Allergan Public Limited Company

2017 Irish Annual Report

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DIRECTORS AND OTHER INFORMATION

Board of Directors (as of December 31, 2017)

Brenton L. Saunders
Nesli Basgoz, M.D.
Paul M. Bisaro
James H. Bloem
Joseph H. Boccuzi
Christopher W. Bodine
Adriane M. Brown
Christopher J. Coughlin
Catherine M. Klema
Peter J. McDonnell, M.D.
Patrick J. O'Sullivan
Ronald R. Taylor
Fred G. Weiss

Secretary and Registered Office

A. Robert D. Bailey
Clonshaugh Business and Technology Park
Coolock
Dublin, D17, E400
Ireland

Registered Number: 527629

Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Auditor
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Company (as defined below) for the year ended December 31, 2017.

Basis of presentation

The accompanying consolidated financial statements reflect the consolidated operations of Allergan Public Limited Company ("Allergan plc") and its subsidiaries. References throughout to "we," "our," "us," the "Company" or "Allergan" refer to financial information and transactions of Watson Pharmaceuticals, Inc. prior to January 23, 2013, Allergan Finance, LLC from January 23, 2013 until October 1, 2013 and Allergan plc subsequent to October 1, 2013. The results of the parent company Allergan plc (formerly known as Actavis plc) are included in the consolidated financial statements from May 16, 2013, the date of incorporation.

The directors have elected to prepare the consolidated financial statements in accordance with Section 279 of the Companies Act 2014 ("Companies Act"), which provides that a true and fair view of the assets and liabilities, financial position and profit or loss may be given by preparing the financial statements in accordance with US accounting standards ("US GAAP"), as defined in that section to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

Formation of Company

Allergan plc (formerly known as Actavis plc) was incorporated in Ireland on May 16, 2013 as a private limited company and re-registered effective September 20, 2013 as a public limited company. It was established for the purpose of facilitating the business combination between Allergan Finance, LLC (formerly known as Actavis, Inc.) and Warner Chilcott plc ("Warner Chilcott"). Following the consummation of the Warner Chilcott acquisition on October 1, 2013 (the "Warner Chilcott Acquisition"), Allergan Finance, LLC and Warner Chilcott became wholly-owned subsidiaries of Allergan plc. Each of Allergan Finance, LLC's common shares was converted into one Company ordinary share. Effective October 1, 2013, through a series of related-party transactions, Allergan plc contributed its indirect subsidiaries, including Allergan Finance, LLC, to its subsidiary Warner Chilcott Limited.

On March 17, 2015, the Company acquired Allergan, Inc. ("Legacy Allergan") for approximately $77.0 billion including outstanding indebtedness assumed of $2.2 billion, cash consideration of $40.1 billion and equity consideration of $34.7 billion, which included then outstanding equity awards (the "Allergan Acquisition"). Under the terms of the agreement, Legacy Allergan shareholders received 111.2 million of the Company's ordinary shares, 7.0 million of the Company's non-qualified stock options and 0.5 million of the Company's share units. The addition of Legacy Allergan's therapeutic franchises in ophthalmology, neurosciences and medical aesthetics/dermatology/plastic surgery complemented the Company's existing central nervous system, gastroenterology, women's health and urology franchises. The combined company benefits from Legacy Allergan's global brand equity and consumer awareness of key products, including Botox®. The transaction expanded our presence and market and product reach across many international markets, with strengthened commercial positions across Canada, Europe, Southeast Asia and other high-value growth markets, including China, India, the Middle East and Latin America.

In connection with the Allergan Acquisition, the Company changed its name from Actavis plc to Allergan plc. Actavis plc's ordinary shares were traded on the NYSE under the symbol "ACT" until the opening of trading on June 15, 2015, at which time Actavis plc changed its corporate name to "Allergan plc" and changed its ticker symbol to "AGN." Pursuant to Rule 12g-3(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Allergan plc is the successor issuer to Actavis plc's ordinary shares and Actavis plc's

DIRECTORS' REPORT - continued

Formation of Company - continued

mandatory convertible preferred shares, both of which are deemed to be registered under Section 12(b) of the Exchange Act, and Allergan plc is subject to the informational requirements of the Exchange Act, and the rules and regulations promulgated thereunder.

On August 2, 2016 we completed the divestiture of our global generics business and certain other assets to Teva Pharmaceutical Industries Ltd. ("Teva") (the "Teva Transaction") for $33.3 billion in cash, net of cash acquired by Teva, which included estimated working capital and other contractual adjustments, and 100.3 million unregistered Teva ordinary shares (or American Depository Shares with respect thereto), which at the time of the closing approximated $5.0 billion in value using the closing date Teva opening stock price discounted at a rate of 5.9 percent due to the lack of marketability ("Teva Shares"). As part of the Teva Transaction, Teva acquired our global generics business, including the United States ("U.S.") and international generic commercial units, our third-party supplier Medis, our global generic manufacturing operations, our global generic research and development ("R&D") unit, our international over-the-counter ("OTC") commercial unit (excluding OTC eye care products) and certain established international brands.

On October 3, 2016, the Company completed the divestiture of the Anda Distribution business to Teva for $500.0 million. The Anda Distribution business distributed generic, branded, specialty and OTC pharmaceutical products from more than 300 manufacturers to retail independent and chain pharmacies, nursing homes, mail order pharmacies, hospitals, clinics and physician offices across the U.S.

The Company recognized a combined gain on the sale of the Anda Distribution business and the Teva Transaction of $15,932.2 million in the year ended December 31, 2016, as well as deferred liabilities relating to other elements of our arrangements with Teva of $299.2 million.

As a result of the Teva Transaction and the divestiture of the Company's Anda Distribution business, and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," the financial results of the businesses held for sale were reclassified to discontinued operations for all periods presented in our consolidated financial statements. The results of our discontinued operations include the results of our generic product development, manufacturing and distribution of off-patent pharmaceutical products, certain established international brands marketed similarly to generic products and out-licensed generic pharmaceutical products primarily in Europe through our Medis third-party business through August 2, 2016, as well as our Anda Distribution business through October 3, 2016.

Principal activities

Allergan plc is a global pharmaceutical company focused on developing, manufacturing and commercializing branded pharmaceutical ("brand", "branded" or "specialty brand"), device, biologic, surgical and regenerative medicine products for patients around the world. Allergan markets a portfolio of leading brands and best-in-class products for the central nervous system, eye care, medical aesthetics and dermatology, gastroenterology, women's health, urology and anti-infective therapeutic categories. Allergan is an industry leader in Open Science, a model of research and development, which defines our approach to identifying and developing game-changing ideas and innovation for better patient care. The Company has operations in more than 100 countries.

DIRECTORS' REPORT - continued

Business review and results

2017 Strategic Transactions

The following are the material transactions that were completed in the year ended December 31, 2017.

Acquisitions

Keller Medical, Inc.

On June 23, 2017, the Company acquired Keller Medical, Inc. ("Keller"), a privately held medical device company and developer of the Keller Funnel® (the "Keller Acquisition"). The Keller Acquisition combines the Keller Funnel® with the Company's leading breast implants business.

Zeltiq Aesthetics, Inc.

On April 28, 2017, the Company acquired Zeltiq Aesthetics, Inc. ("Zeltiq") for an acquisition accounting purchase price of $2,405.4 million (the "Zeltiq Acquisition"). Zeltiq was focused on developing and commercializing products utilizing its proprietary controlled-cooling technology platform (Coolsculpting®). The Zeltiq Acquisition combined Zeltiq's body contouring business with the Company's leading portfolio of medical aesthetics.

As a result of the Zeltiq Acquisition, the Company incurred the following transaction and integration costs in the year ended December 31, 2017 ($ in millions):

	Amount
	$
Cost of sales	
Stock-based compensation acquired for legacy Zeltiq employees	2.3
Research and development	
Stock-based compensation acquired for legacy Zeltiq employees	3.0
Acquisition, integration and restructuring related charges	1.1
Selling, general and administrative	
Stock-based compensation acquired for legacy Zeltiq employees	48.7
Acquisition, integration and restructuring related charges	61.7
Total Integration Costs	**116.8**

LifeCell Corporation

On February 1, 2017, the Company acquired the LifeCell Corporation ("LifeCell"), a regenerative medicine company, for an acquisition accounting price of $2,883.1 million (the "LifeCell Acquisition"). The LifeCell Acquisition combined LifeCell's novel, regenerative medicines business, including its high-quality and durable portfolio of dermal matrix products, with the Company's leading portfolio of medical aesthetics, breast implants and tissue expanders. The LifeCell Acquisition expanded the Company's marketed product portfolio by adding Alloderm® and Strattice®.

As a result of the LifeCell Acquisition, the Company incurred $47.3 million of acquisition, integration and restructuring related charges in the year ended December 31, 2017, of which $43.2 million is reflected in general and administrative expenses.

DIRECTORS' REPORT - continued

Licenses and Other Transactions Accounted for as Asset Acquisitions

Lyndra, Inc.

On July 31, 2017, the Company entered into a collaboration, option and license agreement with Lyndra, Inc. ("Lyndra") to develop orally administered ultra-long-acting (once-weekly) products for the treatment of Alzheimer's disease and an additional, unspecified indication. The total upfront payment of $15.0 million was expensed as a component of R&D expense in the year ended December 31, 2017. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing, as well as the lack of certain other inputs and processes, that the transaction did not qualify as a business. The future option exercise payments, if any, and any future success based milestones relating to the licensed products of up to $85.0 million will be recorded if the corresponding events become probable.

Editas Medicine, Inc.

On March 14, 2017, the Company entered into a strategic alliance and option agreement with Editas Medicine, Inc. ("Editas") for access to early stage, first-in-class eye care programs. Pursuant to the agreement, Allergan made an upfront payment of $90.0 million for the right to license up to five of Editas' gene-editing programs in eye care, including its lead program for Leber Congenital Amaurosis ("LCA"). Under the terms of the agreement, if an option is exercised, Editas is eligible to receive contingent research and development and commercial milestones plus royalties based on net sales. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing, as well as the lack of certain other inputs and processes, that the transaction did not qualify as a business. The total upfront payment of $90.0 million was expensed as a component of R&D expense in the year ended December 31, 2017. The future option exercise payments, if any, and any future success based milestones relating to the licensed products will be recorded if the corresponding events become probable.

Assembly Biosciences, Inc.

On January 9, 2017, the Company entered into a licensing agreement with Assembly Biosciences, Inc. ("Assembly") for the worldwide rights to Assembly's microbiome gastrointestinal development programs. Pursuant to the agreement, Allergan made an upfront payment to Assembly of $50.0 million for the exclusive, worldwide rights to develop and commercialize certain development compounds. Additionally, Assembly will be eligible to receive success-based development and commercial milestone payments plus royalties based on net sales. Allergan and Assembly will generally share development costs through proof-of-concept ("POC") studies, and Allergan will assume all post-POC development costs. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing, as well as the lack of certain other inputs and processes, that the transaction did not qualify as a business. The total upfront payment of $50.0 million was expensed as a component of R&D expense in the year ended December 31, 2017 and the future success based milestone payments of up to $2,771.0 million, including amounts for additional development programs not committed to as of December 31, 2017, will be recorded if the corresponding events become probable.

Lysosomal Therapeutics, Inc.

On January 9, 2017, the Company entered into a definitive agreement for the option to acquire Lysosomal Therapeutics, Inc. ("LTI"). LTI is focused on innovative small-molecule research and development in the field of neurodegeneration, yielding new treatment options for patients with severe neurological diseases. Under the

DIRECTORS' REPORT - continued

Licenses and Other Transactions Accounted for as Asset Acquisitions - continued

Lysosomal Therapeutics, Inc. – continued

agreement, Allergan acquired an option right directly from LTI shareholders to acquire LTI for $150.0 million plus future milestone payments following completion of a Phase Ib trial for LTI-291 as well as an upfront research and development payment. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing, as well as the lack of certain other inputs and processes, that the transaction did not qualify as a business. The aggregate upfront payment of $145.0 million was recorded as a component of R&D expense in the year ended December 31, 2017.

Other Transactions

Saint Regis Mohawk Tribe

On September 8, 2017, the Company entered into an agreement with the Saint Regis Mohawk Tribe, under which the Saint Regis Mohawk Tribe obtained the rights to Orange Book-listed patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05%, and the Company was granted exclusive licenses under the patents related to the product. Pursuant to the agreement, the Company paid the Saint Regis Mohawk Tribe an upfront payment of $13.8 million, which was recorded as a component of cost of sales in the year ended December 31, 2017. Additionally, the Saint Regis Mohawk Tribe will be eligible to receive up to $15.0 million in annual royalties starting in 2018, during the period that certain patent claims remain in effect.

2016 Strategic Transactions

The following are the material transactions that were completed in the year ended December 31, 2016.

Acquisitions

Tobira Therapeutics, Inc.

On November 1, 2016, the Company acquired Tobira Therapeutics, Inc. ("Tobira"), a clinical-stage biopharmaceutical company focused on developing and commercializing therapies for non-alcoholic steatohepatitis ("NASH") and other liver diseases for an acquisition accounting purchase price of $570.1 million, plus contingent consideration of up to $49.84 per share in contingent value rights ("CVR"), or up to $1,101.3 million, that may be payable based on the successful completion of certain development, regulatory and commercial milestones (the "Tobira Acquisition"), of which $303.1 million was paid in the year ended December 31, 2017 for the initiation of Phase III clinical trials. The CVR had an acquisition date fair value of $479.0 million. The Company included the results of Tobira in its Consolidated Profit and Loss Account beginning November 1, 2016, including $27.0 million in stock compensation expense in the year ended December 31, 2016. The Tobira Acquisition added Cenicriviroc, a differentiated, complementary development program for the treatment of the multi-factorial elements of NASH, including inflammation, metabolic syndromes and fibrosis, to Allergan's global gastroenterology R&D pipeline.

