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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2021

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 Inc.

(Exact name of registrant as specified in its charter)

Delaware	**32-0375147**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

1 North Waukegan Road
North Chicago, Illinois 60064-6400

Telephone: **(847) 932-7900**

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

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

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

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-Accelerated Filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

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

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

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

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

As of April 28, 2021, AbbVie Inc. had 1,766,222,336 shares of common stock at $0.01 par value outstanding.

AbbVie Inc. and Subsidiaries
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

	Three months ended March 31,	
(in millions, except per share data)	**2021**	**2020**
Net revenues	$ 13,010	$ 8,619
Cost of products sold	4,213	1,942
Selling, general and administrative	2,842	1,695
Research and development	1,782	1,379
Acquired in-process research and development	70	—
Total operating costs and expenses	8,907	5,016
Operating earnings	4,103	3,603
Interest expense, net	622	428
Net foreign exchange loss	9	5
Other expense (income), net	(395)	72
Earnings before income tax expense	3,867	3,098
Income tax expense	312	88
Net earnings	3,555	3,010
Net earnings attributable to noncontrolling interest	2	—
Net earnings attributable to AbbVie Inc.	$ 3,553	$ 3,010
Per share data		
Basic earnings per share attributable to AbbVie Inc.	$ 2.00	$ 2.02
Diluted earnings per share attributable to AbbVie Inc.	$ 1.99	$ 2.02
Weighted-average basic shares outstanding	1,769	1,481
Weighted-average diluted shares outstanding	1,775	1,484

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

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

(in millions)	Three months ended March 31, 2021	Three months ended March 31, 2020
Net earnings	$ 3,555	$ 3,010
Foreign currency translation adjustments, net of tax expense (benefit) of $(25) for the three months ended March 31, 2021 and $(8) for the three months ended March 31, 2020	(677)	(227)
Net investment hedging activities, net of tax expense (benefit) of $103 for the three months ended March 31, 2021 and $20 for the three months ended March 31, 2020	374	72
Pension and post-employment benefits, net of tax expense (benefit) of $19 for the three months ended March 31, 2021 and $15 for three months ended March 31, 2020	79	56
Cash flow hedging activities, net of tax expense (benefit) of $3 for the three months ended March 31, 2021 and $(2) for the three months ended March 31, 2020	46	(2)
Other comprehensive loss	(178)	(101)
Comprehensive income	3,377	2,909
Comprehensive income attributable to noncontrolling interest	2	—
Comprehensive income attributable to AbbVie Inc.	$ 3,375	$ 2,909

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

AbbVie Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

(in millions, except share data)		March 31, 2021		December 31, 2020
		(unaudited)		
Assets				
Current assets				
Cash and equivalents	$	9,755	$	8,449
Short-term investments		22		30
Accounts receivable, net		9,588		8,822
Inventories		3,272		3,310
Prepaid expenses and other		3,932		3,562
Total current assets		26,569		24,173
Investments		305		293
Property and equipment, net		5,193		5,248
Intangible assets, net		81,293		82,876
Goodwill		32,349		33,124
Other assets		4,792		4,851
Total assets	$	150,501	$	150,565
Liabilities and Equity				
Current liabilities				
Short-term borrowings	$	9	$	34
Current portion of long-term debt and finance lease obligations		11,338		8,468
Accounts payable and accrued liabilities		20,604		20,159
Total current liabilities		31,951		28,661
Long-term debt and finance lease obligations		74,183		77,554
Deferred income taxes		3,768		3,646
Other long-term liabilities		26,866		27,607
Commitments and contingencies				
Stockholders' equity				
Common stock, $0.01 par value, 4,000,000,000 shares authorized, 1,799,637,990 shares issued as of March 31, 2021 and 1,792,140,764 as of December 31, 2020		18		18
Common stock held in treasury, at cost, 33,974,683 shares as of March 31, 2021 and 27,007,945 as of December 31, 2020		(3,017)		(2,264)
Additional paid-in capital		17,712		17,384
Retained earnings		2,292		1,055
Accumulated other comprehensive loss		(3,295)		(3,117)
Total stockholders' equity		13,710		13,076
Noncontrolling interest		23		21
Total equity		13,733		13,097
Total liabilities and equity	$	150,501	$	150,565

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

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

(in millions)	Common shares outstanding	Common stock	Treasury stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interest	Total
Balance at December 31, 2019	1,479	$ 18	$ (24,504)	$ 15,193	$ 4,717	$ (3,596)	$ —	$ (8,172)
Net earnings attributable to AbbVie Inc.	—	—	—	—	3,010	—	—	3,010
Other comprehensive loss, net of tax	—	—	—	—	—	(101)	—	(101)
Dividends declared	—	—	—	—	(1,754)	—	—	(1,754)
Purchases of treasury stock	(7)	—	(643)	—	—	—	—	(643)
Stock-based compensation plans and other	5	—	37	208	—	—	—	245
Balance at March 31, 2020	1,477	$ 18	$ (25,110)	$ 15,401	$ 5,973	$ (3,697)	$ —	$ (7,415)
Balance at December 31, 2020	1,765	$ 18	$ (2,264)	$ 17,384	$ 1,055	$ (3,117)	$ 21	$ 13,097
Net earnings attributable to AbbVie Inc.	—	—	—	—	3,553	—	—	3,553
Other comprehensive loss, net of tax	—	—	—	—	—	(178)	—	(178)
Dividends declared	—	—	—	—	(2,316)	—	—	(2,316)
Purchases of treasury stock	(7)	—	(787)	—	—	—	—	(787)
Stock-based compensation plans and other	8	—	34	328	—	—	—	362
Change in noncontrolling interest	—	—	—	—	—	—	2	2
Balance at March 31, 2021	1,766	$ 18	$ (3,017)	$ 17,712	$ 2,292	$ (3,295)	$ 23	$ 13,733

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

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

(in millions) (brackets denote cash outflows)	Three months ended March 31, 2021	2020
Cash flows from operating activities		
Net earnings	$ 3,555	$ 3,010
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation	206	115
Amortization of intangible assets	2,009	444
Deferred income taxes	(28)	(181)
Change in fair value of contingent consideration liabilities	(343)	72
Stock-based compensation	269	219
Upfront costs and milestones related to collaborations	185	40
Other, net	(20)	1
Changes in operating assets and liabilities:		
Accounts receivable	(866)	(1,025)
Inventories	(187)	(107)
Prepaid expenses and other assets	(330)	11
Accounts payable and other liabilities	236	1,025
Income tax assets and liabilities, net	191	191
Cash flows from operating activities	4,877	3,815
Cash flows from investing activities		
Acquisitions and investments	(198)	(12)
Acquisitions of property and equipment	(188)	(125)
Purchases of investment securities	(16)	(13)
Sales and maturities of investment securities	11	26
Other, net	49	(5)
Cash flows from investing activities	(342)	(129)
Cash flows from financing activities		
Dividends paid	(2,322)	(1,763)
Purchases of treasury stock	(787)	(643)
Proceeds from the exercise of stock options	71	12
Payments of contingent consideration liabilities	(132)	(53)
Other, net	(4)	25
Cash flows from financing activities	(3,174)	(2,422)
Effect of exchange rate changes on cash and equivalents	(55)	(46)
Net change in cash and equivalents	1,306	1,218
Cash and equivalents, beginning of period	8,449	39,924
Cash and equivalents, end of period	$ 9,755	$ 41,142

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

Note 1 Basis of Presentation

Basis of Historical Presentation

The unaudited interim condensed consolidated financial statements of AbbVie Inc. (AbbVie or the company) have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP) have been omitted. These unaudited interim condensed consolidated financial statements should be read in conjunction with the company's audited consolidated financial statements and notes included in the company's Annual Report on Form 10-K for the year ended December 31, 2020.

