVie does not disclose the portions of its payments to trade associations and social welfare organizations that are used for lobbying, including grassroots. Grassroots lobbying does not get reported at the federal level under the Lobbying Disclosure Act, and disclosure is uneven or absent in states.

We are concerned AbbVie's payments to third party groups are potentially being used for undisclosed grassroots lobbying. For example, PhRMA, which brought in \$459 million in revenue for 2018, has given millions to "dark money" social welfare groups which then "advocated policies favored by drugmakers."<sup>1</sup> And AbbVie is a member of the Alliance for Patient Access, a nonprofit with a "consumer-friendly vibe that pushes drugmakers' message."<sup>2</sup>

AbbVie's lack of disclosure presents reputational risk when its lobbying contradicts company public positions. For example, AbbVie believes patients need access to affordable medicines, yet funds PhRMA's opposition to lower drug price initiatives.<sup>3</sup> And AbbVie publicly supported COVID-19 efforts, but the Chamber of Commerce directly lobbied against using the Defense Production Act to speed production of personal protective equipment for workers.<sup>4</sup>

<sup>1</sup> <https://www.opensecrets.org/news/2019/11/big-pharma-bankrolled-conservative-groups-tax-returns-show/>.

<sup>2</sup> <https://apnews.com/article/7c8d0728c38345cd8dfc0fe1abd456ae>.

<sup>3</sup> <https://www.cnn.com/2019/01/23/health/phrma-lobbying-costs-bn/index.html>

<sup>4</sup> <https://chamberofcommercewatch.org/2054-2/>.

## Board of Directors Statement in Opposition to the Stockholder Proposal on Lobbying Report

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

## STOCKHOLDER PROPOSALS

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 2020, 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 2019, 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

The Employees’ Retirement System of Rhode Island and co-filers Common Spirit Health and Vermont Pension Investment Committee have notified AbbVie that they intend to present the following proposal at the Annual Meeting and that they collectively own 154,634 AbbVie shares.

**RESOLVED:** Shareholders request the Board of Directors adopt as policy, and amend the bylaws as necessary, to require henceforth that the Chair of the Board of Directors, whenever possible, be an independent member of the Board. This independence policy shall 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. This policy would be phased in for the next CEO transition.

## SUPPORTING STATEMENT

We believe:

- The role of the CEO and management is to run the company.
- The role of the Board of Directors is to provide independent oversight of management and the CEO.
- There is a potential conflict of interest for a CEO to have an inside director act as Chair.

As of March 2020, approximately 33% of S&P 500 firms had an independent chair. ISS reported in September 2020 that 85% percent of investors responding to its policy survey indicated that an independent chair is their preferred model.

We are concerned by the number and types of patent litigation in which AbbVie and its wholly-owned subsidiaries are, and have been, involved, including significant issues of alleged antitrust and anticompetitive pharmaceutical agreements. It is alleged that these settlement agreements violate state and federal antitrust laws and allowed the company to raise the price of Humira and limit options for patients.

Additionally, the U.S. House of Representatives Committee on Oversight and Reform has announced plans to serve a subpoena to the company for documents, as part of the Committee's ongoing investigation of drug company pricing practices. In a September 1, 2020 memorandum, Chairwoman Maloney explained the need for a subpoena, stating that "After more than 18 months, AbbVie has demonstrated its unwillingness to comply voluntarily with the Committee's investigation".

In light of rising material legal, regulatory, financial and reputational risks, as well as the controversies and legal challenges facing the company we are concerned that the Board is not providing the necessary oversight of the company's culture, strategy, and risk management.

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. Taking this step is in the long-term interests of shareholders and will promote effective oversight of management.

In order to ensure that our Board can provide rigorous oversight for our Company with greater independence and accountability, we urge a vote FOR this shareholder proposal.

## Board of Directors Statement in Opposition to the Stockholder Proposal on Independent Chair

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

## STOCKHOLDER PROPOSALS

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](http://www.abbvieinvestor.com)) and throughout this proxy statement, include a comprehensive board risk management oversight process; an annual investor engagement program, reaching over 40% 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.**

# ADDITIONAL INFORMATION

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## 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](http://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](http://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 amended report filed on behalf of an executive officer on April 24, 2020 and one amended report filed on behalf of a director on May 22, 2020, each of which reported the omission of one transaction in the original, timely-filed report due to 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

## ADDITIONAL INFORMATION

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. There is uncertainty as to whether a court would enforce the exclusive forum provision with respect to claims under the federal securities laws. The preceding paragraph is not an exhaustive description.

### **Other Matters**

The board of directors knows of no other business to be transacted at the 2021 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 2022 Annual Meeting Proxy Statement**

Stockholder proposals for presentation at the 2022 Annual Meeting must be received by AbbVie no later than November 23, 2021 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 2022 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 2022 Annual Meeting, this written notice must be received by AbbVie no later than February 7, 2022.

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 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 2022 Annual Meeting, this written notice must be received by AbbVie no later than November 23, 2021 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

Some statements in this proxy statement are, or may be considered, forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "anticipate," "project" and similar expressions, among others, generally identify forward-looking statements. AbbVie cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the failure to realize the expected benefits of AbbVie's acquisition of Allergan or to promptly and effectively integrate Allergan's business, challenges to intellectual property, competition from other products, difficulties inherent in the research and development process, adverse litigation or government action, and changes to laws and regulations applicable to our industry. Additional information about the economic, competitive, governmental, technological and other factors that may affect AbbVie's operations is set forth in Item 1A, "Risk Factors," of AbbVie's 2020 Annual Report on Form 10-K, which has been filed with the Securities and Exchange Commission, as updated by its Quarterly Reports on Form 10-Q and in other documents that AbbVie subsequently files with the Securities and Exchange Commission that update, supplement or supersede such information. AbbVie undertakes no obligation to release publicly any revisions to forward-looking statements as a result of subsequent events or developments, except as required by law.

### 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 7, 2021 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. It is also important to us that our stockholders be able to engage with the company and its executives during the annual meeting. AbbVie held a virtual stockholder meeting in 2020, and we found that more stockholders were able to attend and our executive leadership team was able to answer more stockholder questions than in prior years, when the company held in-person meetings. A virtual meeting allows more stockholders to attend the meeting equally and without cost, from anywhere around the globe. At the 2021 virtual shareholder meeting, stockholders will be able to attend the Annual Meeting, vote, and submit questions via live webcast by visiting [www.virtualshareholdermeeting.com/ABBV2021](http://www.virtualshareholdermeeting.com/ABBV2021). 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. Closed captioning will be available on the meeting platform.

On the day of the Annual Meeting, stockholders may begin to log in to the online virtual annual meeting platform beginning at 8:45 a.m. Central Time, and the meeting will begin promptly at 9:00 a.m. Central Time. Please allow ample time for online login. If you encounter any difficulties accessing the virtual meeting or during the meeting time, please call 1-844-986-0822 (USA) or 1-303-562-9302 (International) for technical support. Consistent with prior practice at our in-person meetings, we will address as many stockholder-submitted question topics as time permits.

To be admitted to the Annual Meeting at [www.virtualshareholdermeeting.com/ABBV2021](http://www.virtualshareholdermeeting.com/ABBV2021), 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

# INFORMATION ABOUT THE ANNUAL MEETING

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## Who Can Vote

Stockholders of record at the close of business on March 8, 2021 will be entitled to notice of and to vote during the Annual Meeting. As of March 8, 2021, AbbVie had 1,764,825,805 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 2021. 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 share plan amendment proposals, 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, the two proposals to amend the stock plans, 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 \$15,500 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.

**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:

1. 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.

2. 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     2021.

**AbbVie Inc.**

By: \_\_\_\_\_  
Name:  
Title:

**AbbVie Inc.**  
**Reconciliation of GAAP Reported to Non-GAAP Adjusted Information**  
**Year Ended December 31, 2020**  
**(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

	2020	2019	2018	2017	2016	2015	2014	2013	2020-2013 CAGR
<b>As reported (GAAP)</b>	\$ 45,804	\$ 33,266	\$ 32,753	\$ 28,216	\$ 25,638	\$ 22,859	\$ 19,960	\$ 18,790	13.6 %
Adjusted for specified items:	(20)	—	(20)	—	(78)	(40)	(81)	—	—
<b>As adjusted (non-GAAP)</b>	\$ 45,784	\$ 33,266	\$ 32,733	\$ 28,216	\$ 25,560	\$ 22,819	\$ 19,879	\$ 18,790	13.6 %

The 2020 specified revenue item represents an upfront payment received under a previously announced legacy Allergan collaboration. The 2018 specified revenue item represents a milestone payment received under a previously announced collaboration. The 2016 specified revenue items included milestone revenue under a 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				
	2020	2013	2020-2013 CAGR	2020	2019	2013	2020-2019 Expansion	2020-2013 Expansion
<b>As reported (GAAP)</b>	\$ 2.72	\$ 2.56	0.9 %	24.8 %	39.0 %	30.1 %	(1,420) bps	(530) bps
Adjusted for specified items:	7.84	0.58		23.2 %	8.3 %	6.2 %	1,490 bps	1,700 bps
<b>As adjusted (non-GAAP)</b>	\$ 10.56	\$ 3.14	18.9 %	48.0 %	47.3 %	36.3 %	70 bps	1,170 bps

#### 3. Net Revenues Increase over 2019

	Net Revenues
<b>As reported (GAAP)</b>	37.7 %
Adjusted for specified and other items:	(0.1)%
Adjusted for foreign exchange:	0.3 %
<b>As adjusted (non-GAAP)</b>	37.9 %

#### 4. Diluted Earnings

Per Share since 2013 Inception

	2020	2019	2018	2017	2016	2015	2014	2013
<b>As reported (GAAP)</b>	\$ 2.72	\$ 5.28	\$ 3.66	\$ 3.30	\$ 3.63	\$ 3.13	\$ 1.10	\$ 2.56
Adjusted for specified items:								
Intangible asset amortization	2.87	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	0.14	0.20	0.09	0.09	0.05	0.26	0.48	—
Acquired IPR&D	0.71	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	1.81	0.23	—	0.03	0.16	0.25	—	—
Shire transaction and termination costs	—	—	—	—	—	0.10	1.12	—
Change in fair value of contingent consideration	3.43	2.14	0.31	0.39	0.14	—	—	—
Restructuring <sup>(1)</sup>	—	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 and audit settlements	(1.14)	(0.27)	(0.49)	0.71	—	—	—	—
Other	0.02	0.07	0.04	0.04	0.04	0.05	0.05	0.04
<b>As adjusted (non-GAAP)</b>	\$ 10.56	\$ 8.94	\$ 7.91	\$ 5.60	\$ 4.82	\$ 4.29	\$ 3.32	\$ 3.14

(1) Except for 2019, restructuring impacts were minimal and included in the Other category.