Vitae Pharmaceuticals, Inc.

On October 25, 2016, the Company acquired Vitae Pharmaceuticals, Inc. ("Vitae"), a clinical-stage biotechnology company, for an acquisition accounting purchase price of $621.4 million (the "Vitae

DIRECTORS' REPORT - continued

Acquisitions - continued

Vitae Pharmaceuticals, Inc. – continued

Acquisition"). The Vitae Acquisition expanded Allergan's dermatology product pipeline with the addition of a Phase II orally active RORyt (retinoic acid receptor-related orphan receptor gamma) inhibitor for the potential treatment of psoriasis and other autoimmune disorders. In addition, as a result of the Vitae Acquisition, the Company expanded its pipeline with the acquisition of a Phase II atopic dermatitis drug candidate. During the year ended December 31, 2016, subsequent to the acquisition of Vitae, the Company impaired its acquired intangible asset relating to Atopic Dermatitis by $46.0 million as the Company anticipated a delay in potential launch timing, if any, resulting from revised clinical data.

ForSight VISION5, Inc.

On September 23, 2016, the Company acquired ForSight VISION5, Inc. ("ForSight"), a privately held, clinical-stage biotechnology company focused on eye care, in an all cash transaction of approximately $95.0 million (the "ForSight Acquisition"). Under the terms of the ForSight Acquisition, the Company acquired ForSight for an acquisition accounting purchase price of $74.5 million plus the payment of outstanding indebtedness of $14.8 million and other miscellaneous charges. ForSight shareholders are eligible to receive contingent consideration of up to $125.0 million, which had an initial estimated fair value of $79.8 million, relating to commercialization milestones. The Company acquired ForSight for its lead development program, a peri-ocular ring designed for extended drug delivery and reducing elevated intraocular pressure ("IOP") in glaucoma patients. During the year ended December 31, 2016, subsequent to the acquisition of ForSight, the Company impaired its acquired intangible asset by $33.0 million as the Company anticipated a delay in potential launch timing. Offsetting this impairment was a corresponding reduction of acquired contingent consideration of $15.0 million, which reduced overall R&D expenses.

Licenses and Asset Acquisitions

Motus Therapeutics, Inc.

On December 15, 2016, the Company acquired Motus Therapeutics, Inc. ("Motus") for an upfront payment of approximately $200.0 million (the "Motus Transaction"). Motus has the worldwide rights to RM-131 (relamorelin), a peptide ghrelin agonist being developed for the treatment of diabetic gastroparesis. Under the terms of the Motus Transaction, Motus shareholders are eligible to receive contingent consideration in connection with the commercial launch of the product. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the transaction did not qualify as a business. The total upfront net payment of $199.5 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestone will be recorded if the corresponding event becomes probable.

Chase Pharmaceuticals Corporation

On November 22, 2016, the Company acquired Chase Pharmaceuticals Corporation ("Chase"), a clinical-stage biopharmaceutical company focused on the development of improved treatments for neurodegenerative disorders including Alzheimer's disease, for an upfront payment of approximately $125.0 million plus potential regulatory and commercial milestones of up to $875.0 million related to Chase's lead compound, CPC-201, and certain backup compounds (the "Chase Transaction"). The Company concluded based on the stage of development of

DIRECTORS' REPORT - continued

Licenses and Asset Acquisitions - continued

Chase Pharmaceuticals Corporation – continued

the assets, the lack of acquired employees as well as certain other inputs and processes that the Chase Transaction did not qualify as a business. The total upfront net payment of $122.9 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

AstraZeneca plc License

On October 2, 2016, the Company entered into a licensing agreement with MedImmune, AstraZeneca plc's ("AstraZeneca") global biologics research and development arm, for the global rights to brazikumab (the "AstraZeneca Transaction"). Brazikumab is an anti-IL-23 monoclonal antibody that as of the acquisition date was in Phase IIb clinical development for the treatment of patients with moderate-to-severe Crohn's disease and was Phase II ready for ulcerative colitis and other conditions treated with anti-IL-23 monoclonal antibodies. Under the terms of the AstraZeneca Transaction, AstraZeneca received $250.0 million for the exclusive, worldwide license to develop and commercialize brazikumab and is eligible to receive contingent consideration of up to $1.27 billion, as well as tiered royalties on sales of the product. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing as well as certain other inputs and processes that the transaction did not qualify as a business. The total upfront payment of $250.0 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

RetroSense Therapeutics, LLC

On September 6, 2016, the Company acquired certain assets of RetroSense Therapeutics, LLC ("RetroSense"), a private, clinical-stage biotechnology company focused on novel gene therapy approaches to restore vision in patients suffering from blindness (the "RetroSense Transaction"). Under the terms of the RetroSense Transaction, RetroSense received approximately $60.0 million upfront, and is eligible to receive up to $495.0 million in contingent regulatory and commercialization milestone payments related to its lead development program, RST-001, a novel gene therapy for the treatment of retinitis pigmentosa. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the RetroSense Transaction did not qualify as a business. The total upfront net payment of $59.7 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

Akarna Therapeutics, Ltd

On August 26, 2016, the Company acquired Akarna Therapeutics, Ltd ("Akarna"), a biopharmaceutical company developing novel small molecule therapeutics that target inflammatory and fibrotic diseases (the "Akarna Transaction"). Under the terms of the Akarna Transaction, Akarna shareholders received approximately $50.0 million upfront and were eligible to receive contingent development and commercialization milestones of up to $1,015.0 million. The Company concluded based on the stage of development of the assets as well as a lack of certain other inputs and processes that the Akarna Transaction did not qualify as a business. The total upfront net payment of $48.2 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable. In the year ended December 31, 2017, a milestone of $39.6 million, related to the initiation of a clinical study, was expensed as a component of R&D expense.

DIRECTORS' REPORT - continued

Licenses and Asset Acquisitions - continued

Topokine Therapeutics, Inc.

On April 21, 2016, the Company acquired Topokine Therapeutics, Inc. ("Topokine"), a privately held, clinical-stage biotechnology company focused on development stage topical medicines for fat reduction (the "Topokine Transaction"). Under the terms of the Topokine Transaction, Topokine shareholders received an upfront payment of $85.8 million and are eligible to receive contingent development and commercialization milestones of up to $260.0 million for XAF5, a first-in-class topical agent in development for the treatment of steatoblepharon, also known as undereye bags. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the Topokine Transaction did not qualify as a business. The total upfront net payment of approximately $85.0 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

Heptares Therapeutics, Ltd

On April 6, 2016, the Company entered into an agreement with Heptares Therapeutics, Ltd ("Heptares"), under which the Company licensed exclusive global rights to a portfolio of novel subtype-selective muscarinic receptor agonists in development for the treatment of major neurological disorders, including Alzheimer's disease (the "Heptares Transaction"). Under the terms of the Heptares Transaction, Heptares received an upfront payment of $125.0 million and is eligible to receive contingent milestone payments of up to approximately $665.0 million upon the successful Phase I, II and III clinical development and launch of the first three licensed compounds for multiple indications and up to approximately $2.575 billion associated with achieving certain annual sales thresholds during the several years following launch. In addition, Heptares was eligible to receive contingent tiered royalties on net sales of all products resulting from the partnership. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the Heptares Transaction did not qualify as a business. The total upfront payment of $125.0 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the events become probable. In the year ended December 31, 2017, a milestone of $15.0 million, related to the initiation of a clinical study, was achieved and expensed as a component of R&D expense.

Anterios, Inc.

On January 6, 2016, the Company acquired Anterios, Inc. ("Anterios"), a clinical stage biopharmaceutical company developing a next generation delivery system and botulinum toxin-based prescription products (the "Anterios Transaction"). Under the terms of the Anterios Transaction, Anterios shareholders received an upfront net payment of approximately $90.0 million and are eligible to receive contingent development and commercialization milestone payments up to $387.5 million related to an investigational topical formulation of botulinum toxin type A in development for the potential treatment of hyperhidrosis, acne, and crow's feet lines and the related NDS™, Anterios' proprietary platform delivery technology that enables local, targeted delivery of neurotoxins through the skin without the need for injections. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the Anterios Transaction did not qualify as a business. The total upfront net payment of $89.2 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

DIRECTORS' REPORT - continued

Operating results for the years ended December 31, 2017 and 2016

For the year ended December 31, 2017, we recorded a (loss) for the year of $(4,403.9) million on revenue of $15,940.7 million. For the year ended December 31, 2016, we recorded profit for the year of $14,695.0 million on revenue of $14,570.6 million, which included a gain on the sale of the generics business and the Anda Distribution business to Teva of $15,932.2 million. As of December 31, 2017 and 2016, we had total assets of $118,320.8 million and $128,977.6 million, respectively.

Key performance indicators

The Company's businesses are organized into the following segments: US Specialized Therapeutics, US General Medicine and International. In addition, certain revenues and shared costs, and the results of corporate initiatives, are managed outside of the three segments.

The operating segments are organized as follows:

- The US Specialized Therapeutics segment includes sales and expenses relating to branded products within the U.S., including Medical Aesthetics, Medical Dermatology, Eye Care and Neuroscience and Urology therapeutic products.
- The US General Medicine segment includes sales and expenses relating to branded products within the U.S. that do not fall into the US Specialized Therapeutics business units, including Central Nervous System, Gastrointestinal, Women's Health, Anti-Infectives and Diversified Brands.
- The International segment includes sales and expenses relating to products sold outside the U.S.

The Company evaluates segment performance for its three operating segments based on segment contribution. Segment contribution for our segments represents net revenues less cost of sales (defined below), selling and marketing expenses, and select general and administrative expenses. Included in segment revenues for 2015 and 2016 are product sales that were sold through the Anda Distribution business once the Anda Distribution business had sold the product to a third-party customer. These sales are included in segment results and are reclassified into revenues from discontinued operations through a reduction of Corporate revenues which eliminates the sales made by the Anda Distribution business through October 3, 2016 from results of continuing operations. Cost of sales for these products in discontinued operations is equal to our average third party cost of sales for third party branded products distributed by Anda Distribution. The Company does not evaluate the following items at the segment level:

- Revenues and operating expenses within cost of sales, selling and marketing expenses, and general and administrative expenses that result from the impact of corporate initiatives. Corporate initiatives primarily include integration, restructuring, acquisition and other shared costs.
- General and administrative expenses that result from shared infrastructure, including certain expenses located within the United States.
- Total assets including capital expenditures.
- Other select revenues and operating expenses including R&D expenses, amortization, In-process Research and Development ("IPR&D") impairments and asset sales and impairments, net as not all such information has been accounted for at the segment level, or such information has not been used by all segments.

The Company defines segment net revenues as product sales and other revenue derived from branded products or licensing agreements.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Cost of sales within segment contribution includes standard production and packaging costs for the products we manufacture, third-party acquisition costs for products manufactured by others, profit-sharing or royalty payments for products sold pursuant to licensing agreements and finished goods inventory reserve charges. Cost of sales included within segment contribution does not include non-standard production costs, such as non-finished goods inventory obsolescence charges, manufacturing variances and excess capacity utilization charges, where applicable. Cost of sales does not include amortization or impairment costs for acquired product rights or other acquired intangibles.

Selling and marketing expenses consist mainly of personnel-related costs, product promotion costs, distribution costs, professional service costs, insurance, depreciation and travel costs.

General and administrative expenses consist mainly of personnel-related costs, facilities costs, transaction costs, insurance, depreciation, litigation and settlement costs and professional services costs which are general in nature and attributable to the segment.

Results of operations, including segment net revenues, segment operating expenses and segment contribution consisted of the following ($ in millions):

	Year Ended December 31, 2017			
	US Specialized Therapeutics	**US General Medicine**	**International**	**Total**
	$	**$**	**$**	**$**
Net revenues	6,803.6	5,796.2	3,319.5	15,919.3
Operating expenses:				
Cost of sales[(1)]	495.4	843.9	478.7	1,818.0
Selling and marketing	1,369.5	1,084.1	913.8	3,367.4
General and administrative	208.2	177.3	120.6	506.1
Segment Contribution	**4,730.5**	**3,690.9**	**1,806.4**	**10,227.8**
Contribution margin	***69.5%***	***63.7%***	***54.4%***	***64.2%***
Corporate				1,471.8
Research and development				2,100.1
Selling, general and administrative excluded from segments and corporate designation				12,577.1
Other expense				3,248.1
Interest (income)				(67.7)
Interest expense and similar items				1,284.8
(Loss) before taxes				(10,386.4)

(1) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.

DIRECTORS' REPORT - continued

Key performance indicators - continued

	Year Ended December 31, 2016			
	US Specialized Therapeutics	**US General Medicine**	**International**	**Total**
	$	**$**	**$**	**$**
Net revenues	5,811.7	5,923.9	2,881.3	14,616.9
Operating expenses:				
Cost of sales[1]	290.9	879.8	418.2	1,588.9
Selling and marketing	1,137.0	1,185.7	788.2	3,110.9
General and administrative	174.2	174.9	117.2	466.3
Segment Contribution	**4,209.6**	**3,683.5**	**1,557.7**	**9,450.8**
Contribution margin	***72.4%***	***62.2%***	***54.1%***	***64.7%***
Corporate				1,481.3
Research and development				2,575.7
Selling, general and administrative excluded from segments and corporate designation				7,219.3
Other (income)				(219.2)
Interest (income)				(69.9)
Interest expense and similar items				1,295.6
(Loss) before taxes				(2,832.0)

(1) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.