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

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

ASU No. 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. AbbVie adopted the standard in the first quarter of 2021. The adoption did not have a material impact on its consolidated financial statements.

Note 2 Supplemental Financial Information

Interest Expense, Net

	Three months ended March 31,	
(in millions)	2021	2020
Interest expense	$ 632	$ 563
Interest income	(10)	(135)
Interest expense, net	$ 622	$ 428

Inventories

(in millions)	March 31, 2021	December 31, 2020
Finished goods	$ 1,232	$ 1,318
Work-in-process	1,214	1,201
Raw materials	826	791
Inventories	$ 3,272	$ 3,310

Property and Equipment, Net

(in millions)	March 31, 2021	December 31, 2020
Property and equipment, gross	$ 10,887	$ 10,859
Accumulated depreciation	(5,694)	(5,611)
Property and equipment, net	$ 5,193	$ 5,248

Depreciation expense was $206 million for the three months ended March 31, 2021 and $115 million for the three months ended March 31, 2020.

Note 3 Earnings Per Share

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

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

	Three months ended March 31,	
(in millions, except per share data)	2021	2020
Basic EPS		
Net earnings attributable to AbbVie Inc.	$ 3,553	$ 3,010
Earnings allocated to participating securities	24	14
Earnings available to common shareholders	$ 3,529	$ 2,996
Weighted-average basic shares outstanding	1,769	1,481
Basic earnings per share attributable to AbbVie Inc.	$ 2.00	$ 2.02
Diluted EPS		
Net earnings attributable to AbbVie Inc.	$ 3,553	$ 3,010
Earnings allocated to participating securities	24	14
Earnings available to common shareholders	$ 3,529	$ 2,996
Weighted-average shares of common stock outstanding	1,769	1,481
Effect of dilutive securities	6	3
Weighted-average diluted shares outstanding	1,775	1,484
Diluted earnings per share attributable to AbbVie Inc.	$ 1.99	$ 2.02

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

Note 4 Licensing, Acquisitions and Other Arrangements

Acquisition of Allergan

On May 8, 2020, AbbVie completed its acquisition of Allergan plc (Allergan). The combination created 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 were enhanced with numerous Allergan assets and Allergan's product portfolio benefits from AbbVie's commercial strength, expertise and international infrastructure.

The acquisition of Allergan was 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 March 31, 2021. As a result, AbbVie recorded preliminary estimates for the fair value of assets acquired and liabilities assumed as of the acquisition date. Measurement period adjustments to the preliminary purchase price allocation during the three months ended March 31, 2021 included: (i) an increase to intangible assets of $710 million; (ii) an increase to deferred income tax liabilities of $148 million; (iii) other individually insignificant adjustments for a net increase to identifiable net assets of $2 million; and (iv) a corresponding decrease to goodwill of $564 million. The measurement period adjustments primarily resulted from the completion of the valuation of certain license agreement intangible assets based on 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 for the three months ended March 31, 2021 and would not have had a significant impact on prior period results if these adjustments had been made as of the acquisition date. Finalization of the valuation during the measurement period, which will be completed during the second quarter of 2021, could result in a change in the amounts recorded for the acquisition date fair value of income taxes among other items.

Other Licensing & Acquisitions Activity

Cash outflows related to other acquisitions and investments totaled $198 million for the three months ended March 31, 2021 and $12 million for the three months ended March 31, 2020. AbbVie recorded acquired in-process research and development (IPR&D) charges of $70 million for the three months ended March 31, 2021 and recorded no IPR&D charges for the three months ended March 31, 2020.

Note 5 Collaborations

The company has ongoing transactions with other entities through collaboration agreements. The following represent the significant collaboration agreements impacting the periods ended March 31, 2021 and 2020.

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:

(in millions)	Three months ended March 31, 2021	Three months ended March 31, 2020
United States - Janssen's share of profits (included in cost of products sold)	$ 465	$ 450
International - AbbVie's share of profits (included in net revenues)	269	266
Global - AbbVie's share of other costs (included in respective line items)	70	70

AbbVie's receivable from Janssen, included in accounts receivable, net, was $309 million at March 31, 2021 and $283 million at December 31, 2020. AbbVie's payable to Janssen, included in accounts payable and accrued liabilities, was $460 million at March 31, 2021 and $562 million at December 31, 2020.

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 selling, general and administrative (SG&A) expenses and global development costs as part of research and development (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:

(in millions)	Three months ended March 31, 2021	Three months ended March 31, 2020
Genentech's share of profits, including royalties (included in cost of products sold)	$ 159	$ 128
AbbVie's share of sales and marketing costs from U.S. collaboration (included in SG&A)	11	14
AbbVie's share of development costs (included in R&D)	42	25

Note 6 Goodwill and Intangible Assets

Goodwill

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

(in millions)	
Balance as of December 31, 2020	$ 33,124
Measurement period adjustments[(a)]	(564)
Foreign currency translation adjustments	(211)
Balance as of March 31, 2021	$ 32,349

(a) Measurement period adjustments relate to the acquisition of Allergan (see Note 4).

The company performs its annual goodwill impairment assessment in the third quarter, or earlier if impairment indicators exist. As of March 31, 2021, there were no accumulated goodwill impairment losses.

Intangible Assets, Net

The following table summarizes intangible assets:

	March 31, 2021			December 31, 2020		
(in millions)	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Definite-lived intangible assets						
Developed product rights	$ 87,602	$ (13,395)	$ 74,207	$ 87,707	$ (11,620)	$ 76,087
License agreements	8,488	(3,129)	5,359	7,828	(2,916)	4,912
Total definite-lived intangible assets	96,090	(16,524)	79,566	95,535	(14,536)	80,999
Indefinite-lived research and development	1,727	—	1,727	1,877	—	1,877
Total intangible assets, net	$ 97,817	$ (16,524)	$ 81,293	$ 97,412	$ (14,536)	$ 82,876

Definite-Lived Intangible Assets

The increase in definite-lived intangible assets during the three months ended March 31, 2021 was primarily due to the measurement period adjustments from the completion of the valuation of certain license agreements acquired in the Allergan acquisition. Refer to Note 4 for additional information regarding these adjustments.