#### 2020 Performance Results for Financial Goals Reconciliations

	Net Revenues	Income Before Taxes	Operating Margin	Net Earnings*
<b>As reported (GAAP)</b>	45,804	3,398	11,363	4,616
Adjusted for specified items:				
Intangible asset amortization	—	5,805	5,805	4,805
Acquisition and integration costs	—	3,366	3,092	3,023
Milestones and other R&D expenses	—	273	273	241
Acquired IPR&D	—	1,198	1,198	1,194
Change in fair value of contingent consideration	—	5,753	—	5,749
Impacts related to tax law changes and audit settlements	—	—	—	(1,889)
Other	(20)	239	377	42
Adjusted for foreign exchange:	(249)	26	(3)	—
<b>As adjusted (non-GAAP)</b>	45,535	20,058	22,105	17,781

\*Represents net earnings attributable to AbbVie Inc.

Acquisition and integration costs reflect transaction and financing costs, compensation expense and other integration costs as well as amortization of the acquisition date fair value step-up for inventory related to the Allergan acquisition. Milestones and other R&D expenses include milestone payments for previously announced collaborations and the purchase of an FDA priority review voucher from a third party. Acquired IPR&D primarily reflects upfront payments related to R&D collaborations and licensing arrangements with third parties. Other primarily includes tax related items and COVID-19 related charitable contributions and expenses.

**ABBVIE AMENDED AND RESTATED 2013 INCENTIVE STOCK PROGRAM**

(Effective as of January 1, 2013, conformed through the Second Amendment, and amended and restated effective as of May 7, 2021)

**ABBVIE**  
**AMENDED AND RESTATED 2013 INCENTIVE STOCK PROGRAM**

**1. PURPOSE.**

The purpose of the AbbVie Amended and Restated 2013 Incentive Stock Program is to (i) attract and retain outstanding directors, officers, and other employees of AbbVie Inc. (the “Company”) and its Subsidiaries, and to furnish incentives to such persons by providing opportunities to acquire shares of the Company’s common stock, or monetary payments based on the value of such Shares or the financial performance of the Company, or both, on advantageous terms as herein provided and to further align such persons’ interests with those of the Company’s other stockholders through compensation that is based on the value of Shares, and (ii) assume certain awards granted under the Abbott Stock Programs and adjusted as described in the Employee Matters Agreement.

**2. ADMINISTRATION.**

The Program will be administered by the Committee. For purposes of the Program, the “Committee” shall be a committee of at least two persons which shall be either the Compensation Committee of the Board or such other committee comprised entirely of persons who are “non-employee directors” as defined in Rule 16b-3 of the Securities and Exchange Commission. The Compensation Committee of the Board shall serve as the Committee administering the Program until such time as the Board designates a different Committee.

The Committee has the following powers, which it may exercise in its sole discretion, subject to and not inconsistent with the express provisions of the Program: (i) to administer the Program; (ii) to exercise all the power and authority either specifically granted to it under the Program or necessary or advisable in the administration of the Program; (iii) to grant Benefits; (iv) to determine the persons to whom and the time or times at which Benefits shall be granted; (v) to determine the type and number of Benefits to be granted, the number of Shares to which a Benefit may relate and the terms, conditions, restrictions and Performance Goals relating to any Benefit; (vi) to determine whether, to what extent, and under what circumstances a Benefit may be settled, canceled, forfeited, accelerated, exchanged, deferred (in accordance with the requirements of Code Section 409A) or surrendered; provided that, except as described in Section 6, the Committee shall neither lower the exercise price or base price of an outstanding option or Stock Appreciation Right nor grant any Benefit or provide cash in replacement of a canceled option or Stock Appreciation Right which had been granted at a higher exercise price or base price without the prior approval of the Company’s stockholders; (vii) to make adjustments in the terms and conditions (including Performance Goals) applicable to Benefits; (viii) to construe and interpret the Program and any Benefit; (ix) to prescribe, amend and rescind rules and regulations relating to the Program, including any sub-Program contemplated by Section 10; (x) to determine the terms and provisions of any Benefit Agreement (which need not be identical for each Grantee); and (xi) to make all other determinations deemed necessary or advisable for the administration of the Program. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Program or in any Benefit Agreement in the manner and to the extent it shall deem necessary or advisable to carry the Program into effect and shall be the sole and final judge of such necessity or advisability.

A majority of the members of the Committee shall constitute a quorum and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Program may be made without notice of a meeting of the Committee by a writing signed by all of the Committee members. The decision of the Committee as to all questions of interpretation, application and administration of the Program shall be final, binding and conclusive on all persons.

The Committee may, from time to time, delegate any or all of its duties, powers and authority to any officer or officers of the Company, except to the extent such delegation would be inconsistent with Rule 16b-3 promulgated under the Exchange Act or other applicable law, rule or regulation. The Chief Executive Officer of the Company may grant Benefits under the Program other than to persons subject to Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Company at the time that delegated authority is exercised. All such grants by the Chief Executive Officer shall be reported annually to the Committee; however, the Committee is not required to take any action with respect to such grants. No Committee member or delegate thereof shall be liable for any action taken or determination made, or which the Committee member or delegate fails to take or make, in good faith with respect to the Program or any Benefit.

### 3. PARTICIPANTS.

Participants in the Program shall consist of the employees of the Company or any of its Subsidiaries who the Committee in its sole discretion may designate from time to time to receive Benefits, and, solely for purposes of receiving Benefits under Section 11 and Section 12, Non-Employee Directors of the Company. The Committee's designation of a person to receive a Benefit in any year shall not require the Committee to designate such person to receive a Benefit in any other year. The Committee shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective Benefits. Notwithstanding the foregoing, Adjusted Awards may be granted under the Program in accordance with the terms of the Employee Matters Agreement.

### 4. SHARES RESERVED UNDER THE PROGRAM AND ADJUSTMENTS.

Subject to adjustment as provided in this Section 4, the maximum number of Shares available for issuance under the Program as of the Restatement Effective Date is 144,000,000 Shares, which reflects an increase of 44,000,000 Shares over the number of Shares initially reserved under the Program as of the Effective Date (the "Share Limit"). Such Shares may, in whole or in part, be authorized but unissued Shares or Shares that have been or may be reacquired by the Company in the open market, in private transactions or otherwise.

With respect to Benefits other than Adjusted Awards: (i) to the extent there is a lapse, expiration, termination, forfeiture, cancellation or cash settlement of any Benefit without the issuance of Shares thereunder, the Shares reserved for such Benefit may again be used for the grant of new Benefits of any type authorized under the Program; provided, however, that in no event may the number of Shares issued under the Program exceed the total number of Shares reserved for issuance hereunder; and (ii) Shares that are issued under any Benefit and thereafter reacquired by the Company pursuant to rights reserved upon the issuance thereof, or pursuant to the payment of the exercise price of Shares under options by delivery of other Shares, or Shares under options or stock-settled Stock Appreciation Rights that were not issued upon the net exercise or net settlement of such options or Stock Appreciation Rights, or Shares repurchased by the Company with the proceeds collected in connection with the exercise of outstanding options, or Shares that are exchanged by a Grantee or withheld by the Company to satisfy tax withholding requirements in connection with any Program Benefit shall not be available for subsequent awards of Program Benefits. Upon the exercise of any Benefit granted in tandem with any other Benefits, such related Benefits shall be canceled to the extent of the number of Shares as to which the Benefit is exercised and, notwithstanding the foregoing, such number of Shares shall no longer be available for Program Benefits. Benefits that may be settled only in cash shall not reduce the number of Shares available for subsequent awards of Benefits.

Subject to adjustment as provided in this Section 4, the maximum number of Shares with respect to which Non-Qualified Stock Options under Section 6 and Stock Appreciation Rights under Section 9(a) may be granted to any one participant in the aggregate in any one calendar year shall be 2,000,000 Shares.

Notwithstanding anything in the Program to the contrary, (i) any Shares issued, or awards granted, under the Program pursuant to Adjusted Awards shall not count against the Share Limit or the Individual Limits, and (ii) the lapse, expiration, termination, forfeiture or cancellation of any Adjusted Award without the issuance of Shares or payment of cash thereunder shall not result in an increase in the number of Shares available for issuance under the Program.