The following is a reconciliation of net revenues for the operating segments to the Company's net revenues for the years ended December 31, 2017 and 2016 ($ in millions):

	Years Ended December 31,		Change	
	2017	**2016**	**Dollars**	**Percentage**
	$	**$**	**$**	**%**
Segment net revenues	15,919.3	14,616.9	1,302.4	8.9%
Corporate revenues	21.4	(46.3)	67.7	(146.2)%
Net revenues	**15,940.7**	**14,570.6**	**1,370.1**	***9.4%***

Corporate revenues for the year ended December 31, 2016 were reduced by $80.0 million for revenues which were included in the segment results and reclassified into revenues from discontinued operations as a reduction of Corporate revenues.

No country outside of the United States represents ten percent or more of net revenues. The US Specialized Therapeutics and US General Medicine segments are comprised solely of sales within the United States.

DIRECTORS' REPORT - continued

Key performance indicators - continued

The following table presents global net revenues for the top products of the Company for the years ended December 31, 2017 and 2016 ($ in millions):

	Year Ended December 31, 2017					Year Ended December 31, 2016					Change	
	US Specialized Therapeutics	US General Medicine	International	Corporate	Total	US Specialized Therapeutics	US General Medicine	International	Corporate	Total	Dollars	Percentage
	$	$	$	$	$	$	$	$	$	$	$	%
Botox®	2,254.4	-	914.5	-	3,168.9	1,983.2	-	803.0	-	2,786.2	382.7	13.7%
Restasis®	1,412.3	-	61.3	-	1,473.6	1,419.5	-	68.0	-	1,487.5	(13.9)	(0.9)%
Juvederm® Collection**	501.1	-	540.7	-	1,041.8	446.9	-	420.4	-	867.3	174.5	20.1%
Linzess®/Constella®	-	701.1	21.9	-	723.0	-	625.6	17.3	-	642.9	80.1	12.5%
Lumigan®/Ganfort®	317.5	-	371.5	-	689.0	326.4	-	361.7	-	688.1	0.9	0.1%
Bystolic®/Byvalson®	-	612.2	2.2	-	614.4	-	638.8	1.7	-	640.5	(26.1)	(4.1)%
Alphagan®/ Combigan®	377.3	-	175.1	-	552.4	376.6	-	169.3	-	545.9	6.5	1.2%
Eye Drops	199.5	-	281.0	-	480.5	186.5	-	276.2	-	462.7	17.8	3.8%
Lo Loestrin®	-	459.3	-	-	459.3	-	403.5	-	-	403.5	55.8	13.8%
Namenda XR®	-	452.8	-	-	452.8	-	627.6	-	-	627.6	(174.8)	(27.9)%
Breast Implants	242.6	-	156.9	-	399.5	206.0	-	149.9	-	355.9	43.6	12.3%
Estrace® Cream	-	366.6	-	-	366.6	-	379.4	-	-	379.4	(12.8)	(3.4)%
Viibryd®/Fetzima®	-	333.2	3.1	-	336.3	-	342.3	-	-	342.3	(6.0)	(1.8)%
Alloderm®	321.2	-	7.5	-	328.7	-	-	-	-	-	328.7	n.a.
Ozurdex®	98.4	-	213.4	-	311.8	84.4	-	179.0	-	263.4	48.4	18.4%
Vraylar™	-	287.8	-	-	287.8	-	94.3	-	-	94.3	193.5	n.m.
Asacol®/Delzicol®	-	195.5	50.2	-	245.7	-	360.8	53.7	-	414.5	(168.8)	(40.7)%
Carafate®/Sulcrate®	-	235.8	2.9	-	238.7	-	229.0	2.4	-	231.4	7.3	3.2%
Zenpep®	-	212.3	-	-	212.3	-	200.7	-	-	200.7	11.6	5.8%
Coolsculpting® Consumables	150.1	-	41.6	-	191.7	-	-	-	-	-	191.7	n.a.
Canasa®/Salofalk®	-	162.7	18.3	-	181.0	-	178.7	17.7	-	196.4	(15.4)	(7.8)%
Armour Thyroid	-	169.1	-	-	169.1	-	166.5	-	-	166.5	2.6	1.6%
Aczone®	166.3	-	0.5	-	166.8	217.3	-	-	-	217.3	(50.5)	(23.2)%
Viberzi®	-	156.6	0.5	-	157.1	-	93.3	-	-	93.3	63.8	68.4%
Saphris®	-	155.2	-	-	155.2	-	166.8	-	-	166.8	(11.6)	(7.0)%
Coolsculpting® Systems & Add On Applicators	106.6	-	32.1	-	138.7	-	-	-	-	-	138.7	n.a.
Namzaric®	-	130.8	-	-	130.8	-	57.5	-	-	57.5	73.3	127.5%
Teflaro®	-	121.9	-	-	121.9	-	133.6	-	-	133.6	(11.7)	(8.8)%
Rapaflo®	108.1	-	7.3	-	115.4	116.6	-	5.8	-	122.4	(7.0)	(5.7)%
SkinMedica®	96.8	-	3.7	-	100.5	108.3	-	-	-	108.3	(7.8)	(7.2)%
Savella®	-	98.2	-	-	98.2	-	103.2	-	-	103.2	(5.0)	(4.8)%
Tazorac®	65.4	-	0.7	-	66.1	95.5	-	0.8	-	96.3	(30.2)	(31.4)%
Latisse®	56.4	-	8.3	-	64.7	77.9	-	8.5	-	86.4	(21.7)	(25.1)%
Minastrin® 24	-	61.4	-	-	61.4	-	325.9	1.4	-	327.3	(265.9)	(81.2)%
Avycaz®	-	61.2	-	-	61.2	-	36.1	-	-	36.1	25.1	69.5%
Kybella®/Belkyra®	49.5	-	6.8	-	56.3	50.2	-	2.3	-	52.5	3.8	7.2%
Dalvance®	-	53.9	2.4	-	56.3	-	39.3	-	-	39.3	17.0	43.3%
Lexapro®	-	51.8	-	-	51.8	-	66.6	-	-	66.6	(14.8)	(22.2)%
Liletta®	-	37.6	-	-	37.6	-	23.3	-	-	23.3	14.3	61.4%
Enablex®	-	3.6	-	-	3.6	-	17.1	-	-	17.1	(13.5)	(78.9)%
Namenda® IR	-	0.1	-	-	0.1	-	15.1	-	-	15.1	(15.0)	(99.3)%
Other	280.1	675.5	395.1	21.4	1,372.1	116.4	598.9	342.2	33.7	1,091.2	280.9	25.7%
Less product sold through our Anda Distribution business	n.a.	n.a.	n.a.	-	-	n.a.	n.a.	n.a.	(80.0)	(80.0)	80.0	(100.0)%
Total net revenues	**6,803.6**	**5,796.2**	**3,319.5**	**21.4**	**15,940.7**	**5,811.7**	**5,923.9**	**2,881.3**	**(46.3)**	**14,570.6**	**1,370.1**	**9.4%**

** Sales of fillers including Juvederm, Voluma and other fillers are referred to herein as the "Juvederm® Collection".

DIRECTORS' REPORT - continued

Key performance indicators - continued

US Specialized Therapeutics Segment

Our US Specialized Therapeutics business offers certain of our branded products within the U.S., including Medical Aesthetics, Medical Dermatology, Eye Care and Neuroscience and Urology therapeutic products.

Our US Specialized Therapeutics business is focused on maintaining a leading position in the therapeutic areas in which we participate within the U.S. market. Our sales and marketing efforts focus on targeted activities, including direct-to-consumer advertising to increase consumer awareness of our products and also to engage specialty physicians and surgeons through our sales professionals and other programs to ensure they are fully informed about our product offerings. For reimbursed products, we also contract with payors to ensure that our products are widely available to patients.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US Specialized Therapeutics Segment – continued

The following table presents top product sales and net contribution for the US Specialized Therapeutics segment for the years ended December 31, 2017 and 2016 ($ in millions):

	Years Ended December 31,		Change	
	2017	2016[1]	Dollars	Percentage
	$	$	$	%
Total Eye Care	**2,460.2**	**2,437.7**	**22.5**	**0.9%**
Restasis®	1,412.3	1,419.5	(7.2)	(0.5)%
Alphagan®/Combigan®	377.3	376.6	0.7	0.2%
Lumigan®/Ganfort®	317.5	326.4	(8.9)	(2.7)%
Ozurdex®	98.4	84.4	14.0	16.6%
Eye Drops	199.5	186.5	13.0	7.0%
Other Eye Care	55.2	44.3	10.9	24.6%
Total Medical Aesthetics	**2,449.2**	**1,622.9**	**826.3**	**50.9%**
Facial Aesthetics	**1,362.8**	**1,226.3**	**136.5**	**11.1%**
Botox® Cosmetics	812.2	729.2	83.0	11.4%
Juvederm® Collection	501.1	446.9	54.2	12.1%
Kybella®	49.5	50.2	(0.7)	(1.4)%
Plastic Surgery	**242.6**	**210.4**	**32.2**	**15.3%**
Breast Implants	242.6	206.0	36.6	17.8%
Other Plastic Surgery	-	4.4	(4.4)	(100.0)%
Regenerative Medicine	**433.9**	**-**	**433.9**	**n.a.**
Alloderm®	321.2	-	321.2	n.a.
Other Regenerative Medicine	112.7	-	112.7	n.a.
Body Contouring	**256.7**	**-**	**256.7**	**n.a.**
Coolsculpting® Systems & Add On Applicators	106.6	-	106.6	n.a.
Coolsculpting® Consumables	150.1	-	150.1	n.a.
Skin Care	**153.2**	**186.2**	**(33.0)**	**(17.7)%**
SkinMedica®	96.8	108.3	(11.5)	(10.6)%
Latisse®	56.4	77.9	(21.5)	(27.6)%
Total Medical Dermatology	**340.8**	**396.5**	**(55.7)**	**(14.0)%**
Aczone®	166.3	217.3	(51.0)	(23.5)%
Tazorac®	65.4	95.5	(30.1)	(31.5)%
Botox® Hyperhidrosis	67.2	65.2	2.0	3.1%
Other Medical Dermatology	41.9	18.5	23.4	126.5%
Total Neuroscience & Urology	**1,483.1**	**1,306.3**	**176.8**	**13.5%**
Botox® Therapeutics	1,375.0	1,188.8	186.2	15.7%
Rapaflo®	108.1	116.6	(8.5)	(7.3)%
Other Neuroscience & Urology	-	0.9	(0.9)	(100.0)%
Other revenues	**70.3**	**48.3**	**22.0**	**45.5%**
Net revenues	**6,803.6**	**5,811.7**	**991.9**	**17.1%**
Operating expenses:				
Cost of sales[2]	495.4	290.9	204.5	70.3%
Selling and marketing	1,369.5	1,137.0	232.5	20.4%
General and administrative	208.2	174.2	34.0	19.5%
Segment contribution	**4,730.5**	**4,209.6**	**520.9**	**12.4%**
Segment margin	69.5%	72.4%		(2.9)%
Segment gross margin[3]	92.7%	95.0%		(2.3)%

(1) Includes revenues earned that were distributed through our Anda Distribution business to third party customers.

(2) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.

(3) Defined as net revenues less segment related cost of sales as a percentage of net revenues.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US Specialized Therapeutics Segment – continued

Zeltiq and LifeCell contributed the following to the segment in the year ended December 31, 2017 ($ in millions):

	Zeltiq	LifeCell	Combined Contribution
	$	$	$
Net revenues	256.8	436.0	692.8
Operating expenses:			
Cost of sales	70.7	107.5	178.2
Selling and marketing	96.1	97.8	193.9
General and administrative	10.7	11.4	22.1

Net Revenues

The increase in net revenues in the year ended December 31, 2017 over the prior period was primarily driven by growth in Botox® Therapeutics, Facial Aesthetics and the LifeCell and Zeltiq acquisitions.

Botox® Therapeutics increased $186.2 million, or 15.7%, versus the prior year period driven by demand.

The increase in Facial Aesthetics revenues was driven in part by Botox® Cosmetics which increased $83.0 million, or 11.4%, versus the prior year period primarily due to demand growth. Also contributing was an increase in Juvederm® Collection revenues of $54.2 million, or 12.1% versus the prior year period driven primarily by demand and an increase in market share, offset, in part, by an increase in discounts.

The decline in Aczone revenues of $51.0 million, or 23.5%, was due to genericization of the branded acne market, increased discounts to maintain formulary access and a generic launch of Aczone 5%.

As a result of the U.S. District Court for the Eastern District of Texas issuing an adverse trial decision finding that the four asserted patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05% are invalid, there is a potential risk for future declines in Restasis® revenues.

Cost of Sales

The decrease in segment gross margin was primarily the result of the LifeCell Acquisition and the Zeltiq Acquisition, which contributed lower margin products to the segment. Excluding the LifeCell Acquisition and the Zeltiq Acquisition, segment gross margin was 94.8% in the year ended December 31, 2017, in line with 95.0% in the prior year period.

Selling and Marketing Expenses

The increase in selling and marketing expenses primarily relates to increased costs from the LifeCell Acquisition and Zeltiq Acquisition of $193.9 million as well as increased promotional costs for new products Rhofade® and Xen. As part of the December 2017 restructuring, the resources dedicated to promoting Medical Dermatology were reduced.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US Specialized Therapeutics Segment – continued

General and Administrative Expenses

The increase in general and administrative expenses is primarily due to the acquisitions of LifeCell and Zeltiq and additional bad debt writeoffs of $7.9 million.

US General Medicine Segment

Our US General Medicine business is focused on newly developed pharmaceutical products, which are normally patented or have market exclusivity. These patented and off-patent trademarked products are branded pharmaceutical products, and as a result of patents or other market exclusivity, are generally offered by a single provider when first introduced to the market. We market a number of branded products to physicians, hospitals, and other customers that we serve as well as the end patient.