Amortization expense was $2.0 billion for the three months ended March 31, 2021 and $444 million for the three months ended March 31, 2020. Amortization expense was included in cost of products sold in the condensed consolidated statements of earnings.

Indefinite-Lived Intangible Assets

Indefinite-lived intangible assets represents IPR&D associated with products that have not yet received regulatory approval. The company performs its annual impairment assessment of indefinite-lived intangible assets in the third quarter, or earlier if impairment indicators exist.

Note 7 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 total charges of approximately $2 billion 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:

	Severance and employee benefits		Other integration	
	Three months ended March 31,		Three months ended March 31,	
(in millions)	2021	2020	2021	2020
Cost of products sold	$ 6	$ —	$ 15	$ —
Research and development	—	—	51	—
Selling, general and administrative	17	—	50	38
Total charges	$ 23	$ —	$ 116	$ 38

The following table summarizes the cash activity in the recorded liability associated with the integration plan for the three months ended March 31, 2021:

(in millions)	Severance and employee benefits	Other integration
Accrued balance as of December 31, 2020	$ 367	$ 20
Charges	21	108
Payments and other adjustments	(46)	(102)
Accrued balance as of March 31, 2021	$ 342	$ 26

Other Restructuring

AbbVie recorded restructuring charges of $38 million for the three months ended March 31, 2021 and $17 million for the three months ended March 31, 2020.

The following table summarizes the cash activity in the restructuring reserve for the three months ended March 31, 2021:

(in millions)	
Accrued balance as of December 31, 2020	$ 90
Restructuring charges	38
Payments and other adjustments	(36)
Accrued balance as of March 31, 2021	$ 92

Note 8 Financial Instruments and Fair Value Measures

Risk Management Policy

See Note 11 to the company's Annual Report on Form 10-K for the year ended December 31, 2020 for a summary of AbbVie's risk management policy and use of derivative instruments.

Financial Instruments

Various AbbVie foreign subsidiaries enter into foreign currency forward exchange contracts to manage exposures to changes in foreign exchange rates for anticipated intercompany transactions denominated in a currency other than the functional currency of the local entity. These contracts, with notional amounts totaling $1.0 billion at March 31, 2021 and $1.5 billion at December 31, 2020, 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 March 31, 2021 are reclassified from accumulated other comprehensive income (loss) (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 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 and the resulting net gain was recognized in other comprehensive loss. This gain is reclassified to interest expense, net over the term 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 March 31, 2021 and December 31, 2020. 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 gain or loss in the condensed consolidated statements of earnings and are generally offset by losses or gains on the foreign currency exposure being managed. These contracts had notional amounts totaling $7.5 billion at March 31, 2021 and $8.6 billion at December 31, 2020.

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 foreign currency forward exchange contracts with notional amounts totaling €2.0 billion at March 31, 2021 and €971 million at December 31, 2020. The company also had an aggregate principal amount of senior Euro notes designated as net investment hedges of €6.6 billion at March 31, 2021 and December 31, 2020. 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 March 31, 2021 and December 31, 2020. The effect of the hedge contracts is to change a fixed-rate interest obligation to a floating rate for that portion of the debt. AbbVie records the contracts at fair value and adjusts the carrying amount of the fixed-rate debt by an offsetting amount.

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

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

	Fair value – Derivatives in asset position			Fair value – Derivatives in liability position		
(in millions)	Balance sheet caption	March 31, 2021	December 31, 2020	Balance sheet caption	March 31, 2021	December 31, 2020
Foreign currency forward exchange contracts						
Designated as cash flow hedges	Prepaid expenses and other	$ 9	$ 2	Accounts payable and accrued liabilities	$ 31	$ 82
Designated as cash flow hedges	Other assets	1	—	Other long-term liabilities	—	6
Designated as net investment hedges	Prepaid expenses and other	42	—	Accounts payable and accrued liabilities	—	11
Not designated as hedges	Prepaid expenses and other	46	49	Accounts payable and accrued liabilities	71	33
Interest rate swap contracts						
Designated as cash flow hedges	Prepaid expenses and other	—	—	Accounts payable and accrued liabilities	8	14
Designated as cash flow hedges	Other assets	—	—	Other long-term liabilities	16	20
Designated as fair value hedges	Prepaid expenses and other	7	7	Accounts payable and accrued liabilities	—	—
Designated as fair value hedges	Other assets	74	131	Other long-term liabilities	—	—
Total derivatives		$ 179	$ 189		$ 126	$ 166

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

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

	Three months ended March 31,	
(in millions)	2021	2020
Foreign currency forward exchange contracts		
Designated as cash flow hedges	$ 35	$ 49
Designated as net investment hedges	99	40
Interest rate swap contracts designated as cash flow hedges	1	(46)

Assuming market rates remain constant through contract maturities, the company expects to reclassify pre-tax losses of $57 million into cost of products sold for foreign currency cash flow hedges, pre-tax losses of $19 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 loss pre-tax gains of $382 million for the three months ended March 31, 2021 and pre-tax gains of $60 million for the three months ended March 31, 2020.

The following table summarizes the pre-tax amounts and location of derivative instrument net gains (losses) recognized in the condensed consolidated statements of earnings, including the net gains (losses) reclassified out of AOCI into net earnings. See Note 10 for the amount of net gains (losses) reclassified out of AOCI.

(in millions)	Statement of earnings caption	Three months ended March 31, 2021	2020
Foreign currency forward exchange contracts			
Designated as cash flow hedges	Cost of products sold	$ (12)	$ —
Designated as net investment hedges	Interest expense, net	4	8
Not designated as hedges	Net foreign exchange loss	(25)	2
Treasury rate lock agreements designated as cash flow hedges	Interest expense, net	6	6
Interest rate swap contracts			
Designated as cash flow hedges	Interest expense, net	(7)	1
Designated as fair value hedges	Interest expense, net	(57)	360
Debt designated as hedged item in fair value hedges	Interest expense, net	57	(360)

Fair Value Measures

The fair value hierarchy consists of the following three levels:

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

The following table summarizes the bases used to measure certain assets and liabilities carried at fair value on a recurring basis on the condensed consolidated balance sheet as of March 31, 2021:

		Basis of fair value measurement		
(in millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Cash and equivalents	$ 9,755	$ 2,981	$ 6,774	$ —
Money market funds and time deposits	11	—	11	—
Debt securities	49	—	49	—
Equity securities	157	147	10	—
Interest rate swap contracts	81	—	81	—
Foreign currency contracts	98	—	98	—
Total assets	$ 10,151	$ 3,128	$ 7,023	$ —
Liabilities				
Interest rate swap contracts	$ 24	$ —	$ 24	$ —
Foreign currency contracts	102	—	102	—
Contingent consideration	12,522	—	—	12,522
Total liabilities	$ 12,648	$ —	$ 126	$ 12,522

The following table summarizes the bases used to measure certain assets and liabilities carried at fair value on a recurring basis on the condensed consolidated balance sheet as of December 31, 2020:

		Basis of fair value measurement		
(in millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Cash and equivalents	$ 8,449	$ 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	—
Total assets	$ 8,859	$ 2,907	$ 5,952	$ —
Liabilities				
Interest rate swap contracts	$ 34	$ —	$ 34	$ —
Foreign currency contracts	132	—	132	—
Contingent consideration	12,997	—	—	12,997
Total liabilities	$ 13,163	$ —	$ 166	$ 12,997

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 March 31, 2021 was calculated using the following significant unobservable inputs:

	Range	Weighted average[(a)]
Discount rate	0.2% - 2.9%	1.7 %
Probability of payment for unachieved milestones	56% - 92%	64 %
Probability of payment for royalties by indication[(b)]	56% - 100%	90 %
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 March 31, 2021.