Except as provided in a Benefit Agreement or as otherwise provided in the Program, if the Committee determines that any special dividend or other distribution (whether in the form of cash, Shares, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event, affects the Shares such that an equitable change or adjustment relating to the Program or Program Benefits is appropriate, then the Committee shall make any such equitable changes or adjustments as it deems necessary or appropriate, including by way of illustration, changes or adjustments to any or all of (i) the number and kind of Shares or other property (including cash) that may thereafter be issued in connection with Benefits, including the Share Limit, (ii) the number and kind of Shares or other property issued or issuable in respect of outstanding Benefits, (iii) the exercise price, grant price or purchase price relating to any Benefit, (iv) the Performance Goals and (v) the individual and other limitations applicable to Benefits, including the Individual Limits; provided that no such adjustment shall cause any Benefit hereunder which is or becomes subject to Code Section 409A to fail to comply with the requirements of

such section; and provided further that, unless otherwise determined by the Committee, any additional Shares or other securities or property issued with respect to Shares covered by awards granted under the Program as a result of any stock split, combination, stock dividend, recapitalization or other adjustment event described in this Section 4 shall be subject to the restrictions and other provisions of the original Benefit awarded under the Program.

## **5. TYPES OF BENEFITS.**

The following Benefits, alone or in combination, may be granted under the Program: (i) Nonqualified Stock Options, (ii) Restricted Stock Awards, (iii) Restricted Stock Units, (iv) Performance Awards, (v) Other Share-Based Awards (including Stock Appreciation Rights, dividend equivalents and recognition awards), (vi) awards to Non-Employee Directors, and (vii) Foreign Benefits, all as described below.

## **6. NON-QUALIFIED STOCK OPTIONS.**

The Committee may grant Nonqualified Stock Options to Grantees which may be subject to such restrictions, terms and conditions as the Committee shall determine in its sole discretion and as shall be evidenced by the applicable Benefit Agreement.

The Committee shall determine the exercise price for each Share purchasable under an option, but in no event shall the exercise price per Share be less than the Fair Market Value of a Share on the option's date of grant unless such option is granted in connection with a corporate transaction in substitution for an option previously granted by an entity involved in such corporate transaction (any such option, a "Substitute Option"). The exercise price shall be paid in full at the time of exercise, and payment may be made as determined by the Committee, including: (i) in cash, which may be paid by check, or other instrument acceptable to the Company; (ii) unless otherwise provided in the Benefit Agreement, in Shares having a then market value equal to the aggregate exercise price (including by withholding Shares that otherwise would be distributed to the Grantee upon exercise of the option); (iii) delivery of a properly executed exercise notice, together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sales proceeds from the option Shares or loan proceeds to pay the exercise price; or (iv) by any other method permitted by the Committee. Any amount necessary to satisfy applicable federal, state or local tax withholding requirements (or corresponding requirements under applicable laws in non-U.S. jurisdictions) shall be paid promptly upon notification of the amount due. The amount of tax withholding may be paid in Shares having a then market value equal to the amount required to be withheld (including by withholding Shares that otherwise would be distributed to the Grantee upon exercise of the option), or a combination of cash and Shares.

An option shall be exercisable over its term (which shall not exceed ten years from the date of grant), at such times and upon such conditions as the Committee may determine, as reflected in the Benefit Agreement. An option may be exercised to the extent of any or all full Shares as to which the option has become exercisable, by giving written, electronic or telephonic notice of such exercise to the Committee or its designated agent, in such form as the Committee may prescribe. Notwithstanding the foregoing, no option granted pursuant to this Section 6 shall be exercisable earlier than six months from its date of grant, unless such option is a Substitute Option.

Except as otherwise provided in the applicable Benefit Agreement, (i) in the event of termination of employment for any reason other than retirement, disability or death, the right of the optionee to exercise an option shall terminate upon the earlier of the end of the original term of the option or three months after the optionee's last day of work for the Company or its Subsidiaries; (ii) in the event of termination of employment due to retirement or disability, or if the optionee should die while employed, the right of the optionee or his or her successor in interest to exercise an option shall terminate upon the end of the original term of the option; and (iii) if the optionee should die within three months after termination of employment for any reason other than retirement or disability, the right of his or her successor in interest to exercise an option shall terminate upon the earlier of the end of the original term of the option or three months after the date of such death.

## **7. RESTRICTED STOCK AWARDS AND RESTRICTED STOCK UNITS.**

### **(a) Restricted Stock Awards.**

The Committee may grant Restricted Stock Awards, subject to such restrictions, terms and conditions as the Committee shall determine in its sole discretion and as shall be evidenced by the applicable Benefit Agreement (provided that any such Benefit is subject to the vesting requirements described herein). The vesting of a Restricted Stock Award may be conditioned upon the completion of a specified period of employment or service with the Company or any Subsidiary, upon the attainment of specified Performance Goals, and/or upon such other criteria as the Committee may determine in its sole discretion.

Except as provided in the applicable Benefit Agreement, no Shares underlying a Restricted Stock Award may be sold, assigned, transferred, or otherwise encumbered or disposed of by the Grantee until such Shares have vested in accordance with the terms of such Benefit. Subject to such other restrictions as are imposed by the Committee, the Shares covered by an award of Restricted Stock to a participant who is subject to Section 16 of the Exchange Act may be sold or otherwise disposed of only after six months from the grant date (unless such sale would not affect the exemption under Rule 16b-3 of the Securities and Exchange Commission).

If and to the extent that the applicable Benefit Agreement may so provide, a Grantee shall have the right to vote and receive dividends on Restricted Stock granted under the Program. Unless otherwise provided in the applicable Benefit Agreement, any Shares received as a dividend on or in connection with a stock split of the Shares underlying a Restricted Stock Award awarded under this Section shall be subject to the same restrictions as the Shares underlying such Restricted Stock Award.

Upon the termination of a Grantee's employment or service with the Company and its Subsidiaries, the Restricted Stock granted to such Grantee shall be subject to the terms and conditions specified in the applicable Benefit Agreement.

### **(b) Restricted Stock Units.**

The Committee may grant Restricted Stock Units, subject to such restrictions, terms and conditions, as the Committee shall determine in its sole discretion and as shall be evidenced by the applicable Benefit Agreement (provided that any such Restricted Stock Unit is subject to the vesting requirements described herein). The vesting of a Restricted Stock Unit granted under the Program may be conditioned upon the completion of a specified period of employment or service with the Company or any Subsidiary, upon the attainment of specified Performance Goals, and/or upon such other criteria as the Committee may determine in its sole discretion.

Unless otherwise provided in a Benefit Agreement, upon the vesting of a Restricted Stock Unit there shall be delivered to the Grantee, as soon as practicable following the date on which such Benefit (or any portion thereof) vests, subject to Section 13, that number of Shares equal to the number of Restricted Stock Units that have vested (or the cash equivalent thereof in the case of a cash-settled award).

Except as provided in the applicable Benefit Agreement, a Restricted Stock Unit may not be sold, assigned, transferred or otherwise encumbered or disposed of by the Grantee. Subject to the requirements of Code Section 409A, Restricted Stock Units may provide the Grantee with the right to receive dividend equivalent payments with respect to Shares subject to the Benefit (both before and after the Benefit is earned or vested), which payments may be either made currently or credited to an account for the participant, and may be settled in cash or Shares, as determined by the Committee. Any such settlements and any such crediting of dividend equivalents may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Share equivalents.

Upon the termination of a Grantee's employment or service with the Company and its Subsidiaries, the Restricted Stock Units granted to such Grantee shall be subject to the terms and conditions specified in the applicable Benefit Agreement.

## **8. PERFORMANCE AWARDS.**

The Committee may grant Benefits including Restricted Stock, Restricted Stock Units and Other Share-Based Awards, which may be earned in whole or in part based on the attainment of performance goals established by the Committee, which shall be based on one or more of the following criteria or such other criteria as determined by the Committee in its discretion: earnings per share, return on equity, return on assets, return on net assets, return on investment, total stockholder return, net operating income, cash flow, increase in revenue, economic value added, increase in share price or cash flow return on investment, and any combination of, or a specified increase in, any of the foregoing (the "Performance Goals"). Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company, a Subsidiary, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Committee. The Performance Goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). In addition, partial achievement of Performance Goals may result in payment or vesting corresponding to the degree of achievement of the Performance Goal. The Committee may make equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or any Subsidiary or the financial statements of the Company or any Subsidiary, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles. No payment shall be made to a participant prior to the written certification or other determination by the Committee that the Performance Goals have been attained.

The maximum amount which may be granted under this Section 8 for any one year for any one participant shall be \$15 million, determined by multiplying the number of Shares or units granted under the Benefit by the Fair Market Value of a Share on the date of grant. For any performance period in excess of one year, such maximum value shall be determined by multiplying \$15 million by a fraction, the numerator of which is the number of months in the performance period and the denominator of which is twelve.

Payments earned in respect of any Benefit may be decreased or increased in the sole discretion of the Committee based on such factors as it deems appropriate. Notwithstanding the foregoing, any Benefits may be adjusted in accordance with Section 4.

## **9. OTHER SHARE-BASED AWARDS AND RECOGNITION AWARDS.**

### **(a) Other Share-Based Awards.**

The Committee may grant Other Share-Based Awards, including Stock Appreciation Rights, under terms and conditions specified by the Committee in the applicable Benefit Agreement, which may include the attainment of Performance Goals; provided, however, that with respect to a Stock Appreciation Right, in no event shall (i) the base price per Share be less than the Fair Market Value of a Share on the Stock Appreciation Right's date of grant, or (ii) the term of such Stock Appreciation Right exceed ten years from the date of grant. Such terms and conditions shall be consistent with the terms of the Program. Shares or other securities or property delivered pursuant to a Benefit in the nature of a purchase right granted under this Section 9 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, Shares, other Benefits, notes or other property, as the Committee shall determine, subject to any required corporate action.