We market our branded products through our active sales professionals in the United States. Our sales and marketing efforts focus on both general practitioners and specialty physicians who specialize in the diagnosis and treatment of particular medical conditions. We also conduct targeted activities, including direct-to-consumer advertising to increase consumer awareness of our products. We believe that our current sales force structure gives us a competitive advantage in launching and promoting products due to our ability to reach a larger target audience of both general practitioners and specialists. For reimbursed products, we also contract with payors to ensure that our products are widely available to patients.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US General Medicine Segment – continued

The following table presents top product sales and net contribution for the US General Medicine segment for the years ended December 31, 2017 and 2016 ($ in millions):

	Years Ended December 31,		Change	
	2017	2016[1]	Dollars	Percentage
	$	$	$	%
Total Central Nervous System (CNS)	**1,359.9**	**1,303.6**	**56.3**	**4.3%**
Namenda XR®	452.8	627.6	(174.8)	(27.9)%
Namzaric®	130.8	57.5	73.3	127.5%
Viibryd®/Fetzima®	333.2	342.3	(9.1)	(2.7)%
Saphris®	155.2	166.8	(11.6)	(7.0)%
Vraylar™	287.8	94.3	193.5	n.m.
Namenda® IR	0.1	15.1	(15.0)	(99.3)%
Total Gastrointestinal (GI)	**1,695.0**	**1,721.0**	**(26.0)**	**(1.5)%**
Linzess®	701.1	625.6	75.5	12.1%
Asacol®/Delzicol®	195.5	360.8	(165.3)	(45.8)%
Carafate®/Sulcrate®	235.8	229.0	6.8	3.0%
Zenpep®	212.3	200.7	11.6	5.8%
Canasa®/Salofalk®	162.7	178.7	(16.0)	(9.0)%
Viberzi®	156.6	93.3	63.3	67.8%
Other GI	31.0	32.9	(1.9)	(5.8)%
Total Women's Health	**1,044.2**	**1,179.6**	**(135.4)**	**(11.5)%**
Lo Loestrin®	459.3	403.5	55.8	13.8%
Estrace® Cream	366.6	379.4	(12.8)	(3.4)%
Minastrin® 24	61.4	325.9	(264.5)	(81.2)%
Liletta®	37.6	23.3	14.3	61.4%
Other Women's Health	119.3	47.5	71.8	151.2%
Total Anti-Infectives	**257.3**	**225.1**	**32.2**	**14.3%**
Teflaro®	121.9	133.6	(11.7)	(8.8)%
Dalvance®	53.9	39.3	14.6	37.2%
Avycaz®	61.2	36.1	25.1	69.5%
Other Anti-Infectives	20.3	16.1	4.2	26.1%
Diversified Brands	**1,242.6**	**1,366.6**	**(124.0)**	**(9.1)%**
Bystolic®/Byvalson®	612.2	638.8	(26.6)	(4.2)%
Armour Thyroid	169.1	166.5	2.6	1.6%
Savella®	98.2	103.2	(5.0)	(4.8)%
Lexapro®	51.8	66.6	(14.8)	(22.2)%
Enablex®	3.6	17.1	(13.5)	(78.9)%
PacPharma	14.0	52.0	(38.0)	(73.1)%
Other Diversified Brands	293.7	322.4	(28.7)	(8.9)%
Other revenues	**197.2**	**128.0**	**69.2**	**54.1%**
Net revenues	**5,796.2**	**5,923.9**	**(127.7)**	**(2.2)%**
Operating expenses:				
Cost of sales[2]	843.9	879.8	(35.9)	(4.1)%
Selling and marketing	1,084.1	1,185.7	(101.6)	(8.6)%
General and administrative	177.3	174.9	2.4	1.4%
Segment contribution	**3,690.9**	**3,683.5**	**7.4**	**0.2%**
Segment margin	63.7%	62.2%		1.5%
Segment gross margin[3]	85.4%	85.1%		0.3%

(1) Includes revenues earned that were distributed through our former Anda Distribution business prior to third party customers.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US General Medicine Segment – continued

(2) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.
(3) Defined as net revenues less segment related cost of sales as a percentage of net revenues.

Net Revenues

The decrease in net revenues in the year ended December 31, 2017 over the prior period is primarily due to a decline in Diversified Brand revenues, Women's Health revenues, and Gastrointestinal revenues versus the prior year period, offset, in part, by increases in Other Revenues and CNS revenues.

Diversified Brand revenues declined $124.0 million, or 9.1% versus the prior year period, due in part to a decline of $38.0 million in PacPharma revenues as the Company out licensed these product rights. Included within "Other Revenues" for the year ended December 31, 2017 is an increase in royalty revenues related to these products of $30.3 million. Also contributing to the decline in Diversified Brands is a decline in Bystolic® / Byvalson® revenues of $26.6 million, or 4.2% as a result of decreased demand, and the impact of loss of exclusivity on certain products including Enablex®. Other Diversified Brands declined $28.7 million or 8.9% due to demand declines.

Women's Health revenues declined $135.4 million, or 11.5%, primarily due to the loss of exclusivity on Minastrin® 24. Offsetting this decline, in part, are an increase in revenues on our new product, Taytulla® of $72.4 million and increased sales of Lo Loestrin® of 13.8% due primarily to strong demand growth and higher average selling prices.

Declines within our Gastrointestinal franchise of $26.0 million, or 1.5%, were primarily driven by a reduction in demand for Asacol® HD following the launch of an authorized generic in August 2016. Offsetting this decline, in part, is an increase in royalty revenue of $34.8 million relating to our authorized generic version of Asacol® HD, which is included within "Other Revenues". Further offsetting this decline was growth in Linzess® and newly launched Viberzi®. Linzess® revenues increased $75.5 million, or 12.1%, versus the prior year period primarily due to strong demand growth.

The increase in Central Nervous System revenues of $56.3 million, or 4.3%, was driven by the launch of Vraylar™ and Namzaric® offset, in part, by the continued decline in Namenda XR® due to decreased demand and conversion to Namzaric®.

Cost of Sales

The decrease in cost of sales was the result of lower product revenues and the impact of the Company reacquiring rights on select licensed products in the year ended December 31, 2017 offset, in part by, unfavorable product mix. As part of the rights reacquired, the Company is no longer obligated to pay royalties on the specific products, which increases the Company's segment gross margin percentage. In the year ended December 31, 2016, royalties incurred relating to the reacquired product rights were $71.3 million.

Selling and Marketing Expenses

The decrease in selling and marketing expenses relates to headcount reductions and lower promotional costs.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US General Medicine Segment – continued

General and Administrative Expenses

General and administrative expenses are in line period-over-period.

International Segment

Our International segment offers a wide array of branded and aesthetics products outside of the United States.

Our International business is focused on maintaining a leading position by offering a consistent and reliable supply of quality branded and aesthetic products in key markets. We have maintained an ongoing effort to enhance efficiencies and reduce costs in our manufacturing operations.

DIRECTORS' REPORT - continued

Key performance indicators - continued

International Segment – continued

The following table presents top product sales and net contribution for the International segment for the years ended December 31, 2017 and 2016 ($ in millions):

	Years Ended December 31,		Change					
	2017	2016	$ Overall Change	$ Operational Change	$ Currency Change	% Overall Change	% Operational Change	% Currency Change
	$	$	$	$	$	%	%	%
Total Eye Care	**1,282.1**	**1,219.4**	**62.7**	**48.0**	**14.7**	**5.1%**	**3.9%**	**1.2%**
Lumigan®/Ganfort®	371.5	361.7	9.8	4.9	4.9	2.7%	1.3%	1.4%
Alphagan®/Combigan®	175.1	169.3	5.8	4.0	1.8	3.4%	2.3%	1.1%
Ozurdex®	213.4	179.0	34.4	32.4	2.0	19.2%	18.1%	1.1%
Optive®	114.1	101.9	12.2	9.5	2.7	12.0%	9.4%	2.6%
Other Eye Drops	166.9	174.3	(7.4)	(8.4)	1.0	(4.2)%	(4.8)%	0.6%
Restasis®	61.3	68.0	(6.7)	(5.9)	(0.8)	(9.9)%	(8.7)%	(1.2)%
Other Eye Care	179.8	165.2	14.6	11.5	3.1	8.8%	6.9%	1.9%
Total Medical Aesthetics	**1,366.6**	**1,064.6**	**302.0**	**301.3**	**0.7**	**28.4%**	**28.3%**	**0.1%**
Facial Aesthetics	**1,104.5**	**902.7**	**201.8**	**202.1**	**(0.3)**	**22.4%**	**22.4%**	**0.0%**
Botox® Cosmetics	557.0	480.0	77.0	83.5	(6.5)	16.0%	17.4%	(1.4)%
Juvederm® Collection	540.7	420.4	120.3	114.2	6.1	28.6%	27.1%	1.5%
Belkyra® (Kybella®)	6.8	2.3	4.5	4.4	0.1	195.7%	191.4%	4.3%
Plastic Surgery	**158.6**	**150.7**	**7.9**	**7.3**	**0.6**	**5.2%**	**4.8%**	**0.4%**
Breast Implants	156.9	149.9	7.0	6.4	0.6	4.7%	4.3%	0.4%
Earfold™	1.7	0.8	0.9	0.9	-	112.5%	112.5%	n.a.
Regenerative Medicine	**16.5**	**-**	**16.5**	**16.5**	**-**	**n.a.**	**n.a.**	**n.a.**
Alloderm®	**7.5**	**-**	**7.5**	**7.5**	**-**	**n.a.**	**n.a.**	**n.a.**
Other Regenerative Medicine	9.0	-	9.0	9.0	-	n.a.	n.a.	n.a.
Body Contouring	73.7	-	73.7	73.7	-	n.a.	n.a.	n.a.
Coolsculpting® Systems & Add On Applicators	32.1	-	32.1	32.1	-	n.a.	n.a.	n.a.
Coolsculpting® Consumables	41.6	-	41.6	41.6	-	n.a.	n.a.	n.a.
Skin Care	**13.3**	**11.2**	**2.1**	**1.7**	**0.4**	**18.8%**	**15.2%**	**3.6%**
Botox® Therapeutics and Other	**587.4**	**537.3**	**50.1**	**43.6**	**6.5**	**9.3%**	**8.1%**	**1.2%**
Botox® Therapeutics	357.5	323.0	34.5	30.1	4.4	10.7%	9.3%	1.4%
Asacol®/Delzicol®	50.2	53.7	(3.5)	(2.3)	(1.2)	(6.5)%	(4.3)%	(2.2)%
Constella®	21.9	17.3	4.6	4.5	0.1	26.6%	26.0%	0.6%
Other Products	157.8	143.3	14.5	11.3	3.2	10.1%	7.9%	2.2%
Other revenues	**83.4**	**60.0**	**23.4**	**22.4**	**1.0**	**39.0%**	**37.3%**	**1.7%**
Net revenues	**3,319.5**	**2,881.3**	**438.2**	**415.3**	**22.9**	**15.2%**	**14.4%**	**0.8%**
Operating expenses:								
Cost of sales[1]	478.7	418.2	60.5	55.4	5.1	14.5%	13.3%	1.2%
Selling and marketing	913.8	788.2	125.6	114.7	10.9	15.9%	14.5%	1.4%
General and administrative	120.6	117.2	3.4	2.3	1.1	2.9%	2.0%	0.9%
Segment contribution	**1,806.4**	**1,557.7**	**248.7**	**242.9**	**5.8**	**16.0%**	**15.6%**	**0.4%**
Segment margin	54.4%	54.1%				0.3%		
Segment gross margin[2]	85.6%	85.5%				0.1%		

DIRECTORS' REPORT - continued

Key performance indicators - continued

International Segment – continued

(1) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.
(2) Defined as net revenues less segment related cost of sales as a percentage of net revenues.

Net Revenues

The increase in net revenues in the year ended December 31, 2017 over the prior period is primarily due to the operational growth of total Facial Aesthetics, Eye Care and Botox® Therapeutics, as well as the acquisition of Zeltiq, which contributed $73.7 million of net revenues during the year ended December 31, 2017. Within Total Eye Care, Ozurdex® increased $34.4 million, or 19.2% versus the prior year period, primarily driven by demand growth. Within Facial Aesthetics, Juvederm® Collection revenues increased $120.3 million, or 28.6% versus the prior year period, primarily resulting from demand growth. Botox® Cosmetics sales grew 16.0% driven by demand growth. Botox® Therapeutics sales also grew 10.7% driven by demand growth. International operational growth came from all regions primarily driven by Facial Aesthetics.

In the first quarter of 2017, the Company announced a realignment of its International Commercial organization. As a result of this realignment, future promotional priorities among the International portfolio as compared to the results for the year ended December 31, 2017, may shift and as such revenues by product may be impacted.

Cost of Sales

The increase in cost of sales was primarily due to the increase in net revenues. Segment gross margins of 85.6% for the year ended December 31, 2017 remained consistent with the prior year.

Selling and Marketing Expenses

The increase in selling and marketing expenses relates to the addition of Zeltiq, which contributed spending of $39.0 million, as well as increased promotional spending associated with Ozurdex®, Botox® Cosmetics and the Juvederm® Collection and recent product launches.

General and Administrative Expenses

General and administrative expenses are in line period-over-period.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Corporate

Corporate represents the results of corporate initiatives as well as the impact of select revenues and shared costs. The following represents the corporate amounts for the years ended December 31, 2017 and 2016 ($ in millions):

	Year Ended December 31, 2017						
	Integration	Non-Acquisition Related Restructuring	Fair Value Adjustments	Effect of Purchase Accounting	Other	Revenues and Shared Costs	Total
	$	$	$	$	$	$	$
Net revenues	-	-	-	-	-	21.4	21.4
Operating expenses:							
Cost of sales[1]	8.0	61.5	(183.2)	136.3	12.5	314.9	350.0
Selling and marketing	29.5	80.8	-	33.1	0.5	3.5	147.4
General and administrative	138.8	32.8	-	49.0	97.4	677.8	995.8
Contribution	**(176.3)**	**(175.1)**	**183.2**	**(218.4)**	**(110.4)**	**(974.8)**	**(1,471.8)**

(1) Excludes amortization and impairment of acquired intangibles including product rights.