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 total contingent consideration liabilities which are measured using Level 3 inputs:

(in millions)	Three months ended March 31, 2021	2020
Beginning balance	$ 12,997	$ 7,340
Change in fair value recognized in net earnings	(343)	72
Payments	(132)	(53)
Ending balance	$ 12,522	$ 7,359

The change in fair value recognized in net earnings is recorded in other expense (income), net in the condensed consolidated statements of earnings.

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 March 31, 2021 are shown in the table below:

			Basis of fair value measurement		
(in millions)	Book value	Approximate fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities					
Short-term borrowings	$ 9	$ 9	$ —	$ 9	$ —
Current portion of long-term debt and finance lease obligations, excluding fair value hedges	11,331	11,400	10,862	538	—
Long-term debt and finance lease obligations, excluding fair value hedges	73,981	80,280	78,975	1,305	—
Total liabilities	$ 85,321	$ 91,689	$ 89,837	$ 1,852	$ —

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:

			Basis of fair value measurement		
(in millions)	Book value	Approximate fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities					
Short-term borrowings	$ 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	—
Total liabilities	$ 85,778	$ 96,337	$ 94,386	$ 1,951	$ —

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 $110 million as of March 31, 2021 and $102 million as of December 31, 2020. No significant cumulative upward or downward adjustments have been recorded for these investments as of March 31, 2021.

Concentrations of Risk

Of total net accounts receivable, three U.S. wholesalers accounted for 72% as of March 31, 2021 and December 31, 2020, 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 37% of AbbVie's total net revenues for the three months ended March 31, 2021 and 55% for the three months ended March 31, 2020.

Debt and Credit Facilities

Subsequent to March 31, 2021, the company repaid $1.8 billion aggregate principal amount of 2.3% senior notes and €750 million aggregate principal amount of 0.5% senior euro notes that were scheduled to mature during the second quarter of 2021 by exercising, under the terms of the notes, 30-day early redemptions at 100% of the principal amounts.

Note 9 Post-Employment Benefits

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

	Defined benefit plans		Other post-employment plans	
	Three months ended March 31,		Three months ended March 31,	
(in millions)	2021	2020	2021	2020
Service cost	$ 112	$ 92	$ 12	$ 12
Interest cost	58	61	5	9
Expected return on plan assets	(166)	(135)	—	—
Amortization of prior service cost (credit)	1	1	(10)	(1)
Amortization of actuarial loss	70	54	8	7
Net periodic benefit cost	$ 75	$ 73	$ 15	$ 27

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

Note 10 Equity

Stock-Based Compensation

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

	Three months ended March 31,	
(in millions)	2021	2020
Cost of products sold	$ 20	$ 15
Research and development	87	92
Selling, general and administrative	162	112
Pre-tax compensation expense	269	219
Tax benefit	48	39
After-tax compensation expense	$ 221	$ 180

Stock Options

During the three months ended March 31, 2021, primarily in connection with the company's annual grant, AbbVie granted 1.1 million stock options with a weighted-average grant-date fair value of $16.28. As of March 31, 2021, $19 million of unrecognized compensation cost related to stock options is expected to be recognized as expense over approximately the next two years.

RSUs and Performance Shares

During the three months ended March 31, 2021, primarily in connection with the company's annual grant, AbbVie granted 6.3 million RSUs and performance shares with a weighted-average grant-date fair value of $106.09. As of March 31, 2021, $880 million of unrecognized compensation cost related to RSUs and performance shares is expected to be recognized as expense over approximately the next two years.

Cash Dividends

The following table summarizes quarterly cash dividends declared during 2021 and 2020:

2021			2020		
Date Declared	Payment Date	Dividend Per Share	Date Declared	Payment Date	Dividend Per Share
02/18/21	05/14/21	$ 1.30	10/30/20	02/16/21	$ 1.30
			09/11/20	11/16/20	$ 1.18
			06/17/20	08/14/20	$ 1.18
			02/20/20	05/15/20	$ 1.18

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 this program are recorded at acquisition cost, including related expenses, and are available for general corporate purposes.

AbbVie repurchased 5 million shares for $550 million during the three months ended March 31, 2021 and 6 million shares for $500 million during the three months ended March 31, 2020. AbbVie's remaining stock repurchase authorization was approximately $2.6 billion as of March 31, 2021.

Accumulated Other Comprehensive Loss

The following table summarizes the changes in each component of accumulated other comprehensive loss, net of tax, for the three months ended March 31, 2021:

(in millions)	Foreign currency translation adjustments	Net investment hedging activities	Pension and post-employment benefits	Cash flow hedging activities	Total
Balance as of December 31, 2020	$ 583	$ (790)	$ (3,067)	$ 157	$ (3,117)
Other comprehensive income (loss) before reclassifications	(677)	377	24	35	(241)
Net losses (gains) reclassified from accumulated other comprehensive loss	—	(3)	55	11	63
Net current-period other comprehensive income (loss)	(677)	374	79	46	(178)
Balance as of March 31, 2021	$ (94)	$ (416)	$ (2,988)	$ 203	$ (3,295)

Other comprehensive loss for the three months ended March 31, 2021 included foreign currency translation adjustments totaling a loss of $677 million, which was principally due to the impact of the weakening of the Euro on the translation of the company's Euro-denominated assets.

The following table summarizes the changes in each component of accumulated other comprehensive loss, net of tax, for the three months ended March 31, 2020:

(in millions)	Foreign currency translation adjustments	Net investment hedging activities	Pension and post-employment benefits	Cash flow hedging activities	Total
Balance as of December 31, 2019	$ (928)	$ 9	$ (2,965)	$ 288	$ (3,596)
Other comprehensive income (loss) before reclassifications	(227)	78	8	4	(137)
Net losses (gains) reclassified from accumulated other comprehensive loss	—	(6)	48	(6)	36
Net current-period other comprehensive income (loss)	(227)	72	56	(2)	(101)
Balance as of March 31, 2020	$ (1,155)	$ 81	$ (2,909)	$ 286	$ (3,697)

Other comprehensive loss for the three months ended March 31, 2020 included foreign currency translation adjustments totaling a loss of $227 million, which was principally due to the impact of the weakening of the Euro on the translation of the company's Euro-denominated assets.