### **(b) Recognition Awards.**

In addition to Restricted Stock Awards governed by Section 7(a), the Committee may grant fully vested Shares to employees of the Company, its Subsidiaries, in recognition of the employee's contribution to the Company; provided that the aggregate value of such recognition awards granted in any fiscal year to any single individual shall not exceed 1,000 Shares.

## **10. FOREIGN BENEFITS.**

The Committee may grant Benefits to employees of the Company and its Subsidiaries who reside in foreign jurisdictions. Notwithstanding anything in the Program to the contrary, the Committee may, in its sole discretion: (i) amend or vary the terms of the Program to conform such terms with the requirements of each jurisdiction where a Subsidiary is located; (ii) amend or vary the terms of the Program in each jurisdiction where a Subsidiary is located as it considers necessary or desirable to take into account or to mitigate or reduce the burden of taxation and social security contributions for participants and/or the Subsidiary; or (iii) amend or vary the terms of the Program in each jurisdiction where a Subsidiary is located as it considers necessary or desirable to meet the goals and objectives of the Program. The Committee may, where it deems appropriate in its sole discretion, establish one or more sub-Programs for these purposes. The terms and conditions contained herein which are subject to variation in a jurisdiction shall be reflected in a written attachment to the Program for each Subsidiary in such jurisdiction. The Committee may, in its sole discretion, also establish administrative rules and procedures to facilitate the operation of the Program in each jurisdiction where a Subsidiary is located. To the extent permitted under applicable law, the Committee may delegate its authority and responsibilities under this Section 10 to one or more officers of the Company. In this regard and to the extent permitted under applicable law, the Committee hereby delegates its authority and responsibilities under this Section 10 to the Executive Vice President, Chief Human Resources Officer.

## **11. NONQUALIFIED STOCK OPTIONS TO NON-EMPLOYEE DIRECTORS.**

Each Non-Employee Director may elect to receive any or all of his or her fees earned under Section 3 of the AbbVie Non-Employee Directors' Fee Plan (the "Directors' Fee Plan") in the form of Nonqualified Stock Options under this Section. Each such election shall be irrevocable, and must be made in writing and filed with the Secretary of the Company by December 31 of the calendar year preceding the period in which such fees are earned. A Non-Employee Director may file a new election each calendar year applicable to fees earned in the immediately succeeding calendar year, provided that a new election to receive benefits in the form of options shall not be effective until the period covered by the Non-Employee Director's current election has ended. If no new election is received by December 31 of any calendar year, the election, if any, then in effect shall continue in effect until a new election is made and has become effective. If a director does not elect to receive his or her fees in the form of Nonqualified Stock Options, the fees due such director shall be paid or deferred as provided in the Directors' Fee Plan and any applicable election thereunder by the director.

Each Nonqualified Stock Option due to a director under the Program pursuant to an election shall be granted annually, on the date of the annual stockholders meeting. Except as otherwise provided, each such Nonqualified Stock Option shall be (i) subject to the terms and conditions of Section 6, (ii) immediately exercisable and non-forfeitable, and (iii) exercisable until the expiration of ten years from the date of grant.

## **12. RESTRICTED STOCK UNITS TO NON-EMPLOYEE DIRECTORS.**

Each year, on the date of the annual stockholders meeting, each person who is elected a Non-Employee Director at the annual stockholders meeting shall be awarded Restricted Stock Units covering a number of Shares with a Fair Market Value on the date of the award closest to, but not in excess of, a value determined annually by the Compensation Committee. The annual award value shall not exceed \$250,000 per Non-Employee Director.

The Restricted Stock Units granted to Non-Employee Directors shall be fully vested on the date of the award and shall be awarded and/or issued or paid in a manner that will comply with Code Section 409A. Subject to the requirements of Code Section 409A, the Non-Employee Director receiving the Restricted Stock Units shall be entitled to receive one Share for each Restricted Stock Unit upon the earliest of (i) the director's "separation from service" (within the meaning of Code Section 409A), (ii) the date the director dies, or (iii) the date of occurrence of a Change in Control that also qualifies as a "change in control event" (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)).

Subject to the requirements of Code Section 409A, the Non-Employee Director receiving the Restricted Stock Units shall be entitled to receive cash payments equal to the dividends and distributions paid on the Shares (other than dividends or distributions of securities of the Company which may be issued with respect to its Shares by virtue of any stock split, combination, stock dividend or recapitalization) to the same extent as if each Restricted Stock Unit was a Share, and those Shares were not subject to the restrictions imposed by the Program, provided

that the record date with respect to such dividend or distribution occurs within the period commencing with the date of grant of the Benefit and ending upon the earliest of (i) the date of the director's death, (ii) the date of the director's "separation from service" (within the meaning of Code Section 409A), (iii) the date of the occurrence of a Change in Control that also qualifies as a "change in control event" (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)), or (iv) such other date specified in the Benefit Agreement.

While outstanding, the Restricted Stock Units may not be sold, assigned, transferred, pledged, hypothecated, exchanged or otherwise disposed of except by will or the laws of descent and distribution.

Except in the event of conflict, all provisions of the Program shall apply to this Section 12. In the event of any conflict between the other provisions of the Program and this Section 12, this Section 12 shall control.

### **13. CHANGE IN CONTROL PROVISIONS.**

(a) Notwithstanding any other provision of this Program, the following provisions shall apply upon the occurrence of a Change in Control, unless otherwise provided in a Benefit Agreement:

(i) All options then outstanding under this Program shall become fully vested and exercisable as of the date of the Change in Control, whether or not then otherwise vested or exercisable;

(ii) All Stock Appreciation Rights and Other Share-Based Awards then outstanding shall become fully vested and exercisable as of the date of the Change in Control, whether or not then otherwise vested or exercisable;

(iii) All terms and conditions of all Restricted Stock Awards then outstanding shall be deemed satisfied and all restrictions on those Restricted Stock Awards will lapse as of the date of the Change in Control;

(iv) All terms and conditions of all Restricted Stock Units then outstanding shall be deemed satisfied, all restrictions on those Restricted Stock Units will lapse and the Restricted Stock Units shall be immediately payable as of the date of the Change in Control; and

(v) All performance criteria shall be deemed to have been attained and all Performance Awards then outstanding shall be deemed to have been fully earned and to be immediately payable as of the date of the Change in Control.

Notwithstanding the foregoing, with respect to each Benefit that is subject to Code Section 409A, if a Change in Control would have occurred under the Program but such Change in Control does not also qualify as a "change in control event" (within the meaning of Treasury Regulation Section 1.409A-3(i)(5)), then each such Benefit shall become vested and non-forfeitable; provided, however, that the Grantee shall not be able to exercise the Benefit, and the Benefit shall not become payable, except in accordance with the terms of such Benefit or until such earlier time as the exercise and/or payment complies with Code Section 409A.

(b) A "Change in Control" shall be deemed to have occurred on the earliest of the following dates:

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

(ii) The date the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds of the directors

then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) The date on which there is consummated a merger or consolidation of the Company or any direct or indirect Subsidiary of the Company with any other corporation or other entity, other than (A) a merger or consolidation (1) immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the Company, the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger is then a Subsidiary, the ultimate parent thereof, and (2) which results in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities; or

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

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

For purposes of the Program: "Affiliate" shall have the meaning set forth in Rule 12b-2 under Section 12 of the Exchange Act; "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act; "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and as used in Section 13(d) and 14(d) thereof and the rules thereunder, except that such term shall not include (w) the Company or any of its Subsidiaries, (x) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary, (y) an underwriter temporarily holding securities pursuant to an offering of such securities, or (z) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Shares; and "Subsidiary" shall mean any corporation, partnership, joint venture or business trust, 50% or more of the control of which is owned, directly or indirectly, by the Company.

(c) In the event that, in connection with a Change in Control, outstanding options under the Program are either assumed or converted into substituted options consistent with Section 4, each such assumed or substituted option shall continue to be subject to the same terms and conditions to which it was subject immediately prior to the transaction resulting in the assumption or substitution.

(d) Unless otherwise provided in a Benefit Agreement, upon a Change in Control in which the outstanding Shares are changed into, or exchanged for, property (including cash) other than solely stock or securities of the Company or another corporation (disregarding, for this purpose, cash paid in lieu of fractional shares), each Grantee may, to the extent such right would not cause the applicable stock option or Stock Appreciation Right to be considered deferred compensation for purposes of Code Section 409A, elect to receive, immediately following such Change in Control, in exchange for cancellation of any stock option or Stock Appreciation Right held by such Grantee immediately prior to the Change in Control, a cash payment with respect

to each Share subject to such option or right, equal to the difference between the value of consideration (as determined by the Committee) received by the stockholders for a Share in the Change in Control, less any applicable purchase price.

(e) Notwithstanding any other provision of the Program, if a Change in Control occurs, the Adjusted Awards shall be handled as described in the Employee Matters Agreement.

#### **14. GENERAL PROVISIONS.**

##### **(a) Adjusted Awards.**

Notwithstanding anything in the Program to the contrary, the terms of the Program will apply to Adjusted Awards only to the extent that they are not inconsistent with the Employee Matters Agreement and the terms of the applicable Adjusted Awards assumed in accordance with the Employee Matters Agreement. To the extent that the terms of the Program are inconsistent with the terms of an Adjusted Award Benefit Agreement, the terms of the applicable Adjusted Award shall be governed by the Employee Matters Agreement, the applicable Abbott Stock Program, and the applicable Benefit Agreement.