	Year Ended December 31, 2016						
	Integration and Restructuring	Fair Value Adjustments	Effect of Purchase Accounting	Reclassification of Sales Distributed Through Anda to Discontinued Operations	Other	Revenues and Shared Costs	Total
	$	$	$	$	$	$	$
Net revenues	-	-	-	(80.0)	-	33.7	(46.3)
Operating expenses:							
Cost of sales[1]	23.0	(17.4)	50.5	(78.2)	-	294.0	271.9
Selling and marketing	82.5	-	65.4	-	-	7.6	155.5
General and administrative	269.6	24.3	80.5	-	136.3	496.9	1,007.6
Contribution	**(375.1)**	**(6.9)**	**(196.4)**	**(1.8)**	**(136.3)**	**(764.8)**	**(1,481.3)**

(1) Excludes amortization and impairment of acquired intangibles including product rights.

Integration

In the year ended December 31, 2017, integration and restructuring charges included costs related to the integration of LifeCell and Zeltiq. In the year ended December 31, 2016, integration and restructuring charges

DIRECTORS' REPORT - continued

Key performance indicators - continued

Corporate – continued

primarily related to the integration of the Legacy Allergan business as well as charges incurred with the terminated merger with Pfizer, Inc. of $124.9 million.

Non-Acquisition Related Restructuring

In the year ended December 31, 2017, the Company incurred restructuring charges of its internal infrastructure. The restructuring programs included a mid-year commercial initiative as well as the December 2017 program. As part of these initiatives, the Company has reduced its employee headcount within selling and marketing by approximately 350 as of December 31, 2017 and is reducing its employee headcount within cost of sales, selling and marketing and general and administrative by approximately 900 employees in the year ended December 31, 2018.

Fair Value Adjustments

Fair value adjustments primarily relate to changes in estimated contingent liabilities which is based on future amounts to be paid based on achievement of sales levels for the respective products. The income recorded in the year ended December 31, 2017 primarily relates to reduced or delayed revenue forecasts for select products including Rhofade® and Liletta®.

Effect of Purchase Accounting

In the year ended December 31, 2017, the Company incurred purchase accounting effects of $131.7 million in cost of sales related to the fair value inventory step-up from the LifeCell and Zeltiq acquisitions as products were sold to the Company's third-party customers. In the year ended December 31, 2016, the Company incurred purchase accounting effects of $42.4 million in cost of sales primarily related to the fair value inventory step-up from the Allergan and Forest acquisitions as products were sold to the Company's third party customers.

In the year ended December 31, 2017, the Company incurred charges related to the purchase accounting impact on stock-based compensation related to the Allergan, Forest and Zeltiq acquisitions, which increased cost of sales, selling and marketing and general and administrative expenses, including a cash stock-based compensation charge of $31.5 million associated with the Zeltiq Acquisition. In the year ended December 31, 2016, the Company incurred charges related to the purchase accounting impact on stock-based compensation related to the Allergan and Forest acquisitions, which increased cost of sales, selling and marketing and general and administrative expenses.

Other

In the year ended December 31, 2017, general and administrative costs included legal settlement charges of $96.5 million. In the year ended December 31, 2016, general and administrative costs included legal settlement charges of $117.3 million.

Revenues and Shared Costs

Shared costs primarily include above site and unallocated costs associated with running our global manufacturing facilities and corporate general and administrative expenses. In the year ended December 31, 2017, the Company

DIRECTORS' REPORT - continued

Key performance indicators - continued

Corporate – continued

incurred transactional foreign exchange losses of $97.5 million versus transactional foreign exchange gains of $52.8 million, excluding mark-to-market unrealized losses for foreign currency option contracts, in the year ended December 31, 2016.

Research and Development Expenses

R&D expenses consist predominantly of personnel-related costs, active pharmaceutical ingredient costs, contract research, license and milestone fees, biostudy and facilities costs associated with product development. R&D expenses consisted of the following components in the years ended December 31, 2017 and 2016 ($ in millions):

	Years Ended December 31,		Change	
	2017	2016	Dollars	Percentage
	$	$	$	%
Ongoing operating expenses	1,598.8	1,433.8	165.0	11.5%
Brand related milestone payments and upfront license payments	391.8	1,134.7	(742.9)	(65.5)%
Contingent consideration adjustments, net	50.0	(71.1)	121.1	(170.3)%
Acquisition, integration, and restructuring charges	41.2	24.5	16.7	68.2%
Acquisition accounting fair market value adjustments to stock-based compensation	18.3	53.8	(35.5)	(66.0)%
Total R&D Expenses	**2,100.1**	**2,575.7**	**(475.6)**	**(18.5)%**

The increase in ongoing operating expenses in the year ended December 31, 2017 versus the prior year period is primarily due to increased product development spending primarily in the Central Nervous System and Gastrointestinal therapeutic areas coupled with higher personnel costs.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Research and Development Expenses – continued

The following represents brand related milestone payments and upfront license payments in the years ended December 31, 2017 and 2016, respectively ($ in millions):

	Years Ended December 31,	
	2017	**2016**
	$	**$**
AstraZeneca plc	-	250.0
Lysomal Therapeutics, Inc.	145.0	-
Editas Medicine, Inc.	90.0	-
Assembly Biosciences, Inc.	50.0	-
Lyndra, Inc.	15.0	-
Motus Therapeutics, Inc.	-	199.5
Chase Pharmaceuticals Corporation	-	122.9
Heptares Therapeutics, Ltd	15.0	125.0
Merck & Co.	-	100.0
Anterios, Inc.	-	89.2
Topokine Therapeutics, Inc.	-	85.8
RetroSense Therapeutics, LLC	-	59.7
Akarna Therapeutics, Ltd	39.6	48.2
Other	37.2	54.4
Total	**391.8**	**1,134.7**

In the year ended December 31, 2017, the adjustment to contingent consideration primarily related to the advancement of the Company's True Tear™ product and products acquired as part of the Tobira Acquisition. In the year ended December 31, 2016, the Company had net contingent consideration income of $71.1 million primarily driven by ongoing R&D projects that were terminated based on clinical data acquired in the Allergan Acquisition, which was offset by additional contingent consideration expense relating to milestones achieved in connection with the AqueSys and Allergan Acquisitions.

Acquisition, integration and restructuring charges in the year ended December 31, 2017 includes $37.1 million of severance and restructuring costs related to a planned internal reduction of approximately 200 R&D employees and reduction of headcount due to the integration of acquired businesses.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Selling, General and Administrative Excluded From Segments and Corporate Designation

Our SG&A expenses were comprised of the following for the years ended December 31, 2017 and 2016 ($ in millions):

	Years Ended December 31,		Change	
	2017	2016	Dollars	Percentage
	$	$	$	%
Selling and Marketing	3,367.4	3,110.9	256.5	8.2%
General and Administrative	506.1	466.3	39.8	8.5%
Total Segment SG&A	**3,873.5**	**3,577.2**	**296.3**	**8.3%**
Selling and Marketing	147.4	155.5	(8.1)	(5.2)%
General and Administrative	995.8	1,007.6	(11.8)	(1.2)%
Total Corporate SG&A	**1,143.2**	**1,163.1**	**(19.9)**	**(1.7)%**
Amortization	7,197.1	6,470.4	726.7	11.2%
Asset sales and impairments, net	3,927.7	5.0	3,922.7	n.m.
In-process research and development and impairments	1,452.3	743.9	708.4	95.2%
Total SG&A excluded from segments and corporate designation	**12,577.1**	**7,219.3**	**5,357.8**	**74.2%**
Total SG&A	**17,593.8**	**11,959.6**	**5,634.2**	**47.1%**

Amortization

Amortization for the year ended December 31, 2017 increased as compared to the prior period primarily as a result of amortization related to the acquired LifeCell and Zeltiq products of $172.0 million, an increase in amortization for Restasis® based on a revised estimated useful life subsequent to the impairment charge taken in the quarter ended September 30, 2017, as well as amortization from approved products during the year ended December 31, 2016 and the year ended December 31, 2017.

IPR&D Impairments and Asset Sales and Impairments, Net

In the year ended December 31, 2017 the Company recorded the following significant impairments:

- The U.S. District Court for the Eastern District of Texas issued an adverse trial decision finding that the four asserted patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05% are invalid. As a result of our review of all potential scenarios relating to these assets and our assessment of the decreased likelihood of revenue extending through the full patent term of 2024, the Company recognized an impairment of $3,230.0 million related to Restasis® as well as $170.0 million related to other Dry Eye IPR&D assets obtained in the Allergan acquisition;
- The Company impaired the intangible asset related to Aczone® by $646.0 million as a result of recent market dynamics, including erosion in the brand acne market, an anticipated decline in the market outlook, and recent generic entrants;
- The Company impaired a CNS IPR&D project obtained as part of the Allergan acquisition by $486.0 million related to an anticipated approval delay due to certain product specifications;

DIRECTORS' REPORT - continued

Key performance indicators - continued

IPR&D Impairments and Asset Sales and Impairments, Net – continued

- The Company impaired an IPR&D asset acquired as part of the Warner Chilcott acquisition by $278.0 million, due to a termination of a launch of a women's healthcare project due to a decrease in product demand;
- The Company impaired an IPR&D eye care project obtained as part of the Allergan acquisition by $209.0 million due to an anticipated delay in launch;
- The Company terminated its License, Transfer and Development Agreement for SER-120 (nocturia) with Serenity Pharmaceuticals, LLC. As a result of this termination, the Company recorded an impairment of $140.0 million on the IPR&D intangible asset obtained as part of the Allergan acquisition;
- The Company impaired a women's healthcare IPR&D project by $91.3 million based on the Company's intention to divest the non-strategic asset; and
- The Company impaired an IPR&D medical aesthetics project obtained as part of the Allergan acquisition by $29.0 million.

In the year ended December 31, 2016 the Company recorded the following significant impairments:

- The Company recognized approximately $210.0 million in impairments relating to a urology product acquired in the Allergan Acquisition due to clinical data not supporting continuation of the R&D study. This impairment was offset, in part, by a reduction of the contingent liability of $186.0 million which reduced overall R&D expenses;
- The Company recognized approximately $106 million in impairments relating to a migraine treatment acquired in the Allergan Acquisition based on a decrease in projected cash flows due to a delay in potential launch;
- The Company recognized approximately $46.0 million in impairments relating to the atopic dermatitis pipeline candidate acquired in the Vitae Acquisition;
- The Company recognized approximately $33.0 million in impairments of the acquired ForSight IPR&D asset as the Company anticipates a delay in potential launch timing. Offsetting this impairment was a corresponding reduction of acquired contingent consideration of $15.0 million, which reduced overall R&D expenses;
- The Company recognized approximately $42.0 million in IPR&D impairments on a gastroenterology project based on the lack of future availability of active pharmaceutical ingredients;
- The Company recognized approximately $190.0 million in IPR&D impairments due to the termination of an osteoarthritis R&D project due to clinical results;
- The Company impaired IPR&D assets relating to an international eye care pipeline project of $35.0 million based on a decrease in projected cash flows due to market conditions;
- The Company impaired IPR&D assets of $40.0 million for a Botox® premature ejaculation product based on a decrease in projected cash flows; and
- The Company recognized $24.0 million in IPR&D impairments relating to the termination of a women's healthcare R&D project due to clinical results.

Asset sales and impairments, net in the year ended December 31, 2016, included the gain on the sale of certain investments, offset in part by the impairment of intellectual property for Nuvessa® based on revised cash flow forecasts.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Interest Income

Our interest income was comprised of the following for the years ended December 31, 2017 and 2016:

	Years Ended December 31,		Change	
($ in millions)	**2017**	**2016**	**Dollars**	**Percentage**
	$	**$**	**$**	**%**
Interest income	67.7	69.9	(2.2)	(3.1)%

Interest income represents interest earned on cash and cash equivalents and marketable securities held during the respective periods.

Interest Expense and Similar Items

Our interest expense and similar items was comprised of the following for the years ended December 31, 2017 and 2016:

	Years Ended December 31,		Change	
($ in millions)	**2017**	**2016**	**Dollars**	**Percentage**
	$	**$**	**$**	**%**
Fixed Rate Notes	1,030.5	1,140.0	(109.5)	(9.6)%
Floating Rate Notes	25.9	21.7	4.2	19.4%
Euro Denominated Notes	19.8	-	19.8	n.a.
Term Loan Indebtedness	-	116.2	(116.2)	(100.0)%
Revolving Credit Facility	-	2.6	(2.6)	(100.0)%
Debt extinguishment costs as part of the debt tender offer	161.6	-	161.6	n.a.
Debt extinguishment other	27.6	-	27.6	n.a.
Other	19.4	15.1	4.3	28.5%
Interest expense and similar items	**1,284.8**	**1,295.6**	**(10.8)**	**(0.8)%**

Interest Expense on Indebtedness

Interest expense on indebtedness in the year ended December 31, 2017 decreased versus the year ended December 31, 2016 due to the pay down of term loan indebtedness with use of proceeds received in the Teva Transaction as well as scheduled maturities and early debt extinguishment of senior secured notes.

Debt Extinguishment Costs as Part of the Debt Tender Offer

In the year ended December 31, 2017, the Company repaid $2,843.3 million of senior notes. As a result of the extinguishment, the Company recognized a loss of $161.6 million, within "Other (expense) / income" for the early tender payment and non-cash write-off of premiums and debt fees related to the repurchased notes, including $170.5 million of a make-whole premium.