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

(in millions) (brackets denote gains)	Three months ended March 31, 2021	Three months ended March 31, 2020
Net investment hedging activities		
Gains on derivative amount excluded from effectiveness testing[a]	$ (4)	$ (8)
Tax expense	1	2
Total reclassifications, net of tax	$ (3)	$ (6)
Pension and post-employment benefits		
Amortization of actuarial losses and other[b]	$ 69	$ 61
Tax benefit	(14)	(13)
Total reclassifications, net of tax	$ 55	$ 48
Cash flow hedging activities		
Losses on foreign currency forward exchange contracts[c]	$ 12	$ —
Gains on treasury rate lock agreements[a]	(6)	(7)
Losses on interest rate swap contracts[a]	7	—
Tax benefit	(2)	1
Total reclassifications, net of tax	$ 11	$ (6)

(a) Amounts are included in interest expense, net (see Note 8).

(b) Amounts are included in the computation of net periodic benefit cost (see Note 9).

(c) Amounts are included in cost of products sold (see Note 8).

Note 11 Income Taxes

The effective tax rate was 8% for the three months ended March 31, 2021 and 3% for the three months ended March 31, 2020. The effective tax rate in each period differed from the U.S. statutory tax rate of 21% principally due to the benefit from foreign operations which reflects the impact of lower income tax rates in locations outside the United States, tax incentives in Puerto Rico and other foreign tax jurisdictions and business development activities. The increase in the effective tax rate for the three months ended March 31, 2021 over the prior year was principally due to the beneficial tax impact of a change in tax rate in a foreign jurisdiction in prior year, the impact of changes in contingent consideration liabilities, collaboration related costs and changes in the company's taxable earnings among jurisdictions.

Due to the potential for resolution of federal, state and foreign examinations and the expiration of various statutes of limitations, it is reasonably possible that the company's gross unrecognized tax benefits balance may change within the next 12 months by up to $116 million.

Note 12 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. Initiation of new legal proceedings or a change in the status of existing proceedings may result in a change in the estimated loss accrued by AbbVie. While it is not feasible to predict the outcome of all proceedings and exposures with certainty, management believes that their ultimate disposition should not have a material adverse effect on AbbVie's consolidated financial position, results of operations or cash flows.

Subject to certain exceptions specified in the separation agreement by and between Abbott Laboratories (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 appealed. In March 2021, in the first of those appeals, the dismissal was affirmed. 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, which is being appealed. Plaintiffs seek compensatory and punitive damages.

In October 2018, a federal securities purported class action 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.

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

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. 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 April 2021, Complainants and Evolus filed a motion for termination of the ITC proceeding without prejudice after settlement.

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 13 Segment Information

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.

The following table details AbbVie's worldwide net revenues:

		Three months ended March 31,	
(in millions)		**2021**	**2020**
Immunology			
Humira	United States	$ 3,907	$ 3,656
	International	960	1,047
	Total	$ 4,867	$ 4,703
Skyrizi	United States	$ 481	$ 266
	International	93	34
	Total	$ 574	$ 300
Rinvoq	United States	$ 245	$ 82
	International	58	4
	Total	$ 303	$ 86
Hematologic Oncology			
Imbruvica	United States	$ 999	$ 966
	Collaboration revenues	269	266
	Total	$ 1,268	$ 1,232
Venclexta	United States	$ 225	$ 201
	International	180	116
	Total	$ 405	$ 317
Aesthetics			
Botox Cosmetic [(a)]	United States	$ 305	$ —
	International	172	—
	Total	$ 477	$ —
Juvederm Collection [(a)]	United States	$ 123	$ —
	International	198	—
	Total	$ 321	$ —
Other Aesthetics [(a)]	United States	$ 300	$ —
	International	43	—
	Total	$ 343	$ —
Neuroscience			
Botox Therapeutic [(a)]	United States	$ 429	$ —
	International	103	—
	Total	$ 532	$ —
Vraylar [(a)]	United States	$ 346	$ —
Duodopa	United States	$ 25	$ 25
	International	104	99
	Total	$ 129	$ 124
Ubrelvy [(a)]	United States	$ 81	$ —
Other Neuroscience [(a)]	United States	$ 156	$ —
	International	4	—
	Total	$ 160	$ —

(in millions)		Three months ended March 31, 2021	2020
Eye Care			
Lumigan/Ganfort [a]	United States	$ 66	$ —
	International	77	—
	Total	$ 143	$ —
Alphagan/Combigan [a]	United States	$ 80	$ —
	International	38	—
	Total	$ 118	$ —
Restasis [a]	United States	$ 267	$ —
	International	13	—
	Total	$ 280	$ —
Other Eye Care [a]	United States	$ 117	$ —
	International	159	—
	Total	$ 276	$ —
Women's Health			
Lo Loestrin [a]	United States	$ 102	$ —
	International	2	—
	Total	$ 104	$ —
Orilissa/Oriahnn	United States	$ 29	$ 30
	International	1	1
	Total	$ 30	$ 31
Other Women's Health [a]	United States	$ 46	$ —
	International	—	—
	Total	$ 46	$ —
Other Key Products			
Mavyret	United States	$ 170	$ 234
	International	245	325
	Total	$ 415	$ 559
Creon	United States	$ 274	$ 276
Lupron	United States	$ 171	$ 195
	International	42	38
	Total	$ 213	$ 233
Linzess/Constella [a]	United States	$ 215	$ —
	International	7	—
	Total	$ 222	$ —
Synthroid	United States	$ 191	$ 205
All other [a]		$ 892	$ 553
Total net revenues		$ 13,010	$ 8,619

(a) Net revenues include Allergan product revenues after the acquisition closing date of May 8, 2020.

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

The following is a discussion and analysis of the financial condition of AbbVie Inc. (AbbVie or the company) as of March 31, 2021 and December 31, 2020 and the results of operations for the three months ended March 31, 2021 and 2020. This commentary should be read in conjunction with the Condensed Consolidated Financial Statements and accompanying notes appearing in Item 1, "Financial Statements and Supplementary Data."

EXECUTIVE OVERVIEW

Company Overview

AbbVie is a global, research-based biopharmaceutical company. 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 created 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 was enhanced with numerous Allergan assets and Allergan's product portfolio benefits from AbbVie's commercial strength, expertise and international infrastructure. See Note 4 to the Condensed 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 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 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 48,000 employees. AbbVie operates as a single global business segment.

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.