##### **(b) Nontransferability, Deferrals and Settlements.**

Unless otherwise determined by the Committee or provided in a Benefit Agreement, Benefits shall not be transferable by a Grantee except by will or the laws of descent and distribution and shall be exercisable during the lifetime of a Grantee only by such Grantee or his guardian or legal representative. Notwithstanding the foregoing, any transfer of Benefits to independent third parties for cash consideration without stockholder approval is prohibited. Any Benefit shall be null and void and without effect upon any attempted assignment or transfer, except as herein provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, divorce, trustee process or similar process, whether legal or equitable, upon such Benefit. With respect to Benefits other than options, the Committee may require or permit Grantees to elect to defer the issuance of Shares (with settlement in cash or Shares as may be determined by the Committee or elected by the Grantee in accordance with procedures established by the Committee), or the settlement of Benefits in cash under such rules and procedures as established under the Program to the extent that such deferral complies with Code Section 409A and any regulations or guidance promulgated thereunder. It may also provide that such deferred settlements include the payment or crediting of interest, dividends or dividend equivalents on the deferral amounts.

##### **(c) No Right to Continued Employment, etc.**

Nothing in the Program or in any Benefit granted or any Benefit Agreement or other agreement entered into pursuant hereto shall confer upon any Grantee the right to continue in the employ or service of the Company, any Subsidiary or to be entitled to any remuneration or benefits not set forth in the Program or such Benefit Agreement or other agreement or to interfere with or limit in any way the right of the Company or any such Subsidiary to terminate such Grantee's employment or service.

##### **(d) Sale of Subsidiary.**

For all purposes hereunder, except as otherwise provided by the Committee, a Grantee's employment or service with a Subsidiary shall be deemed to be terminated on the day such entity ceases to be a Subsidiary of the Company.

##### **(e) Taxes.**

The Company shall be entitled to withhold, or require a participant to remit to the Company, the amount of any tax attributable to any amount payable or Shares deliverable under the Program. The Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction, and the Company shall have no liability to any participant for exercising the foregoing right. The Committee may, in its sole discretion and subject to such rules as it may adopt, permit or require a Grantee to pay all or a portion of the federal, state and local taxes, including social security and Medicare withholding tax (or corresponding taxes under applicable laws in non-U.S. jurisdictions), arising in connection with the receipt or exercise of any Benefit,

by, without limitation, (i) having the Company withhold Shares, (ii) tendering Shares received in connection with such Benefit back to the Company, (iii) delivering other previously acquired Shares having a Fair Market Value approximately equal to the amount to be withheld; (iv) selling Shares issued pursuant to such Benefit and having the Company withhold from proceeds of the sale of such Shares, (v) having the Company or a Subsidiary, as applicable, withhold from any cash compensation payable to the Grantee, or (vi) requiring the Grantee to repay the Company or Subsidiary, in cash or in Shares, for taxes paid on the Grantee's behalf.

**(f) Amendment and Termination.**

The Program may be amended or terminated at any time by action of the Board. However, no amendment may, without stockholder approval: (i) increase the aggregate number of Shares available for Benefits (except to reflect an event described in Section 4); (ii) extend the term of the Program; or (iii) change or add a category or categories of individuals who are eligible to participate in the Program. No amendment or termination of the Program may materially and adversely modify any person's rights under the express terms and conditions of an outstanding Benefit without such person's written consent, except that the Committee may amend the Program in accordance with Section 10 above, or to qualify for or comply with any tax or regulatory requirement for which or with which the Board or Committee deems it necessary or desirable to qualify or comply including, without limitation, pursuant to Section 14(n) hereof.

**(g) Duration of Program.**

Unless earlier terminated by the Board pursuant to the provisions of the Program, the Program shall expire on the tenth anniversary of the Restatement Effective Date. No Benefits shall be granted under the Program after such date.

**(h) No Rights to Benefits; No Stockholder Rights.**

No individual shall have any claim to be granted any Benefit under the Program, and there is no obligation for uniformity of treatment of Grantees. No individual shall have any right to a Benefit or to payment or settlement under any Benefit unless and until the Committee or its designee shall have determined that a Benefit or payment or settlement is to be made. Except as provided specifically herein, a Grantee or a transferee of a Benefit shall have no rights as a stockholder with respect to any Shares covered by the Benefit until the date of the issuance of such Shares.

**(i) Unfunded Status of Benefits.**

The Program is intended to constitute an "unfunded" plan for purposes of incentive and deferred compensation. With respect to any payments not yet made to a Grantee pursuant to a Benefit, nothing contained in the Program or any Benefit shall give any such Grantee any rights that are greater than those of a general creditor of the Company.

**(j) No Fractional Shares.**

Unless otherwise determined by the Committee, no fractional Shares shall be issued or delivered pursuant to the Program or any Benefit. The Committee shall determine whether cash, other Benefits, or other property shall be issued or paid in lieu of such fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

**(k) Regulations and Other Approvals.**

The obligation of the Company to sell or deliver Shares with respect to any Program Benefit shall be subject to all applicable laws, rules and regulations, including all applicable securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

**(l) Listing, Registration or Qualification of Shares.**

Each Benefit is subject to the requirement that, if at any time the Committee or its delegate determines, in its sole discretion, that the listing, registration or qualification of Shares issuable pursuant to the Program is required by any securities exchange or under any state or federal law (or corresponding requirements under applicable laws

in non-U.S. jurisdictions), or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of a Benefit or the issuance of Shares, no such Benefit shall be granted or payment made or Shares issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee or its delegate.

**(m) Restricted Securities.**

If the disposition of Shares acquired pursuant to the Program is not covered by a then current registration statement under the Securities Act of 1933 (the "Securities Act"), and is not otherwise exempt from such registration, then such Shares shall be restricted against transfer to the extent required by the Securities Act or regulations thereunder and the Committee may require a Grantee receiving Shares pursuant to the Program, as a condition precedent to receipt of such Shares, to represent to the Company in writing that the Shares acquired by such Grantee is acquired for investment only and not with a view to distribution.

**(n) Section 409A.**

Notwithstanding any provision of the Program, to the extent that any Benefit would be subject to Code Section 409A, no such Benefit may be granted if it would fail to comply with the requirements set forth in Code Section 409A. To the extent that the Committee determines that the Program or any Benefit is subject to Code Section 409A and fails to comply with the requirements of Code Section 409A, notwithstanding anything to the contrary contained in the Program or in any Benefit Agreement, the Committee reserves the right to amend or terminate the Program and/or amend, restructure, terminate or replace the Benefit, without the consent of the Grantee, to cause the Benefit to either not be subject to Code Section 409A or to comply with the applicable provisions of such section. In addition, for each Benefit subject to Code Section 409A, a termination of employment or service with the Company and its Subsidiaries shall be deemed to have occurred under the Program with respect to such award on the first day on which an individual has experienced a "separation from service" within the meaning of Code Section 409A; further, with respect to any such Benefit, if the Grantee is one of the Company's "specified employees" under Code Section 409A at the time of the Grantee's separation from service, any payment that otherwise would be made to such Grantee during the first six (6) months on or following his or her separation from service shall not be made until the date that is six (6) months and one (1) day after such separation from service, except to the extent that earlier payment would not result in such Grantee's incurring interest or additional tax under Code Section 409A.

**(o) Governing Law.**

The Program and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of Delaware without giving effect to the conflict of laws principles thereof.

**(p) Construction.**

Any reference in the Program to any law, statute, rule, regulation, or official guidance thereunder, shall be construed as a reference to such law, statute, rule, regulation, or official guidance, as the same may be amended, from time to time, or any successor provision to such law, statute, rule, regulation or official guidance.

**(q) Forfeiture and Clawback Provisions.**

Subject to the discretion of the Compensation Committee, all Benefits (including any proceeds, gains or other economic benefit actually or constructively received by a participant upon any receipt or exercise of any Benefit or upon the receipt or resale of any Shares underlying the Benefit) shall be subject to forfeiture and/or repayment to the Company to the extent and in the event (i) required to comply with any requirements imposed under applicable laws and/or the rules and regulations of the securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, (ii) of a material restatement of applicable Company earnings or other financial results upon which the calculation of the amount of such Benefit was based, or (iii) such participant has engaged in misconduct constituting a material breach of the Company Code of Business Conduct.

### **(r) Outstanding Qualified Performance-Based Awards.**

All provisions of the Program governing Outstanding Qualified Performance-Based Awards that were in effect prior to the Restatement Effective Date shall continue in effect with respect to Outstanding Qualified Performance-Based Awards, notwithstanding the elimination of such provisions from the Program as of the Restatement Effective Date. Further, no amendment or restatement of the Program shall affect the terms and conditions of any Outstanding Qualified Performance-Based Award or any other benefit or award that the Company intends to qualify for grandfathering under P.L. 115-97, Section 13601(e)(2), to the extent that it would result in a material modification of such award within the meaning of such Section 13601(e)(2). For purposes of this Section 14(r), “Outstanding Qualified Performance-Based Award” means any award granted prior to the Restatement Effective Date that is outstanding as of the Restatement Effective Date and that is intended to constitute “qualified performance-based compensation” as described in Section 162(m)(4)(C) of the Code, as in effect prior to its amendment by the Tax Cuts and Jobs Act, P.L. 115-97.

### **(s) Effective Date.**

The Program became effective as of January 1, 2013 (the “Effective Date”). The Program was amended and restated by the Board as of February 18, 2021 and approved by the stockholders as of May 7, 2021 (the “Restatement Effective Date”).