Debt Extinguishment Other

In the year ended December 31, 2017, the Company repaid $750.0 million of senior notes due in the year ending December 31, 2019. As a result of the extinguishment, the Company recognized a loss of $27.6 million, within

DIRECTORS' REPORT - continued

Key performance indicators - continued

Debt Extinguishment Other – continued

"Other (expense) / income" for the early payment and non-cash write-off of premiums and debt fees related to the repaid notes, including $35.1 million of a make-whole premium.

Other (Expense) / Income

Our other (expense) / income was comprised of the following for the years ended December 31, 2017 and 2016:

	Years Ended December 31,		Change	
($ in millions)	**2017**	**2016**	**Dollars**	**Percentage**
	$	**$**	**$**	**%**
Teva Share Activity	(3,269.3)	-	(3,269.3)	n.a.
Other-than-temporary impairments	(26.1)	-	(26.1)	n.a.
Dividend income	85.2	68.2	17.0	24.9%
Naurex recovery	20.0	-	20.0	n.a.
Forward sale of Teva shares	(62.9)	-	(62.9)	n.a.
Pfizer termination fee	-	150.0	(150.0)	(100.0%)
Other income / (expense)	5.0	1.0	4.0	400.0%
Other (expense) / income	**(3,248.1)**	**219.2**	**(3,467.3)**	**(1,581.8)%**

DIRECTORS' REPORT - continued

Key performance indicators - continued

Teva Share Activity

During the year ended December 31, 2017, the Company recorded the following movements in its investment in Teva securities (defined herein as "Teva Share Activity") as follows ($ in millions except per share information):

in millions except per share amounts	Shares	Cost Basis	Market Price	Discount	Movement in the Value of Marketable Securities	Unrealized Gain /(Loss) as a Component of Other Comprehensive Income	Gain /(Loss) Recognized in Other Income (Expense), Net
	Number	$	$	%	$	$	$
Teva securities as of December 31, 2016	**100.3**	**53.39**	**36.25**	**5.4**	**3,439.2**	**(1,599.4)**	**-**
Other-than-temporary impairment recognized at March 31, 2017	100.3	32.09	32.09	4.9	(378.6)	1,599.4	(1,978.0)
Other-than-temporary impairment recognized at September 30, 2017	100.3	17.60	17.60	0.0	(1,295.5)	-	(1,295.5)
Sales during the twelve months ended December 31, 2017	(4.4)	n.a.	n.a.	0.0	(76.7)	-	4.2
Other fair value movements in the twelve months ended December 31, 2017	95.9	17.60	18.95	0.0	129.3	129.3	-
Teva securities as of and for the twelve months ended December 31, 2017	**95.9**	**17.60**	**18.95**	**0.0**	**1,817.7**	**129.3**	**(3,269.3)**

As of December 31, 2017, the Company owned 95.9 million Teva ordinary shares, which are subject to changes in value based on the price of Teva shares. Subsequent to December 31, 2017, the Company has sold an additional 11.5 million Teva ordinary shares for $230.3 million.

Forward Sale of Teva Shares

In the year ended December 31, 2017, the Company recorded a $62.9 million loss on the fair value of the derivative for the forward sale of 25.0 million Teva securities. The ASR was settled on January 12, 2018 for $413.3 million.

On February 13, 2018, the Company entered into additional forward sale transactions under which we sold approximately 25.0 million Teva shares. The value of the shares will be based on the volume weighted average price of Teva shares plus a premium and is expected to settle during the second quarter of 2018. As a result of the transaction, the Company received 80% of the proceeds, or approximately $372.0 million, with the remainder of the proceeds being delivered upon settlement.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Other-than-temporary Impairments

The Company recorded other-than-temporary impairment charges on other equity investments and cost method investments of $26.1 million in the year ended December 31, 2017.

Dividend Income

As a result of the Teva Transaction, the Company acquired 100.3 million Teva ordinary shares. During the years ended December 31, 2017 and 2016, the Company received dividend income of $85.2 million and $68.2 million, respectively.

Naurex Recovery

On August 28, 2015, the Company acquired certain products in early stage development of Naurex, Inc. in an all-cash transaction, which was accounted for as an asset acquisition. The Company received a purchase price reduction of $20.0 million in the year ended December 31, 2017 based on the settlement of an open contract dispute.

Pfizer Termination Fee

In the year ended December 31, 2016, the Company received a payment of $150.0 million from Pfizer Inc. ("Pfizer") for reimbursement of expenses associated with the termination of a merger agreement between the Company and Pfizer which is reported as other income.

(Benefit) for Income Taxes

Our (benefit) for income taxes was comprised of the following for the years ended December 31, 2017 and 2016:

	Years Ended December 31,		Change	
($ in millions)	**2017**	**2016**	**Dollars**	**Percentage**
	$	**$**	**$**	**%**
(Benefit) for income taxes	(6,670.4)	(1,897.0)	(4,773.4)	251.6%
Effective tax rate	(64.2)%	(67.0)%		

DIRECTORS' REPORT - continued

Key performance indicators - continued

(Benefit) for Income Taxes – continued

The Company's effective tax rate for the twelve months ended December 31, 2017 was a benefit of (64.2%) compared to a benefit of (67.0%) for the twelve months ended December 31, 2016. The reconciliations between the statutory Irish tax rates for Allergan plc and the effective income tax rates were as follows:

	Allergan plc Years Ended December 31,	
	2017	**2016**
Statutory rate	(12.5)%	(12.5)%
Earnings subject to the U.S. [1] [2]	(17.8)%	(37.5)%
Earnings subject to rates different than the statutory rate [1][2]	2.5%	(18.3)%
Impact of tax reform [3]	(27.2)%	0.0%
Tax reserves and audit outcomes	0.4%	(0.7)%
Non-deductible expenses	0.2%	3.1%
Impact of acquisitions and reorganizations [4]	(9.3)%	3.1%
Tax credits and U.S. manufacturing deduction	(1.5)%	(3.1)%
Rate changes[5]	(1.2)%	(7.4)%
Valuation allowances[6]	2.2%	6.5%
Other	0.0%	(0.2)%
Effective income tax rate	(64.2)%	(67.0)%

The material drivers of the period-over-period tax rate movements are as follows:

(1) The benefit to the 2017 effective tax rate was lower as compared to 2016 due to proportionately fewer losses in jurisdictions with tax rates higher than the Irish statutory rate.

(2) In 2017, the Company recorded amortization expense of $7.20 billion and impairment charges of $8.65 billion, including Teva Share Activity. A significant portion of these amounts were incurred in jurisdictions with tax rates higher than the Irish statutory rate resulting in a net $1,262.2 million favorable impact on the 2017 effective tax rate.

(3) As part of the enactment of the TCJA, the Company recorded a provisional net deferred tax benefit of $2.8 billion related to the change in tax rates applicable to our deferred tax liabilities, the net reversal of amounts previously accrued for taxes on unremitted earnings of certain non-U.S. subsidiaries and the tax on the deemed repatriation of the Deferred Foreign Earnings of certain non-U.S. subsidiaries (toll charge). These provisional amounts will be finalized in 2018 or upon the finalization of the 2018 financial results. See "Note 16—Income Taxes" to the Consolidated Financial Statements for additional details on the TCJA.

(4) In 2017, the Company recorded a tax benefit of $895.3 million for deferred taxes related to basis differences in investments expected to reverse at tax rates different than were initially recorded. This resulted in a more favorable impact on the effective tax rate as compared to 2016.

(5) As a result of changes in tax rates applied to the Company's deferred tax liabilities in France and U.S. states, the Company recorded a benefit of $128.1 million.

(6) In 2017, the Company recorded a valuation allowance of $230.1 million related to capital losses and foreign tax credit carryforwards not expected to be realized. The amount was mostly offset by benefits recorded in 2017 for these capital losses and foreign tax credits.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Discontinued Operations

On July 27, 2015, the Company announced that it entered into the Teva Transaction, which closed on August 2, 2016. On October 3, 2016, the Company completed the divestiture of the Anda Distribution business to Teva for $500.0 million. The Company recognized a combined gain on the sale of the Anda Distribution business and the sale of the global generics business of $15,932.2 million.

The Company notes the following reconciliation of the proceeds received in the combined transaction to the gain recognized in income from discontinued operations in 2016 ($ in millions):

	$
Net cash proceeds received	33,804.2
August 2, 2016 fair value of Teva shares	5,038.6
Total Proceeds	**38,842.8**
Net assets sold to Teva, excluding cash	(12,487.7)
Other comprehensive income disposed	(1,544.8)
Deferral of proceeds relating to additional elements of agreements with Teva	(299.2)
Pre-tax gain on sale of generics business and Anda Distribution business	**24,511.1**
Income taxes	(8,578.9)
Net gain on sale of generics business and Anda Distribution business	**15,932.2**

In October 2016, pursuant to our agreement with Teva, Teva provided the Company with its proposed estimated adjustment to the closing date working capital balance. The Company disagreed with Teva's proposed adjustment, and, pursuant to our agreement with Teva, each of the Company's and Teva's proposed adjustments were submitted to arbitration to determine the working capital amount in accordance with GAAP as applied by the Company consistent with past practice. Teva initially proposed an adjustment of approximately $1.4 billion and subsequently submitted a revised adjustment of approximately $1.5 billion to the arbitrator. In addition, on October 30, 2017, Teva submitted a Notice of Direct and Third Party Claims seeking indemnification for virtually all of the same items for which Teva sought a proposed adjustment in the Working Capital Arbitration as well as several new items as to which no quantity of damages had been asserted.

On January 31, 2018, Allergan plc and Teva entered into the Agreement. The Agreement provides that the Company will make a one-time payment of $700.0 million to Teva; the Company and Teva will jointly dismiss their working capital dispute arbitration, and the Company and Teva will release all actual or potential claims under the Teva Master Purchase Agreement that are known as of the date of the Agreement. The Company recorded a pre-tax charge of $466.0 million as a component of other (expense) / income, net from discontinued operations relating to the settlement in the year ended December 31, 2017.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Discontinued Operations – continued

Financial results of the global generics business and the Anda Distribution business are presented as "(Loss) / income from discontinued operations, net of tax" on the Consolidated Profit and Loss Accounts for the years ended December 31, 2017 and 2016.

The following table presents key financial results of the global generics business and the Anda Distribution business included in "(Loss) / income from discontinued operations, net of tax" for the years ended December 31, 2017 and 2016 ($ in millions):

	For the YearsEnded December 31,	
	2017	**2016**
	$	**$**
Net revenues	**-**	**4,504.3**
Cost of sales	-	(2,798.3)
Gross profit	**-**	**1,706.0**
Selling, general and administrative expenses	(20.0)	(783.5)
Research and development	-	(269.4)
Other (expense) / income	(470.4)	15,932.2
(Loss) / income before taxes	**(490.4)**	**16,585.3**
Benefit / (provision) for income taxes	87.5	(670.8)
(Loss) / income	**(402.9)**	**15,914.5**

The operating income reflects approximately seven months of operating activity of the Company's former generics business in the year ended December 31, 2016 and approximately nine months of operating activity of the Anda Distribution business in the year ended December 31, 2016. "Other (expense) / income, net" included the gain on sale of the businesses to Teva.

For the year ended December 31, 2016, the Company recorded a deferred tax expense of $462.2 million to adjust its deferred tax assets related to investments in certain subsidiaries. The recognition of this expense has been reflected in "(Loss) / income from discontinued operations, net of tax." Upon the closing of the Teva Transaction, the Company recorded the reversal of the corresponding deferred tax assets of $5,276.6 million against the current income taxes payable in continuing operations.

(Loss) / Income

Due to the factors described above, we reported (loss) / income of ($4,118.9) million and $14,979.5 million in the years ended December 31, 2017 and 2016, respectively.

Principal risks and uncertainties

Any statements made in this report that are not statements of historical fact or that refer to estimated or anticipated future events are forward-looking statements, as contemplated in the Private Securities Litigation Reform Act of 1995. We have based our forward-looking statements on management's beliefs and assumptions

DIRECTORS' REPORT - continued

Principal risks and uncertainties - continued

based on information available to our management at the time these statements are made. Such forward-looking statements reflect our current perspective of our business, future performance, existing trends and information as of the date of this filing. These include, but are not limited to, our beliefs about future revenue and expense levels and growth rates, prospects related to our strategic initiatives and business strategies, including the integration of, and synergies associated with, strategic acquisitions, express or implied assumptions about government regulatory action or inaction, anticipated product approvals and launches, business initiatives and product development activities, assessments related to clinical trial results, product performance and competitive environment, and anticipated financial performance.

Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "plan," "intend," "could," "would," "should," "estimate," "continue," or "pursue," or the negative or other variations thereof or comparable terminology, are intended to identify forward-looking statements. The statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. We caution the reader that these statements are based on certain assumptions, risks and uncertainties, many of which are beyond our control.

In addition, certain important factors may affect our actual operating results and could cause such results to differ materially from those expressed or implied by forward-looking statements. We believe the risks and uncertainties discussed under the section entitled "Risks Related to Our Business," and other risks and uncertainties detailed herein and from time to time in our SEC filings, may cause our actual results to vary materially from those anticipated in any forward-looking statement.

We operate in a rapidly changing environment that involves a number of risks and uncertainties, some of which are beyond our control. The following discussion highlights some of these risks and speaks as of the date of this report. These and other risks could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Risks Related to Our Business

Global economic conditions could harm us.

While global economic conditions have been fairly stable as a whole in recent years, continued concerns about the systemic impact of potential geopolitical issues and economic policy uncertainty, particularly in areas in which we operate, could potentially cause economic and market instability in the future and could adversely affect the Company's business, including the Company's financial performance.

Challenging economic conditions could result in tighter credit conditions. The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads, which could adversely affect the ability of third-party distributors, partners, manufacturers and suppliers to buy inventory or raw materials and to perform their obligations under agreements with us, which could disrupt our operations, and which could adversely affect the liquidity and financial conditions of our customers.