Financial Results

The company's financial performance for the three months ended March 31, 2021 included delivering worldwide net revenues of $13.0 billion, operating earnings of $4.1 billion, diluted earnings per share of $1.99 and cash flows from operations of $4.9 billion. Worldwide net revenues grew by 51% on a reported basis and 49% on a constant currency basis, which included $4.0 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 was $1.99 for the three months ended March 31, 2021 and included the following after-tax costs: (i) $1.7 billion related to the amortization of intangible assets; (ii) $180 million for milestones and other research and development (R&D) expenses; (iii) $155 million of Allergan acquisition and integration expenses; and (iv) $62 million for acquired in-process research and development (IPR&D). These costs were partially offset by an after-tax benefit of $343 million for the change in fair value of contingent consideration liabilities. Additionally, financial results reflected continued funding to support all stages of AbbVie's pipeline assets and continued investment in AbbVie's on-market brands.

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 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 total charges of approximately $2 billion 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 response to the ongoing public health crisis posed by COVID-19, AbbVie continues to partner with global authorities to support the experimental use of multiple AbbVie assets to determine their efficacy in the treatment of COVID-19. AbbVie has also committed to supporting vaccine efforts in local communities around its headquarters, including launching a temporary vaccination clinic for seniors over 65 years old and supporting employee volunteers at vaccination sites. 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 continues to experience lower new patient starts in certain products and markets. 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 and is dependent on numerous evolving factors, including the measures being taken by authorities to mitigate against the spread of COVID-19, the emergence of new variants and the availability and successful administration of effective vaccines.

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

<u>Skyrizi</u>

- 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.
- In April 2021, AbbVie submitted a supplemental New Drug Application (sNDA) to the U.S. Food and Drug Administration (FDA) and a marketing authorization application (MAA) to the European Medicines Agency (EMA) for the treatment of adults with active PsA.
- In April 2021, AbbVie received FDA approval of Skyrizi in a single dose pre-filled syringe and pre-filled pen. This approval will reduce the number of injections administered per treatment.

<u>Rinvoq</u>

- In January 2021, AbbVie announced that the European Commission (EC) approved Rinvoq for the treatment of adults with active PsA and ankylosing spondylitis (AS).

- In February 2021, AbbVie announced its Phase 3 U-ACCOMPLISH 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 March 2021, AbbVie announced the FDA extended the review period for the sNDA of Rinvoq for the treatment of adult patients with active PsA by three months to late second quarter 2021.
- In April 2021, AbbVie announced the FDA extended the review period for the sNDA of Rinvoq for the treatment of moderate to severe atopic dermatitis by three months to early third quarter 2021.

Oncology

Venclexta

- In April 2021, AbbVie announced that the Committee for Medicinal Products for Human Use (CHMP) of the EMA granted a positive opinion for Venclyxto in combination with hypomethylating agents for patients with newly diagnosed acute myeloid leukemia (AML) who are ineligible for intensive chemotherapy.

Neuroscience

Botox Therapeutic

- 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.

Atogepant

- In March 2021, AbbVie announced that the FDA accepted the New Drug Application (NDA) for atogepant for the preventive treatment of migraine in adults who meet criteria for episodic migraine.

Eye Care

AGN-190584

- In February 2021, AbbVie submitted an NDA to the FDA for investigational AGN-190584 for the treatment of presbyopia.

For a more comprehensive discussion of AbbVie's products and pipeline, see the company's Annual Report on Form 10-K for the year ended December 31, 2020.

RESULTS OF OPERATIONS

Net Revenues

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

(dollars in millions)	Three months ended March 31, 2021	Three months ended March 31, 2020	Percent change At actual currency rates	Percent change At constant currency rates
United States	$ 9,750	$ 6,158	58.3 %	58.3 %
International	3,260	2,461	32.5 %	27.1 %
Net revenues	$ 13,010	$ 8,619	51.0 %	49.4 %

The following table details AbbVie's worldwide net revenues:

(dollars in millions)		Three months ended March 31, 2021	2020	Percent change At actual currency rates	At constant currency rates
Immunology					
Humira	United States	$ 3,907	$ 3,656	6.9 %	6.9 %
	International	960	1,047	(8.3) %	(12.6) %
	Total	$ 4,867	$ 4,703	3.5 %	2.6 %
Skyrizi	United States	$ 481	$ 266	80.6 %	80.6 %
	International	93	34	>100.0 %	>100.0 %
	Total	$ 574	$ 300	91.1 %	88.9 %
Rinvoq	United States	$ 245	$ 82	>100.0 %	>100.0 %
	International	58	4	>100.0 %	>100.0 %
	Total	$ 303	$ 86	>100.0 %	>100.0 %
Hematologic Oncology					
Imbruvica	United States	$ 999	$ 966	3.3 %	3.3 %
	Collaboration revenues	269	266	1.4 %	1.4 %
	Total	$ 1,268	$ 1,232	2.9 %	2.9 %
Venclexta	United States	$ 225	$ 201	12.2 %	12.2 %
	International	180	116	54.9 %	45.6 %
	Total	$ 405	$ 317	27.9 %	24.5 %
Aesthetics					
Botox Cosmetic [(a)]	United States	$ 305	$ —	n/m	n/m
	International	172	—	n/m	n/m
	Total	$ 477	$ —	n/m	n/m
Juvederm Collection [(a)]	United States	$ 123	$ —	n/m	n/m
	International	198	—	n/m	n/m
	Total	$ 321	$ —	n/m	n/m
Other Aesthetics [(a)]	United States	$ 300	$ —	n/m	n/m
	International	43	—	n/m	n/m
	Total	$ 343	$ —	n/m	n/m
Neuroscience					
Botox Therapeutic [(a)]	United States	$ 429	$ —	n/m	n/m
	International	103	—	n/m	n/m
	Total	$ 532	$ —	n/m	n/m
Vraylar [(a)]	United States	$ 346	$ —	n/m	n/m
Duodopa	United States	$ 25	$ 25	0.8 %	0.8 %
	International	104	99	4.7 %	(4.5) %
	Total	$ 129	$ 124	3.9 %	(3.4) %
Ubrelvy [(a)]	United States	$ 81	$ —	n/m	n/m
Other Neuroscience [(a)]	United States	$ 156	$ —	n/m	n/m
	International	4	—	n/m	n/m
	Total	$ 160	$ —	n/m	n/m