## **15. DEFINITIONS.**

For purposes of the Program, the following terms shall be defined as set forth below:

- (a) “Abbott Stock Program” has the meaning ascribed to it in the Employee Matters Agreement.
- (b) “Adjusted Awards” means awards granted under the Abbott Stock Programs and converted into awards denominated with respect to Shares, as described in the Employee Matters Agreement.
- (c) “Benefit” means a grant under the Program of any of the types of awards described in Section 5.
- (d) “Benefit Agreement” means any written agreement, contract, or other instrument or document evidencing the terms and conditions of a Benefit.
- (e) “Board” means the Board of Directors of the Company.
- (f) “Change in Control” has the meaning ascribed to it in Section 13.
- (g) “Code” means the Internal Revenue Code of 1986, as amended from time to time, together with the regulations and official guidance promulgated thereunder, whether issued prior or subsequent to the grant of any Benefit.
- (h) “Committee” has the meaning ascribed to it in Section 2.
- (i) “Company” or “AbbVie” means AbbVie Inc., a corporation organized under the laws of the State of Delaware, or any successor corporation.
- (j) “Effective Date” has the meaning ascribed to it in Section 14(s).
- (k) “Employee Matters Agreement” means the Employee Matters Agreement by and between Abbott Laboratories and AbbVie Inc., dated as of December 31, 2012.
- (l) “Exchange Act” means the Securities Exchange Act of 1934.
- (m) “Executive Vice President, Chief Human Resources Officer” means the Company’s Executive Vice President, Human Resources, or the individual holding equivalent duties and responsibilities.

(n) “Fair Market Value” means, with respect to Shares or other property, the fair market value of such Share or other property determined by such methods or procedures as shall be established from time to time by the Committee.

(o) “Grantee” means (i) a person who, as a Non-Employee Director of the Company or an employee of the Company or a Subsidiary of the Company, or a beneficiary or estate of such person, has been granted a Benefit, or (ii) a recipient of an Adjusted Award in accordance with the terms of the Employee Matters Agreement.

(p) “Individual Limits” means the limitations on awards to a single individual set forth in the third paragraph of Section 4 and in the second paragraph of Section 8.

(q) “Non-Employee Director” means a member of the Board who is not a full-time employee of the Company or any of its Subsidiaries.

(r) “Nonqualified Stock Option” means any option that is not intended to be designated as an incentive stock option within the meaning of Code Section 422.

(s) “option” means a contractual right granted to a Grantee under the Program to purchase Shares at a specified price.

(t) “optionee” means a person who, as a Non-Employee Director of the Company or an employee of the Company or a Subsidiary of the Company, or a beneficiary or estate of such person, has been granted an option.

(u) “Other Share-Based Award” means a Benefit granted to a Grantee pursuant to Section 9, which may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares.

(v) “Outstanding Qualified Performance-Based Award” has the meaning ascribed to it in Section 14(r).

(w) “Performance Goals” has the meaning ascribed to it in Section 8.

(x) “Person” has the meaning ascribed to it in Section 13(b).

(y) “Program” means this AbbVie Amended and Restated 2013 Incentive Stock Program, as amended from time to time.

(z) “Restatement Effective Date” has the meaning ascribed to it in Section 14(s).

(aa) “Restricted Stock” or “Restricted Stock Award” means Shares awarded to a Grantee under Section 7(a), without payment, as compensation for services to the Company or its Subsidiaries, which are subject to vesting restrictions, which may include the attainment of specified Performance Goals.

(bb) “Restricted Stock Unit” means a contractual right to receive a number of Shares or an amount of cash equal to the value of that number of Shares corresponding to the number of units granted to a Grantee, without payment, as compensation for services to the Company or its Subsidiaries, which right may be subject to vesting restrictions including the attainment of specified Performance Goals.

(cc) “Shares” means shares of the Company’s common stock.

(dd) “Stock Appreciation Right” means an Other Share-Based Award, payable in cash or Shares, that entitles a Grantee upon exercise to the excess of the Fair Market Value of the Shares underlying the Benefit over a base price established by the Committee in respect of such Shares.

(ee) “Subsidiary” has the meaning ascribed to it in Section 13(b).

(ff) “Substitute Option” has the meaning ascribed to it in Section 6.

(gg) “Treasury Regulations” means the Federal tax regulations promulgated by the United States Department of Treasury.

**ABBVIE  
AMENDED AND RESTATED 2013 EMPLOYEE STOCK PURCHASE PLAN FOR NON-U.S. EMPLOYEES**

(Effective as of January 1, 2013, and amended and restated effective as of August 1, 2021)

**ABBVIE**  
**AMENDED AND RESTATED 2013 EMPLOYEE STOCK PURCHASE PLAN FOR NON-U.S. EMPLOYEES**

**1. Introduction.** The purpose of the AbbVie 2013 Employee Stock Purchase Plan for Non-U.S. Employees is to provide an opportunity for non-U.S. Employees of Subsidiaries to purchase Common Stock of AbbVie Inc. and thereby to have the opportunity to share in its growth. The Plan is not intended to qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code of 1986, as amended.

**2. Definitions.** When used herein, the following words and terms shall have the meanings set forth below, unless a different meaning clearly is required by the context. Whenever appropriate, words used in the singular shall be deemed to include the plural, and *vice versa*, and the masculine gender shall be deemed to include the feminine gender, unless a different meaning clearly is required by the context.

2.1 “Administrator” shall mean the Compensation Committee of the Board or any other committee or individual as the Board may designate from time to time in its sole discretion.

2.2 “Board” shall mean the Board of Directors of the Company.

2.3 “Common Stock” shall mean a share of common stock, par value USD 0.01 per share, of the Company.

2.4 “Company” shall mean AbbVie Inc., a Delaware corporation.

2.5 “Eligible Compensation” shall mean the basic rate of cash remuneration of an Employee as it appears on the books and records of the Employee’s Employer for services rendered. To the extent permitted by applicable law, each Employer with the approval of the Administrator shall have the authority to determine what constitutes the basic rate of cash remuneration for purposes of the definition of “Eligible Compensation,” consistent with local custom and past practice.

2.6 “Employee” shall mean an individual who is classified as an employee by an Employer in its sole discretion on its payroll records and who is ineligible to participate in the AbbVie Savings Plan. The term “Employee” shall include a full-time employee and a permanent part-time employee of an Employer. For all purposes hereunder, except as otherwise provided by the Administrator, a Participant’s employment or service with an Employer shall be deemed to be terminated on the day such entity ceases to be a Subsidiary of the Company.

2.7 “Employer” shall mean each Subsidiary that has been designated by the Administrator or its delegate as eligible to participate in the Plan with respect to its Employees.

2.8 “Enrollment Period” shall mean such period of time, as determined by the Administrator in its sole discretion, preceding an Offering Date during which an Employee may enroll in the Plan.

2.9 “Fair Market Value” of a share of Common Stock shall mean the closing price of a single share of Common Stock reported in the New York Stock Exchange Composite Transactions on the relevant date, or, if no sale shall have been reported on that date, the closing price reported in the New York Stock Exchange Composite Transactions on the last preceding day on which there was a sale.

2.10 “Offering Date” shall mean the first business day of each Purchase Cycle.

2.11 “Participant” shall mean an Employee who elects to participate in the Plan in accordance with Section 4 of the Plan.

2.12 “Plan” shall mean the Amended and Restated AbbVie 2013 Employee Stock Purchase Plan for Non-U.S. Employees, as amended from time to time.

2.13 “Purchase Date” shall mean the last business day of each Purchase Cycle, or such other date as may be established by the Administrator pursuant to Section 9(b) or Section 11.2.

2.14 “Purchase Cycle” shall mean each six-month period, or such other period as determined by the Administrator in its sole discretion pursuant to Section 5.2.

2.15 “Subsidiary” shall mean any corporation, partnership, joint venture, business trust or other entity 50% or more of the voting stock or control of which is owned, directly or indirectly, by the Company.

2.16 “U.S.” shall mean the United States of America.

**3. Eligibility.** Any person who is an Employee during the Enrollment Period, other than an officer or director of the Company, shall be eligible to enroll and participate in the Plan. Notwithstanding the foregoing sentence, the Administrator may prospectively condition participation by an Employee upon a period of service with such Employer.

#### **4. Participation and Withdrawal.**

4.1 *Enrollment.* An eligible Employee may become a Participant with respect to an upcoming Purchase Cycle by filing during the Enrollment Period preceding the Offering Date a completed authorization and enrollment form in such form as shall be specified by the Administrator, or by following an electronic or other enrollment process as prescribed by the Administrator. Unless otherwise determined by the Administrator, an eligible Employee who fails to follow the prescribed procedures to enroll in the Plan on or before the enrollment deadline for such Offering Date shall not participate in the Plan with respect to that Purchase Cycle, but instead may participate in the next following Purchase Cycle. Under procedures established by his Employer, a Participant’s authorization and enrollment form shall continue in effect from one Purchase Cycle to the next, unless the Participant suspends his payroll deductions or contributions or discontinues his participation in accordance with Section 4.3. Notwithstanding the foregoing, the Administrator may permit a new Employee who commences employment as a result of a merger, acquisition, purchase of assets or business, spin-off, or other corporate transaction involving an Employer, to become a Participant during the Purchase Cycle in which he becomes a new Employee, in accordance with such procedures and enrollment process as prescribed by the Administrator.

#### 4.2 Payroll Deductions/Contributions.

(a) An eligible Employee may authorize payroll deductions at the rate of 1% to 10% (or such other maximum percentage as specified by the Administrator), in whole percentages only, of the Employee’s Eligible Compensation. Where payroll deductions are prohibited under local law, the Administrator may permit Employees to contribute to the Plan by an alternative method of contribution, including (but not limited to) personal checks or direct debits from personal banking accounts. Payroll deductions or contributions shall commence as of the Offering Date and as soon as administratively practicable following the date on which the eligible Employee completes the enrollment process, subject to any approvals or other requirements under local law. Each Employer may use the payroll deductions or contributions of its Participants for any corporate purpose, except where prohibited by local law. Neither the Company nor the Employer shall be obligated to segregate such payroll deductions or contributions, except as required by local law.