Global efforts towards health care cost containment continue to exert pressure on product pricing and market access. In many international markets, government-mandated pricing actions have reduced prices of patented drugs. Some countries may be subject to periods of financial instability or may have reduced resources to spend on healthcare or may be or will be in the future subject to economic sanctions, and our business in these countries may be disproportionately affected by these changes. In addition, the currencies of some countries may

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Global economic conditions could harm us. – continued

depreciate against the U.S. Dollar substantially and if the Company is unable to offset the impact of such depreciation, then the Company's financial performance within such countries could be adversely affected.

If we are unable to successfully develop or commercialize new products, our operating results will suffer.

Our future results of operations depend to a significant extent upon our ability to successfully develop and commercialize new products in a timely manner. There are numerous difficulties in developing and commercializing new products, including:

- developing, testing and manufacturing products in compliance with regulatory standards in a timely manner;
- receiving requisite regulatory approvals for such products in a timely manner, or at all;
- the availability, on commercially reasonable terms, of raw materials, including API and other key ingredients;
- preclusion from commercialization by the proprietary rights of others;
- developing products that are economical to manufacture and commercialize;
- time consuming and costly nature of developing and commercializing new products;
- costly legal actions brought by our competitors that may delay or prevent the development and commercialization of new products;
- delays as a result of limited resources at the FDA or other regulatory agencies;
- changing review and approval policies and standards at the FDA and other regulatory agencies; and
- completion of numerous other regulatory approvals in international markets.

As a result of these and other difficulties, products currently in development by us may or may not receive timely regulatory approvals necessary for marketing by us or other third-party partners, or approvals at all. This risk because of the uncertainties, higher costs and lengthy time frames associated with R&D of our proprietary products and the inherent unproven market acceptance of such products. Our operating results and financial condition may fluctuate as the amount we spend to research and develop, promote, acquire or license new products, technologies and businesses changes. If any of our products or any products that we sell pursuant to license, distribution or similar agreements with third-party partners are not approved in a timely manner or, when acquired or developed and approved, cannot be successfully manufactured or commercialized in a timely manner, our operating results could be adversely affected. We cannot guarantee that any investment we make in developing products will be recouped, even if we are successful in commercializing those products. Refer to "Our expenditures may not result in commercially successful products."

Our expenditures may not result in commercially successful products.

Developing and commercializing branded pharmaceutical products is generally more costly than developing and commercializing generic products. In order to grow and achieve success in our business, we must continually identify, develop, acquire and license new products that we can ultimately market. In the future, we anticipate continuing and increasing our product development expenditures. There are many difficulties and uncertainties inherent in pharmaceutical research and development, and there is a high rate of failure inherent in new drug discovery and development. Failure can occur at any point in the process, including late in the process after substantial investment. New product candidates that appear promising in development may fail to reach the

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Our expenditures may not result in commercially successful products. – continued

market or may have only limited commercial success because of efficacy or safety concerns, inability to obtain necessary regulatory approvals and payer reimbursement, limited scope of approved uses, difficulty or excessive costs to manufacture, or infringement of the patents or intellectual property rights of others. Products that do reach the market may ultimately be subject to recalls or other suspensions in sales. Delays and uncertainties in the FDA approval process and the approval processes in other countries can result in delays in product launches and lost market opportunity. Because there is a high rate of failure inherent in the research and development process of new products, there is a significant risk that funds invested by the Company in research and development will not generate financial returns. The Company cannot be certain when or whether any of its products currently under development will be approved or launched or whether, once launched, such products will be commercially successful.

We may be required to spend several years and incur substantial expense in completing certain clinical trials. The length of time, number of trial sites and patients required for clinical trials vary substantially, and we may have difficulty finding a sufficient number of sites and subjects to participate in our trials. Delays in planned clinical trials can result in increased development costs, delays in regulatory approvals and delays in product candidates reaching the market. We rely on independent third-party clinical investigators to recruit subjects and conduct clinical trials in accordance with applicable study protocols and laws and regulations. If regulatory authorities determine that we have not complied with regulations in the R&D of a product candidate, they may refuse to accept trial data from the site and/or not approve the product candidate, and we would not be able to market and sell that product. If we are not able to market and sell our products after significant expenditures to develop and test them, our business and results of operations could be materially and adversely affected.

We currently have products in various stages of development, including new opthamology, women's health and CNS products, among others. Such clinical trials are costly and may not result in successful outcomes. The results of preclinical studies and early clinical studies may not be predictive of the results of later-stage clinical studies. Product candidates that have shown promising results in early-stage clinical studies may still suffer significant setbacks in subsequent clinical studies. There is a high rate of failure for products proceeding through clinical studies, and product candidates in later stages of clinical studies may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical studies. Clinical studies may not proceed as planned or be completed on schedule, if at all. The rate of completion of clinical trials is significantly dependent upon a number of factors, including the rate of patient enrollment. We may not be able to attract a sufficient number of sites or enroll a sufficient number of patients in a timely manner in order to complete clinical trials. Moreover, nonclinical and clinical data are often susceptible to varying interpretations and analyses, and our data may not provide adequate efficacy and safety information to obtain regulatory approval of our candidates. We cannot be sure that our business expenditures, including but not limited to our expenditures related to internally developed products, our Esmya™ product, products acquired in past acquisitions, or products of our third-party partners, among others, will result in the successful discovery, development or launch of branded products that will prove to be commercially successful or will improve the long-term profitability of our business. If such business expenditures do not result in successful discovery, development or launch of commercially successful branded products our results of operations and financial condition could be materially adversely affected.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

If any of our major products become subject to problems, our business could be adversely affected.

We recorded direct product revenues of more than $500 million for the following pharmaceutical products: Botox®, the Juvederm Collection, Linzess®/Constella®, Lumigan®/Ganfort®, Bystolic®/Byvalson®, and Alphagan®/Combigan® and Restasis®. Those products and revenues accounted for 51.8% of our total revenues in 2017. These products, as well as our other major products, may become subject to problems such as loss of patent protection (if applicable), changes in prescription growth rates, material product liability litigation, unexpected side effects, regulatory proceedings, publicity affecting doctor or patient confidence, pressure from existing or new competitive products or changes in labeling, our results of operations and financial condition could be materially adversely affected. For example, in October 2017, the U.S. District Court for the Eastern District of Texas issued an adverse trial decision finding that the four asserted patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05% are invalid. The case is currently on appeal; however, FDA may approve – and generics may attempt to launch – generic versions of Restasis® before the court of appeals has issued its decision in the appeal.

If generic products that compete with any of our branded pharmaceutical products are approved and sold, sales of our products will be adversely affected.

Generic equivalents for branded pharmaceutical products are typically sold at lower prices than the branded products. The regulatory approval process in the United States and European Union exempts generic products from costly and time-consuming clinical trials to demonstrate their safety and efficacy and rely instead on the safety and efficacy of prior products, manufacturers of generic products can invest far less in research and development. After the introduction of a competing generic product, a significant percentage of the prescriptions previously written for the branded product are often written for the generic version. In addition, legislation enacted in most U.S. states and Canadian provinces allows or, in some instances mandates, that a pharmacist dispense an available generic equivalent when filling a prescription for a branded product, in the absence of specific instructions from the prescribing physician. Pursuant to the provisions of the Hatch-Waxman Act, manufacturers of branded products often bring lawsuits to enforce their patent rights against generic products released prior to the expiration of branded products' patents, but it is possible for generic manufacturers to offer generic products while such litigation is pending. Refer to "If we are unable to adequately protect our technology or enforce our patents, our business could suffer." As a result, branded products typically experience a significant loss in revenues following the introduction of a competing generic product, even if subject to an existing patent. Our branded pharmaceutical products are or may become subject to competition from generic equivalents because there is no proprietary protection for some of the branded pharmaceutical products we sell, because our patent protection expires or because our patent protection is not sufficiently broad, valid or enforceable. In addition, we may not be successful in our efforts to extend the proprietary protection afforded our branded products through the development and commercialization of proprietary product improvements.

For example, in October 2017, the U.S. District Court for the Eastern District of Texas issued an adverse trial decision finding that the four asserted patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05% are invalid. That case is currently on appeal.

Our Actonel® products are subject to generic competition in Canada and Asacol® is not protected by a patent in the United Kingdom. Generic versions of our Aczone® 5% product entered the market around October 2017. Generic versions of our Estrace® Cream product entered the market in January 2018. Our Actonel® once-a-month product lost U.S. patent protection in June 2014 (including a 6-month pediatric extension of

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

If generic products that compete with any of our branded pharmaceutical products are approved and sold, sales of our products will be adversely affected. – continued

regulatory exclusivity) and generic versions of our Loestrin® 24 Fe product entered the market in January 2014 pursuant to settlement agreements previously entered into. Generic versions of Namenda® (IR) tablets entered the U.S. market in July 2015 pursuant to settlement agreements previously entered into. An authorized generic version of Asacol HD® entered the market in July 2016 pursuant to a settlement agreement previously entered into. Generic versions of our Minastrin® product entered the market in March 2017 pursuant to a settlement agreement previously entered into. In addition, other products such as Femhrt® and Carafate® are not protected by patents in the United States where we sell these products. Generic equivalents are currently available in Canada for Actonel® and in the United States for certain versions of our Femhrt® products, Femcon® Fe and certain other less significant products.

During the next few years, additional products of ours, including some of our large revenue drivers, like Bystolic®, Canasa®, Delzicol®, Gelnique®, Namenda XR®, Pylera®, Rapaflo®, Saphris® and Viibryd®, will lose patent protection and/or likely become subject to generic or other competition. Generic versions of our Canasa® product may enter the market as early as December 2018 or earlier pursuant to an agreement previously entered into. Some of our products, e.g., Delzicol®, Restasis®, and Combigan®, may also become subject to generic competition prior to the expiration of patent protection in the event a generic competitor is not enjoined and elects to launch its generic equivalent product "at risk". Competition from generic equivalents could result in a material impairment of our intangible assets or the acceleration of amortization on our non-impaired intangible assets and may have a material adverse impact on our revenues, financial condition, results of operations and cash flows.

The pharmaceutical industry is highly competitive and our future revenue growth and profitability are dependent on our timely development and launches of new products ahead of our competitors.

We face strong competition across our business. The intensely competitive environment of the pharmaceutical industry requires an ongoing, extensive search for technological innovations and the ability to market and price products effectively, including the ability to communicate the effectiveness, safety and value of branded products to healthcare professionals in private practice, group practices and Managed Care Organizations. Our competitors vary depending upon product categories, and within each product category, upon dosage strengths and drug-delivery systems. Based on total assets, annual revenues, and market capitalization, we are smaller than certain of our national and international competitors in the brand and distribution product arenas. Most of our competitors have been in business for a longer period of time than we have, have a greater number of products on the market and have greater financial and other resources than we do. Furthermore, recent trends in this industry are toward further market consolidation of large drug companies into a smaller number of very large entities, further concentrating financial, technical and market strength and increasing competitive pressure in the industry. If we directly compete with them for the same markets and/or products, their financial strength could prevent us from capturing a profitable share of those markets. It is possible that developments by our competitors will make our products or technologies noncompetitive or obsolete. In addition, competitive forces may result in changes to the mix of products that we sell during a given time period or lower demand for our products than expected.

Some of our competitors have technical, competitive or other advantages over us for the development of technologies and processes. We face increased competition from new infection prevention, sterile processing, contamination control, surgical support, cleaning consumables, gastrointestinal endoscopy accessories, contract

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

The pharmaceutical industry is highly competitive and our future revenue growth and profitability are dependent on our timely development and launches of new products ahead of our competitors. – continued

sterilization, and other products and services entering the market. These advantages may make it difficult for us to compete with them to successfully discover, develop and market new products and for our current products to compete with new products that these competitors may bring to market. As a result, our products may compete against products that have lower prices, equivalent or superior performance, a better safety profile, are easier to administer, achieve earlier entry into the market or that are otherwise competitive with our products.

If we are unable to adequately protect our technology or enforce our patents, our business could suffer.

Our success with the branded products that we develop will depend, in part, on our ability to obtain patent protection for these products. We currently have a number of U.S. and foreign patents issued and pending. However, issuance of a patent is not conclusive evidence of its validity or enforceability. We cannot be sure that we will receive patents for any of our pending patent applications or any patent applications we may file in the future, or that our issued patents will be upheld if challenged. If our current and future patent applications are not approved or, if approved, our patents are not upheld in a court of law if challenged, it may reduce our ability to competitively utilize our patented products. Also, such patents may or may not provide competitive advantages for their respective products or they may be challenged or circumvented by our competitors, in which case our ability to commercially market these products may be diminished. Patent disputes may be lengthy and a potential violator of our patents may bring a potentially infringing product to market during the dispute, subjecting us to competition and damages due to infringement of the competitor product. Further, patents covering Aczone® 5%, Androderm®, Carafate®, Estrace® Cream, Femhrt®, INFed® and Namenda® (IR) products have expired and we have no further patent protection on these products. As a result, generic versions of our Aczone® 5% product entered the market around October 2017 and generic versions of our Estrace® Cream product entered the market in January 2018. During the next few years, additional products acquired pursuant to the Warner Chilcott Acquisition, the Forest Acquisition, and the Allergan Acquisition will lose patent protection and/or likely become subject to generic or other competition, including Bystolic®, Canasa®, Delzicol®, Gelnique®, Namenda XR®, Pylera®, Rapaflo®, Saphris® and Viibryd®. Therefore, it is possible that a competitor may launch a generic version of any of these products at any time, which would result in a significant decline in that product's revenue and profit.