(dollars in millions)		Three months ended March 31, 2021	2020	Percent change At actual currency rates	At constant currency rates
Eye Care					
Lumigan/Ganfort [(a)]	United States	$ 66	$ —	n/m	n/m
	International	77	—	n/m	n/m
	Total	$ 143	$ —	n/m	n/m
Alphagan/Combigan[(a)]	United States	$ 80	$ —	n/m	n/m
	International	38	—	n/m	n/m
	Total	$ 118	$ —	n/m	n/m
Restasis [(a)]	United States	$ 267	$ —	n/m	n/m
	International	13	—	n/m	n/m
	Total	$ 280	$ —	n/m	n/m
Other Eye Care [(a)]	United States	$ 117	$ —	n/m	n/m
	International	159	—	n/m	n/m
	Total	$ 276	$ —	n/m	n/m
Women's Health					
Lo Loestrin [(a)]	United States	$ 102	$ —	n/m	n/m
	International	2	—	n/m	n/m
	Total	$ 104	$ —	n/m	n/m
Orilissa/Oriahnn	United States	$ 29	$ 30	(5.0) %	(5.0) %
	International	1	1	58.8 %	52.8 %
	Total	$ 30	$ 31	(3.3) %	(3.5) %
Other Women's Health [(a)]	United States	$ 46	$ —	n/m	n/m
	International	—	—	n/m	n/m
	Total	$ 46	$ —	n/m	n/m
Other Key Products					
Mavyret	United States	$ 170	$ 234	(26.9) %	(26.9) %
	International	245	325	(24.8) %	(29.5) %
	Total	$ 415	$ 559	(25.7) %	(28.4) %
Creon	United States	$ 274	$ 276	(0.9) %	(0.9) %
Lupron	United States	$ 171	$ 195	(12.1) %	(12.1) %
	International	42	38	10.8 %	9.0 %
	Total	$ 213	$ 233	(8.3) %	(8.6) %
Linzess/Constella [(a)]	United States	$ 215	$ —	n/m	n/m
	International	7	—	n/m	n/m
	Total	$ 222	$ —	n/m	n/m
Synthroid	United States	$ 191	$ 205	(6.8) %	(6.8) %
All other		$ 892	$ 553	61.3 %	58.6 %
Total net revenues		$ 13,010	$ 8,619	51.0 %	49.4 %

n/m – Not meaningful

(a) Net revenues include Allergan product revenues after the acquisition closing date of May 8, 2020.

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

Global Humira sales increased 3% for the three months ended March 31, 2021 primarily driven by market growth across therapeutic categories, offset by direct biosimilar competition in certain international markets. In the United States, Humira sales increased 7% for the three months ended March 31, 2021 driven by market growth across all indications and favorable pricing. This increase was partially offset by slightly lower market share following corresponding market share gains of Skyrizi and Rinvoq. Internationally, Humira revenues decreased 13% for the three months ended March 31, 2021 primarily driven by direct biosimilar competition in certain international markets.

Net revenues for Skyrizi increased 89% for the three months ended March 31, 2021 as a result of continued strong volume and market share uptake since launch in 2019 as a treatment for plaque psoriasis as well as market growth over the prior year.

Net revenues for Rinvoq increased more than 100% for the three months ended March 31, 2021 primarily driven by increased market share for the treatment of moderate to severe rheumatoid arthritis since launch in 2019 as well as market growth.

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 3% for the three months ended March 31, 2021 primarily driven by favorable pricing, partially offset by lower new patient starts due to the COVID-19 pandemic as well as the impact of the prior year COVID-19 inventory stocking benefit.

Net revenues for Venclexta increased by 24% for the three months ended March 31, 2021 primarily due to continued expansion of Venclexta for the treatment of patients with first-line chronic lymphocytic leukemia (CLL), relapsed/refractory CLL and first-line AML, partially offset by lower new patient starts due to the COVID-19 pandemic.

Net revenues for Botox Cosmetic used in facial aesthetics were $477 million for the three months ended March 31, 2021 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 $321 million for the three months ended March 31, 2021 subsequent to the completion of the Allergan acquisition.

Net revenues for Botox Therapeutic used primarily in neuroscience and urology therapeutic areas were $532 million for the three months ended March 31, 2021 subsequent to the completion of the Allergan acquisition.

Net revenues for Vraylar for the treatment of schizophrenia, bipolar I disorder and bipolar depression were $346 million for the three months ended March 31, 2021 subsequent to the completion of the Allergan acquisition.

Net revenues for Ubrelvy for the acute treatment of migraine with or without aura in adults were $81 million for the three months ended March 31, 2021 subsequent to the completion of the Allergan acquisition.

Global Mavyret sales decreased by 28% for the three months ended March 31, 2021 primarily driven by disruption of global hepatitis C virus (HCV) markets due to the COVID-19 pandemic.

Net revenues for Lupron decreased by 9% for the three months ended March 31, 2021 as the company works to resolve a near-term supply issue which has impacted product availability of certain formulations.

Gross Margin

	Three months ended March 31,		
(dollars in millions)	2021	2020	% change
Gross margin	$ 8,797	$ 6,677	32 %
as a % of net revenues	68 %	77 %	

Gross margin as a percentage of net revenues decreased for the three months ended March 31, 2021 compared to the prior year. Gross margin percentage for the three months ended March 31, 2021 was unfavorably impacted by higher amortization of intangible assets associated with the Allergan acquisition.

Selling, General and Administrative

	Three months ended March 31,		
(dollars in millions)	2021	2020	% change
Selling, general and administrative	$ 2,842	$ 1,695	68 %
as a % of net revenues	22 %	20 %	

SG&A expenses as a percentage of net revenues increased for the three months ended March 31, 2021 compared to the prior year. SG&A expense percentage for the three months ended March 31, 2021 was unfavorably impacted by incremental SG&A expenses of Allergan, including integration costs resulting from the acquisition.

Research and Development and Acquired In-Process Research and Development

(dollars in millions)	Three months ended March 31, 2021	Three months ended March 31, 2020	% change
Research and development	$ 1,782	$ 1,379	29 %
as a % of net revenues	14 %	16 %	
Acquired in-process research and development	$ 70	$ —	n/m

R&D expenses as a percentage of net revenues decreased for the three months ended March 31, 2021 compared to the prior year. R&D expense percentage was favorably impacted by the 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. There were no individually significant transactions during the three months ended March 31, 2021 and 2020.

Other Non-Operating Expenses

(in millions)	Three months ended March 31, 2021	Three months ended March 31, 2020
Interest expense	$ 632	$ 563
Interest income	(10)	(135)
Interest expense, net	$ 622	$ 428
Net foreign exchange loss	$ 9	$ 5
Other expense (income), net	(395)	72

Interest expense increased for the three months ended March 31, 2021 compared to the prior year primarily due to a higher average debt balance associated with the incremental Allergan debt acquired partially offset by the favorable impact of lower interest rates on the company's floating rate debt obligations.

Interest income decreased for the three months ended March 31, 2021 compared to the prior year primarily due to a lower average cash and cash equivalents balance as a result of the cash paid for the Allergan acquisition.

Other expense (income), net included a benefit related to the change in fair value of contingent consideration liabilities of $343 million for the three months ended March 31, 2021 compared to a charge of $72 million for the three months ended March 31, 2020. The fair value of contingent consideration liabilities is impacted by the passage of time and multiple other inputs, including the probability of success of achieving regulatory/commercial milestones, discount rates, the estimated amount of future sales of the acquired products and other market-based factors. For the three months ended March 31, 2021, the change in fair value represented higher discount rates partially offset by the passage of time. For the three months ended March 31, 2020, the change in fair value represented the passage of time partially offset by higher discount rates.