(b) Each Employer shall maintain a separate bookkeeping account, or other type of account if required by local law, for each of its Employees who participate in the Plan and shall credit to that account all payroll deductions or contributions made by or on behalf of the Employee pursuant to Section 4.2(a). No interest shall be paid or credited to the account of any Participant except where required by local law.

(c) Unless otherwise prohibited under local law or unless alternative procedures are established by the Administrator in its sole discretion, each Employer shall convert the payroll deductions or contributions of its Participants paid in non-U.S. currency into U.S. dollars at the end of the applicable Purchase Cycle at the then prevailing exchange rate, at which time such amounts shall be forwarded to the Company for the purchase of shares of Common Stock for Participants on the Purchase Date.

(d) Subject to Section 4.2(a) and such other limitations and requirements, if any, as prescribed by his Employer, a Participant may prospectively increase or decrease the rate of payroll

deductions or contributions at any time by filing a new authorization with his Employer or by following electronic or other procedures prescribed by his Employer. Such increase or decrease shall become effective as of the next Purchase Cycle. If a Participant fails to follow such procedures to change the rate of payroll deductions or contributions, the rate of payroll deductions or contributions shall remain unchanged at the originally elected rate throughout the Purchase Cycle and future Purchase Cycles, unless reduced to reflect a change by the Administrator in the maximum permissible rate.

#### 4.3 Suspension of Payroll Deductions/Contributions or Discontinuance of Participation.

(a) Under procedures established by the Administrator, a Participant may suspend payroll deductions or contributions, or discontinue participation under the Plan, at any time during a Purchase Cycle by completing and filing an authorization form in such form as shall be specified by the Administrator, or by following electronic or other procedures prescribed by the Administrator. Such suspension or discontinuance shall become effective as soon as administratively practicable.

(b) In the event of the suspension of payroll deductions or contributions during a Purchase Cycle, the amount credited to the Participant's account as of the date of suspension shall be used to purchase shares of Common Stock pursuant to Section 6 of the Plan. A Participant who suspends payroll deductions or contributions during a Purchase Cycle shall not be entitled to participate in any future Purchase Cycle and shall have no additional amounts withheld or contributed until he completes a new authorization with his Employer for a subsequent Purchase Cycle or otherwise complies with his Employer's enrollment process in accordance with the enrollment procedures set forth in Section 4.1.

(c) Upon the Participant's discontinuation of participation during a Purchase Cycle, the amount credited to the Participant's account shall be refunded as soon as administratively practicable without interest (unless otherwise required by local law). Such Participant shall be ineligible to participate in the Plan until he re-enrolls in the Plan for a subsequent Purchase Cycle in accordance with the enrollment procedures set forth in Section 4.1.

4.4 *Termination of Employment.* If a Participant terminates employment with his Employer for any reason (including death or disability) prior to the expiration of a Purchase Cycle, the Participant's participation in the Plan shall immediately terminate, and the amount credited to the Participant's account shall be refunded to the Participant or the Participant's estate without interest (unless otherwise required by local law) as soon as administratively practicable. The Administrator in its discretion shall determine whether Employees have terminated employment for purposes of the Plan, and such determinations shall be final and binding on all parties. The Administrator also may establish rules regarding when a leave of absence or other change of employment status will be considered to be a termination of employment with respect to Employees for purposes of the Plan.

## 5. Offering.

5.1 *Authorized Shares.* The maximum number of shares of Common Stock that may be issued pursuant to the Plan, including under the AbbVie Employee Share Ownership Plan (the "UK Plan") or any other sub-plan to the Plan, shall be Ten Million (10,000,000) shares, which reflects the number of Shares initially authorized under the Plan as of the Effective Date. Such shares may be authorized but unissued shares, treasury shares, shares purchased on the open market, or a combination of any of the foregoing, as determined from time to time by the Board. If any purchase right granted under the Plan, or under the UK Plan or any other sub-plan to the Plan, shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject to that purchase right shall again become available for purposes of the Plan. If on any Purchase Date the number of shares otherwise purchasable by Participants is greater than the number of shares then remaining available under the Plan, the Administrator shall allocate the available shares among the Participants in such manner as it deems appropriate in its sole discretion.

5.2 *Purchase Cycles.* Unless otherwise determined by the Administrator with respect to a particular jurisdiction, Subsidiary, or sub-plan: (a) the duration of each Purchase Cycle shall be six consecutive calendar months; (b) each Purchase Cycle shall commence on February 1 or August 1; and (c) subsequent Purchase Cycles shall run consecutively after each preceding Purchase Cycle. Except where prohibited by applicable law, the Administrator shall have the power to make any such changes without Board approval, and without regard to

the expectations of any Participants; provided, however, that the Company and/or Employer shall notify Participants of any such change within a reasonable time before such change becomes effective.

5.3 *Grant of Purchase Right.* On each Offering Date, each Participant who has timely enrolled in a Purchase Cycle in accordance with Section 4.1 shall be granted the right to purchase that number of shares of Common Stock which may be purchased with the balance credited to the Participant's account as of the applicable Purchase Date.

5.4 *Purchase Cycle Limitation.* Notwithstanding any other provision of the Plan to the contrary, unless otherwise determined by the Administrator, no Participant may contribute more than the equivalent in local currency of USD 12,500 during each Purchase Cycle towards the purchase of shares of Common Stock under the Plan. Any amounts contributed in excess of this limitation shall be carried over to the immediately following Purchase Cycle, or shall be refunded to the Participant, as the Administrator in its sole discretion shall determine.

## 6. Purchase of Shares.

6.1 *Automatic Purchase of Shares.* Unless a Participant has previously ceased participation in the Plan during a Purchase Cycle, a Participant's purchase right shall be automatically exercised on each Purchase Date to purchase that number of shares of Common Stock which the balance credited to the Participant's account shall entitle him to purchase. Any cash remaining in a Participant's account after the purchase of shares of Common Stock may, unless otherwise determined by the Administrator, be applied to purchase a notional interest in fractional Common Stock, and shall remain in the Participant's account. Upon distribution of a Participant's account, any such interest in a fractional Common Stock will be paid in cash.

6.2 *Purchase Price.* The purchase price for a single share of Common Stock for each Purchase Cycle shall be 85% of the lesser of: (a) the Fair Market Value of a share of Common Stock on the Offering Date; and (b) the Fair Market Value of a share of Common Stock on the Purchase Date.

## 7. Payment and Delivery.

7.1 *Direct Deposit of Shares.* Unless and until otherwise determined by the Administrator, all shares of Common Stock purchased under the Plan on the Purchase Date shall be deposited directly into an account established in the name of each Participant with a broker or agent designated by the Administrator. Upon the purchase and allocation of shares of Common Stock, the Administrator shall arrange for delivery (by electronic or other means) to Participants a record of the shares of Common Stock purchased. The Administrator may authorize the broker or agent to utilize electronic or automated methods of share transfer for these purposes.

7.2 *Mandatory Retention of Shares.* Before the commencement of any Purchase Cycle, the Administrator may require that: (a) any shares of Common Stock purchased under the Plan during such Purchase Cycle be retained with a designated broker or agent for a designated period of time (and may restrict dispositions during that period) and/or may establish other procedures to restrict transfer of such shares of Common Stock; and/or (b) shares of Common Stock purchased under the Plan automatically participate in a dividend reinvestment plan or program maintained by the Company.

7.3 *Fully-Paid and Non-Assessable.* The Company shall retain the amount of payroll deductions or contributions transmitted by each Employer and used to purchase shares of Common Stock as full payment for the shares of Common Stock, and the shares of Common Stock shall then be fully paid and non-assessable.

7.4 *No Voting or Dividend Rights.* No Participant shall have any voting, dividend, or other shareholder rights with respect to shares of Common Stock subject to any purchase right under the Plan until the shares of Common Stock have been purchased and delivered to the Participant or into an account for the benefit of the Participant, as provided in this Section 7.

## 8. Recapitalization.

8.1 *In General.* If after the grant of purchase right, but prior to the purchase of shares of Common Stock with respect to a particular Purchase Cycle, there is any increase or decrease in the number of outstanding shares of Common Stock because of a stock split, stock dividend, combination or recapitalization, the Administrator in its sole discretion shall make any such substitution or adjustment, if any, as it deems appropriate,

with respect to: (a) the maximum number of shares of Common Stock specified in Section 5.1; (b) the purchase price per share of Common Stock; and (c) any other limitations provided under this Plan. The Administrator shall take any further actions which, in the exercise of its discretion, may be necessary or appropriate under the circumstances.

8.2 *Adjustments.* In the event the Company effects one or more reorganizations, recapitalizations, spinoffs, split-ups, rights offerings or reductions of its outstanding shares of Common Stock, the Administrator in its sole discretion may make any such substitution or adjustment, if any, as it deems appropriate, with respect to: (a) the number and kind of shares specified in Section 5.1, (b) the purchase price per share of Common Stock covered by each outstanding purchase right, and (c) any other limitations provided under this Plan.

8.3 *Binding Decisions.* The determinations of the Administrator under this Section 8 shall be conclusive and binding on all parties.

## 9. Merger, Liquidation, Other Company Transactions.

9.1 *Liquidation or Dissolution.* In the event of the proposed liquidation or dissolution of the Company, the Purchase Cycle then in progress shall terminate immediately prior to the consummation of such proposed liquidation or dissolution, unless otherwise provided by the Administrator in its sole discretion, and all outstanding purchase rights shall automatically terminate and the amounts of all payroll deductions and contributions will be refunded without interest (unless otherwise required under local law) to the Participants as soon as reasonably practicable.

9.2 *Sale or Merger.* In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger or consolidation of the Company with or into another entity, then in the sole discretion of the Administrator: (a) each purchase right shall be assumed, or an equivalent purchase right shall be substituted, by the successor corporation or parent or subsidiary of such successor corporation; or (b) a new Purchase Date shall be established by the Administrator on or before the date of consummation of such merger, consolidation or sale, and all outstanding purchase rights shall be automatically exercised on such new date.

10. **Transferability.** Purchase rights granted to Participants may not be voluntarily or involuntarily assigned, transferred, pledged, or otherwise disposed of in any way, and are exercisable during the Participant's lifetime only by the Participant. Any attempted assignment, transfer, pledge, or other disposition of a purchase right hereunder shall be null and void and without effect. If a Participant in any manner attempts to transfer, assign or otherwise encumber his or her rights or interest under the Plan, such act shall be treated as an election by the Participant to discontinue participation in the Plan pursuant to Section 4.3 of the Plan.

## 11. Amendment or Termination of the Plan.

11.1 *Term of Plan.* The Plan shall continue until the tenth anniversary of the Restatement Effective Date, unless previously terminated in accordance with Section 11.2.

11.2 *Amendment and Termination.* The Board or Committee may amend the Plan from time to time as it deems desirable in its sole discretion without approval of the shareholders of the Company, except to the extent shareholder approval is required by Rule 16b-3 of the Securities Exchange Act of 1934, as amended, applicable New York Stock Exchange or other stock exchange rules, or other applicable laws or regulations. The Board may terminate or suspend the Plan at any time in its sole discretion, including shortening a Purchase Cycle and establishing a new Purchase Date for such Purchase Cycle for some or all Participants in connection with a spin-off or other similar corporate event. The termination, suspension or amendment of the Plan shall not alter or impose rights or obligations under any purchase right theretofore granted under the Plan in any material adverse way without the consent of the affected Participants, unless such termination, suspension or amendment is necessary or advisable to qualify for or comply with any tax or regulatory requirement for which or with which the Board or Committee deems it necessary or desirable to qualify or comply, including, without limitation, pursuant to Section 18 hereof.

12. **Administration.** The Administrator shall have the power, authority and responsibility for the day-to-day administration of the Plan, the power, authority and responsibility specifically provided in this Plan, and any additional duties and responsibilities approved by the Board. To the extent permitted under applicable law, the

Administrator may delegate its power, authority and responsibilities under the Plan to one or more officers of the Company at any time in its sole discretion. In this regard and to the extent permitted under applicable law, the Administrator hereby delegates its power, authority and responsibilities under the Plan to the Company's Executive Vice President, Chief Human Resources Officer (or the individual holding equivalent duties and responsibilities). The Administrator and, to the extent permitted under applicable law, its delegate, shall have full power and authority to promulgate any rules and regulations which are deemed necessary for the proper administration of the Plan, to interpret the provisions and supervise the administration of the Plan, to correct any defect or supply any omission or reconcile any inconsistency in the terms of the Plan and any enrollment form or other instrument or agreement relating to the Plan, to make factual determinations relevant to Plan entitlements and to take all action in connection with administration of the Plan as deemed necessary or advisable. Decisions of the Administrator and, where applicable, its delegate, shall be final and binding upon all Participants. The Company shall pay all reasonable expenses incurred in the administration of the Plan. Notwithstanding anything in the Plan to the contrary, subject to applicable law, any authority or responsibility that, under the terms of the Plan, may be exercised by the Administrator may alternatively be exercised by the Board. Neither the Board, Administrator nor any delegate of the Administrator shall be liable for any action or determination made in good faith with respect to the Plan or any purchase right granted hereunder.

**13. Rules for Certain Jurisdictions.** Notwithstanding anything in the Plan to the contrary, the Administrator (or its delegate) may, in its sole discretion: (a) amend or vary the terms of the Plan in order to conform such terms with the requirements of each jurisdiction where an Employer is located; (b) amend or vary the terms of the Plan in each jurisdiction where an Employer is located as it considers necessary or desirable to take into account or to mitigate or reduce the burden of taxation and social security contributions for Participants and/or the Employer; or (c) amend or vary the terms of the Plan in a jurisdiction where the Employer is located as it considers necessary or desirable to meet the goals and objectives of the Plan. The Administrator (or its delegate) may, where it deems appropriate in its sole discretion, establish one or more sub-plans for these purposes. Without limitation to the above, the UK Plan annexed to the Plan shall be considered henceforth as a sub-plan to the Plan. The Administrator (or its delegate) may, in its sole discretion, establish administrative rules and procedures to facilitate the operation of the Plan in such jurisdictions. The terms and conditions contained herein which are subject to variation in a jurisdiction shall be reflected in a written attachment to the Plan, or shall be otherwise documented in such manner as may be prescribed by the Administrator. To the extent permitted under applicable law, the Administrator may delegate its authority and responsibilities under this Section 13 to one or more officers of the Company in addition to the delegation made under Section 12.

**14. Compliance with Legal and Exchange Requirements.** The Company shall not be under any obligation to issue shares of Common Stock upon the exercise of any purchase right unless and until the Company has determined that: (a) it and the Participant have taken all actions required to register the shares of Common Stock under the Securities Act of 1933, or to perfect an exemption from the registration requirements thereof; (b) any applicable listing requirement of any stock exchange on which the shares of Common Stock is listed has been satisfied; and (c) all other applicable provisions of U.S. federal, state, local and applicable non-U.S. law have been satisfied.

**15. Governmental Approvals.** This Plan and the Company's obligation to sell and deliver shares of Common Stock under the Plan in any jurisdiction shall be subject to approval of any governmental authority required in connection with the Plan or the authorization, issuance, sale, or delivery of shares of Common Stock hereunder in such jurisdiction.

**16. No Enlargement of Employee Rights.** Nothing contained in this Plan shall be deemed to give any Employee the right to be retained in the employ of the Company or an Employer or to interfere with the right of the Company or an Employer to discharge any Employee at any time. Any rights or benefits provided under this Plan shall not be considered part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long service awards, pension, retirement or similar payments.

**17. Withholding Taxes.** In the event that the Company or an Employer is required to withhold any applicable taxes in respect of any compensation or other income realized by a Participant under the Plan, the Company or such Employer may deduct from any benefits of any kind otherwise due to such Participant, including without limitation the proceeds of any sale of shares of Common Stock for the account of the Participant, the aggregate amount of such applicable taxes required to be withheld or, if such payments are insufficient to satisfy

such applicable taxes, the Participant will be required to pay to the Company or such Employer, or make other arrangement satisfactory to the Company or such Employer regarding payment to the Company or such Employer of, the aggregate amount of any such taxes.

**18. Code Section 409A.** Notwithstanding any provision in the Plan to the contrary, if the Administrator determines that a purchase right granted under the Plan to a Participant who is subject to U.S. federal income tax may be subject to Section 409A of the Code or that any provision in the Plan would cause such a purchase right under the Plan to be subject to Section 409A of the Code, the Administrator may amend the terms of the Plan and/or of the outstanding purchase right or take such other action the Administrator determines is necessary or appropriate, in each case, without the Participant's consent, to exempt the outstanding purchase right or future purchase right that may be granted under the Plan from, or to allow any such purchase rights to comply with Section 409A of the Code, provided that any such amendment or action by the Administrator would not violate Section 409A of the Code. Notwithstanding the foregoing, the Company will have no liability to a Participant or any other party if the purchase right under the Plan that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Administrator with respect thereto. The Company makes no representation that any purchase right under the Plan is compliant with Section 409A of the Code.

**19. Governing Law.** This Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law principles. Each sub-plan established pursuant to Section 13 of the Plan shall be governed by and construed in accordance with the laws of the applicable jurisdiction, unless otherwise provided in such sub-plan document.

**20. Severability.** If any provision of the Plan shall be held illegal or invalid in any jurisdiction, such illegality or invalidity shall not affect the remaining provisions of the Plan in such jurisdiction, or any provision of the Plan in any other jurisdiction, and the Plan shall be construed and applied in such jurisdiction as if the invalid provision had never been contained herein.

**21. Effective Date.** This Plan became effective January 1, 2013 (the "Effective Date"). The Plan was amended and restated by the Board as of February 18, 2021 and approved by the stockholders on May 7, 2021 to become effective as of August 1, 2021 (the "Restatement Effective Date").



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**We take our role in the global community seriously by supporting the patients we serve, the people we employ and the world we live in. In times of crisis, responsibility and philanthropy are central to AbbVie’s response.**

**Addressing Racial Equity**

**\$55M**

to nonprofits to address issues in our criminal justice system and support health and education equity among underserved Black communities

**Over the next 5 years, this investment will:**



Promote **health equity** for **100,000+ Black Americans**



Increase the pool of qualified, **college ready candidates** pursuing health care careers by at least **800 Black professionals**



Impact **600+ young adults** in underserved communities, empowering them to **achieve economic stability** through development programs



Provide nearly **3,000 underserved students** with **mentors to guide them** through high school and help navigate future opportunities

**Supporting COVID-19 Relief**

**\$35M**

donated to support underserved communities and health care systems working to address the impact of the global pandemic

**In the United States, our investment led to:**

**26 mobile field units** to increase U.S. hospital capacity

**2.6+ million units of PPE** delivered to 1 million health care providers and patients

**5 million meals** and supplies delivered through 200 food banks

**In the European Union, our investment led to:**

**1,000 oxygen concentrators** and **1.2 million units of PPE** to hardest-hit European countries

**Around the world:**

**26 additional nonprofits** supported through AbbVie COVID-19 Community Resilience Fund