Income Tax Expense

The effective tax rate was 8% for the three months ended March 31, 2021 and 3% for the three months ended March 31, 2020. The effective tax rate in each period differed from the U.S. statutory tax rate of 21% principally due to the benefit from foreign operations which reflects the impact of lower income tax rates in locations outside the United States, tax incentives in Puerto Rico and other foreign tax jurisdictions and business development activities. The increase in the effective tax rate for the three months ended March 31, 2021 over the prior year was principally due to the beneficial tax impact of a change in tax rate in a foreign jurisdiction in prior year, the impact of changes in contingent consideration liabilities, collaboration related costs and changes in the company's taxable earnings among jurisdictions.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

(in millions)	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash flows provided by (used in):		
Operating activities	$ 4,877	$ 3,815
Investing activities	(342)	(129)
Financing activities	(3,174)	(2,422)

Operating cash flows for the three months ended March 31, 2021 increased compared to the prior year. Operating cash flows for the three months ended March 31, 2021 were favorably impacted by higher net revenues of the combined company, partially offset by the timing of working capital cash flows and integration-related cash expenses.

Investing cash flows for the three months ended March 31, 2021 included payments made for other acquisitions and investments of $198 million, capital expenditures of $188 million and net purchases of investment securities totaling $5 million. Investing cash flows for the three months ended March 31, 2020 included capital expenditures of $125 million, net sales and maturities of investment securities totaling $13 million and payments made for other acquisitions and investments of $12 million.

Financing cash flows for the three months ended March 31, 2021 included cash dividend payments of $2.3 billion for the three months ended March 31, 2021 and $1.8 billion for the three months ended March 31, 2020. 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 February 18, 2021, the board of directors declared a quarterly cash dividend of $1.30 per share for stockholders of record at the close of business on April 15, 2021, payable on May 14, 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.

The company's stock repurchase authorization permits purchases of AbbVie shares from time to time in open-market or private transactions at management's discretion. The program has no time limit and can be discontinued at any time. AbbVie repurchased 5 million shares for $550 million during the three months ended March 31, 2021 and 6 million shares for $500 million during the three months ended March 31, 2020.

Subsequent to March 31, 2021, the company repaid $1.8 billion aggregate principal amount of 2.3% senior notes and €750 million aggregate principal amount of 0.5% senior euro notes that were scheduled to mature during the second quarter of 2021 by exercising, under the terms of the notes, 30-day early redemptions at 100% of the principal amounts.

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 credit facility enables the company to borrow funds on an unsecured basis at variable interest rates and contains various covenants. At March 31, 2021, 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 March 31, 2021 and December 31, 2020.

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

There were no changes in the company’s credit ratings during three months ended March 31, 2021. Unfavorable changes to the ratings may have an adverse impact on future financing arrangements; however, they would not affect the company’s ability to draw on its credit facility and would not result in an acceleration of scheduled maturities of any of the company’s outstanding debt.

CRITICAL ACCOUNTING POLICIES

A summary of the company’s significant accounting policies is included in Note 2, “Summary of Significant Accounting Policies” in AbbVie's Annual Report on Form 10-K for the year ended December 31, 2020. There have been no significant changes in the company’s application of its critical accounting policies during the three months ended March 31, 2021.

FORWARD-LOOKING STATEMENTS

Some statements in this quarterly report on Form 10-Q may be forward-looking statements for purposes of the Private Securities Litigation Reform Act of 1995. The words “believe,” “expect,” “anticipate,” “project,” and similar expressions, among others, generally identify forward-looking statements. AbbVie cautions that these forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those indicated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, failure to realize the expected benefits from AbbVie's acquisition of Allergan, failure to promptly and effectively integrate Allergan's businesses, challenges to intellectual property, competition from other products, difficulties inherent in the research and development process, adverse litigation or government action, changes to laws and regulations applicable to our industry and the impact of public health outbreaks, epidemics or pandemics, such as COVID-19. Additional information about the economic, competitive, governmental, technological and other factors that may affect AbbVie’s operations is set forth in Item 1A, “Risk Factors,” in AbbVie’s Annual Report on Form 10-K for the year ended December 31, 2020, which has been filed with the Securities and Exchange Commission. AbbVie notes these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. AbbVie undertakes no obligation to release publicly any revisions to forward-looking statements as a result of subsequent events or developments, except as required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of the company's market risk, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in AbbVie's Annual Report on Form 10-K for the year ended December 31, 2020.

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. The Chief Executive Officer, Richard A. Gonzalez, and the Chief Financial Officer, Robert A. Michael, evaluated the effectiveness of AbbVie's disclosure controls and procedures as of the end of the period covered by this report, and concluded that AbbVie's disclosure controls and procedures were effective to ensure that information AbbVie is required to disclose in the reports that it files or submits with the Securities and Exchange Commission under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and to ensure that information required to be disclosed by AbbVie in the reports that it files or submits under the Exchange Act is accumulated and communicated to AbbVie's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Changes in internal control over financial reporting. There were no changes in AbbVie's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, AbbVie's internal control over financial reporting during the quarter ended March 31, 2021.

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information pertaining to legal proceedings is provided in Note 12 to the Condensed Consolidated Financial Statements and is incorporated by reference herein.

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

(c) *Issuer Purchases of Equity Securities*

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1, 2021 – January 31, 2021	908 (1)	$106.07 (1)	—	$3,193,341,387
February 1, 2021 – February 28, 2021	5,135,125 (1)	$107.13 (1)	5,134,221	$2,643,316,927
March 1, 2021 – March 31, 2021	44,890 (1)	$106.68 (1)	—	$2,643,316,927
Total	5,180,923 (1)	$107.12 (1)	5,134,221	$2,643,316,927

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 – 908 in January; 904 in February; and 44,890 in March.

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

ITEM 6. EXHIBITS

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

Exhibit No.	Exhibit Description
4.1	Description of the company's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.
10.1	Form of AbbVie Inc. Performance-Vested Restricted Stock Unit Agreement*
10.2	Form of AbbVie Inc. Performance Share Award Agreement*
10.3	Form of AbbVie Inc. Non-Employee Director RSU Agreement (US)*
10.4	Form of AbbVie Inc. Non-Qualified Stock Option Agreement*
10.5	Form of AbbVie Inc. Retention RSU Agreement - Ratable Vesting*
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a) (17 CFR 240.13a-14(a)).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements and notes from the AbbVie Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, filed on May 7, 2021, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Earnings; (ii) Condensed Consolidated Statements of Comprehensive Income; (iii) Condensed Consolidated Balance Sheets; (iv) Condensed Consolidated Statements of Equity; (v) Condensed Consolidated Statements of Cash Flows; and (vi) the Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (the cover page from the AbbVie Inc. Quarterly Report on Form 10-Q formatted as Inline XBRL and contained in Exhibit 101).

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

SIGNATURE

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

ABBVIE INC.

By: /s/ Robert A. Michael

Robert A. Michael
Executive Vice President,
Chief Financial Officer

Date: May 7, 2021