Generic versions of our Loestrin® 24 Fe product entered the market in January 2014 pursuant to settlement agreements previously entered into; an authorized generic version of our Asacol® HD 800 mg product entered the market in August 2016 pursuant to an agreement previously entered into; our immediate release Namenda® product lost U.S. patent protection in 2015 and generic versions entered the market in July 2015 pursuant to agreements previously entered into; generic versions of our Minastrin® product which entered the market during March 2017 pursuant to settlement agreements previously entered into; and generic versions of our Canasa® product may enter the market as early as December 2018 pursuant to a settlement agreement previously entered into. Some of our products, e.g., Delzicol®, Restasis®, and Combigan®, may also become subject to generic competition prior to the expiration of patent protection in the event a generic competitor is not enjoined and elects to launch its generic equivalent product "at risk."

Generic competitors to our branded products may also challenge the validity or enforceability of the patents protecting our products or otherwise seek to circumvent them. Forest also recently brought actions against certain manufacturers of generic drugs for infringement of several patents covering our Byvalson®, Canasa®, Delzicol®,

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

If we are unable to adequately protect our technology or enforce our patents, our business could suffer. – continued

Fetzima®, Linzess®, Namenda XR®, Namzaric®, Pylera®, Saphris®, Savella®, Teflaro® and Viibryd® products. Allergan recently brought actions against manufacturers of generic drugs in the United States for infringement of several patents covering our Aczone® 7.5%, Combigan®, Lastacaft®, Latisse®, and Restasis® products. While we intend to vigorously defend these and other patents and pursue our legal rights, we can offer no assurance as to when the pending or any future litigation will be decided, whether such lawsuits will be successful or that a generic equivalent of one or more of our products will not be approved and enter the market. In addition, patents covering our branded pharmaceutical products may be challenged in proceedings other than court proceedings, including IPR at the U.S. Patent Office. In 2011, Congress amended the patent laws and created a new way to challenge the validity of patents: the inter partes review. IPR proceedings take place in the U.S. Patent Office and have both advantages and disadvantages when compared to district court proceedings. Although IPR proceedings are limited to certain types of invalidity challenges, the U.S. Patent Office applies different standards that make it easier for challengers to invalidate patents. Moreover, IPR proceedings generally take no more than 18 months, which means it is much faster than challenging a patent's validity in a district court proceeding. In addition, an IPR challenge can be mounted even after a patent has been upheld in court. For example, Mylan has filed IPR challenges against our patents covering our Restasis® product, and Teoxane® recently filed IPR challenges against certain patents covering certain of our Juvederm® products.

In addition to patent protection, our business relies on our protection of other intellectual property rights, trade secrets, and other proprietary technologies. We rely on trademark, copyright, trade-secret protection, and confidentiality and/or license agreements with our employees, customers, partners and others to protect our proprietary rights. The protection of our proprietary technology may require the expenditure of significant financial and managerial resources. For example, in April 2017, Allergan brought an action for unfair competition, false advertising, dilution, conspiracy and infringement of Allergan's JUVÉDERM trademarks in the U.S. District Court for the Central District of California against Dermavita Limited Partnership, Dima Corp. S.A. and KBC Media Relations LLC. However, we may not be able to discover or determine the extent of any unauthorized use of our proprietary rights, and we may not be able to prevent third parties from misappropriating or infringing upon our proprietary rights.

We rely on certain information, processes, and know-how that are not protected by patents or other intellectual property rights. We seek to protect this information through trade secret or confidentiality agreements, as well as through other measures. These measures may not provide adequate protection for our unpatented technology.

If we are unable to adequately protect our technology, trade secrets or proprietary know-how, or enforce our intellectual property rights, our results of operations, financial condition and cash flows could suffer.

From time to time we may need to rely on licenses to proprietary technologies, which may be difficult or expensive to obtain.

We may need to obtain licenses to patents and other proprietary rights held by third parties to develop, manufacture and market products. If we are unable to timely obtain these licenses on commercially reasonable terms, our ability to commercially market our products may be inhibited or prevented, which could have a material adverse effect on our business, results of operations, financial condition and cash flows. For example, because we license significant intellectual property with respect to certain of our products, including Delzicol®,

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

From time to time we may need to rely on licenses to proprietary technologies, which may be difficult or expensive to obtain. – continued

Namenda XR®, Namzaric®, Linzess®, Teflaro® and Viibryd®, any loss or suspension of our rights to licensed intellectual property could materially adversely affect our business, financial condition, cash flows and results of operations.

Third parties may claim that we infringe their proprietary rights and may prevent us from manufacturing and selling some of our products.

The manufacture, use and sale of new products that are the subject of conflicting patent rights have been the subject of substantial litigation in the pharmaceutical industry. These lawsuits relate to the validity, enforceability and infringement of patents or proprietary rights of third parties. We may have to defend ourselves against charges that we violated patents or proprietary rights of third parties. This is especially true in the case of new branded products where a competitor has obtained patents for similar products. Litigation may be costly, unpredictable, time-consuming, often involves complex legal, scientific and factual questions, and could divert the attention of our management and technical personnel. In addition, if it is determined that we infringe the rights of others, we could lose our right to develop, manufacture or market products, product launches could be delayed or we could be required to pay monetary damages or royalties to license proprietary rights from third parties. Furthermore, we cannot be certain that the necessary licenses would be available to us on commercially reasonable terms, or at all. As a result, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could result in substantial monetary damage awards and could prevent us from manufacturing and selling a number of our products, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Certain aspects of our operations are highly dependent upon third-party service providers.

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

If we are unable to obtain sufficient supplies of raw materials, our ability to deliver our products to the market may be impeded.

We are required to identify the supplier(s) of all the raw materials for our products in our applications with the FDA and regulatory agencies outside the United States. To the extent practicable, we attempt to identify more than one API supplier in each drug application. However, many raw materials, including API, are available only from a single source and, in many of our drug applications, only one supplier of raw materials has been identified, even in instances where multiple sources exist. Some of these products have historically or may in the future account for a significant portion of our revenues, such as Botox®, our Juvederm® dermal filler family of products, Namenda®, Linzess® and Bystolic®. Any failure by us to forecast demand for, or to maintain an

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

If we are unable to obtain sufficient supplies of raw materials, our ability to deliver our products to the market may be impeded. – continued

adequate supply of, the raw materials could result in an interruption in the supply of certain products and a decline in sales of that product. In addition, if our suppliers are unable to meet our manufacturing requirements, we may not be able to produce a sufficient amount of product in a timely manner, which could cause a decline in our sales. From time to time, certain of our suppliers have experienced regulatory or supply-related difficulties that have inhibited their ability to deliver raw materials to us, causing supply delays or interruptions. The availability and prices of raw materials and supplies are subject to volatility and are influenced by worldwide economic conditions, speculative action, world supply and demand balances, inventory levels, availability of substitute materials, currency exchange rates, anticipated or perceived shortages, product contamination, among other factors. To the extent any difficulties experienced by our suppliers cannot be resolved or extensions of our key supply agreements cannot be negotiated within a reasonable time and on commercially reasonable terms, or if raw materials for a particular product become unavailable from an approved supplier and we are required to qualify a new supplier with the FDA or other regulatory agency, or if we are unable to do so, our profit margins and market share for the affected product could decrease or be eliminated, as well as delay our development and sales and marketing efforts. Such outcomes could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Although we are developing and executing a global risk management framework designed to identify, prioritize, mitigate and continuously monitor potential risks to raw material suppliers, including mitigation strategies such as holding safety stock of raw materials and developing additional sources for sole- or single- sourced raw materials, there is no guarantee that these strategies will be successful and will be able to mitigate any material adverse effect on our business, results of operations, financial condition and cash flows.

In addition, our manufacturing sites outside of the United States and our arrangements with foreign suppliers are subject to certain additional risks, including the availability of government clearances, export duties, political instability, war, acts of terrorism, currency fluctuations and restrictions on the transfer of funds. Arrangements with international raw material suppliers are subject to, among other things, FDA and foreign regulatory body regulation, customs clearances, various import duties and other government clearances, as well as potential shipping delays due to inclement weather, political instability, strikes or other matters outside of our control. Acts of governments outside the U.S. may affect the price or availability of raw materials needed for the development or manufacture of our products. In addition, changes in patent laws in jurisdictions outside the U.S. may make it increasingly difficult to obtain raw materials for R&D prior to the expiration of the applicable U.S. or foreign patents.

Disruption in global trade could prevent us from getting our product to market.

Allergan relies on global trade channels to supply product to the United States and other countries around the world. For example, manufacturing of Botox®, Bystolic® and Linzess® is exclusively performed in Ireland, and manufacturing of our Juvederm® dermal filler family of products is exclusively performed in France. Global trade is subject to certain additional risks, including the availability of government clearances, export duties, political instability, war, acts of terrorism, currency fluctuations and restrictions on the transfer of funds. For example, we obtain a significant portion of our raw materials from suppliers that are not in the same country as the manufacturing plant that uses them. Arrangements with international raw material suppliers are subject to, among other things, FDA and other regulatory body regulation, customs clearances, various import duties and

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Disruption in global trade could prevent us from getting our product to market. – continued

other government clearances, as well as potential shipping delays due to inclement weather, political instability, strikes or other matters outside of our control. Acts of governments may affect the price or availability of raw materials needed for the development or manufacture of our products. In addition, recent changes in patent laws in jurisdictions outside the U.S. may make it increasingly difficult to obtain raw materials for R&D prior to the expiration of the applicable U.S. or foreign patents.

The design, development, manufacture and sale of our products involves the risk of product liability claims by consumers and other third parties, and insurance against such potential claims is expensive and may be difficult to obtain.

The design, development, manufacture and sale of our products involves an inherent risk of product liability claims and the associated adverse publicity. For example, the Company is subject to approximately 160 legal actions asserting product liability claims relating to the use of Celexa® or Lexapro®. These cases include claims that Celexa® or Lexapro® caused various birth defects. While we believe there is no merit to these cases, litigation is inherently subject to uncertainties and we may be required to expend substantial amounts in the defense or resolution of certain of these matters. We regularly monitor the use of our products for trends or increases in reports of adverse events or product complaints, and regularly report such matters to the FDA. In some, but not all cases, an increase in adverse event reports may be an indication that there has been a change in a product's specifications or efficacy. Such changes could lead to a recall of the product in question or, in some cases, increases in product liability claims related to the product in question. If the coverage limits for product liability insurance policies are not adequate or if certain of our products are excluded from coverage, a claim brought against us, whether covered by insurance or not, could have a material adverse effect on our business, results of operations, financial condition and cash flows. We also rely on self-insurance to cover product liability claims, and these claims may exceed amounts we have reserved under our self-insurance program.

We are also subject to a variety of other types of claims, proceedings, investigations and litigation initiated by government agencies or third parties. These include compliance matters, product regulation or safety, taxes, employee benefit plans, employment discrimination, health and safety, environmental, antitrust, customs, import/export, government contract compliance, financial controls or reporting, intellectual property, allegations of misrepresentation, false claims or false statements, commercial claims, claims regarding promotion of our products and services, or other similar matters. For example, consumer groups and certain plaintiffs have alleged that certain uses of Botox®, including "off-label" uses, have caused patient injuries and death and have further failed to adequately warn patients of the risks relating to Botox® use. From time to time reports related to the quality and safety of breast implant devices are published, including reports that have suggested a possible association between anaplastic large cell lymphoma and breast implants, as well as negative reports from regulatory authorities in Europe related to a breast implant manufacturer that is not affiliated with the Company. In addition, government investigations related to the use of products, but not the efficacy themselves, may cause reputational harm to the Company. Negative publicity, whether accurate or inaccurate, about the efficacy, safety or side effects of our products or product categories, whether involving us or a competitor, could materially reduce market acceptance to our products, cause consumers to seek alternatives to our products, result in product withdrawals and cause our stock price to decline. Negative publicity could also result in an increased number of product liability claims, whether or not these claims have a basis in scientific fact. Any such claims, proceedings, investigations or litigation, regardless of the merits, might result in substantial costs, restrictions on product use or sales, or otherwise injure our business.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Our business could suffer as a result of manufacturing difficulties or delays.

The manufacture of our pharmaceutical products and product candidates requires precise manufacturing process controls, API that conforms to very tight tolerances for specific characteristics and equipment that operates consistently within narrow performance ranges. Manufacturing complexity, testing requirements, and safety processes combine to increase the overall difficulty of manufacturing these products and resolving manufacturing problems that we may encounter.

Our manufacturing and other processes utilize sophisticated equipment, which sometimes require a significant amount of time to obtain and install. Our business could suffer if certain manufacturing or other equipment, or a portion or all of our facilities were to become inoperable for a period of time. This could occur for various reasons, including catastrophic events such as earthquake, monsoon, hurricane or explosion, unexpected equipment failures or delays in obtaining spare parts, contamination by microorganisms or viruses, labor disputes or shortages, contractual disputes with our suppliers and contract manufacturers, as well as construction delays or defects and other events, both within and outside of our control. We manufacture certain products, including Botox®, our Juvederm® dermal filler family of products, Linzess® and Bystolic®, at a single Allergan facility. Additionally, we expect to continue to rely on our third party manufacturing partners, such as Teva for Lo Loestrin® and Patheon for Viberzi®, that utilize single manufacturing facilities. Therefore, a significant disruptive event at certain manufacturing facilities or sites could materially and adversely affect our business and results of operations as noted with our supply interruption with Avycaz® in 2016. In the event of a disruption, we may need to build or locate replacement facilities as well as seek and obtain the necessary regulatory approvals for these facilities. Our inability to timely manufacture any of our significant products could have a material adverse effect on our results of operations, financial condition and cash flows.

Manufacturing processes at Allergan-owned facilities and those of our third party contract manufacturers must undergo a potentially lengthy regulatory approval process by the FDA and/or equivalent agencies in other countries. It can take longer than five years to build, validate and license a new manufacturing plant and it can take longer than three years to qualify and license a new contract manufacturer. If regulatory authorities determine that we or our third party contract manufacturers or certain of our third party service providers have violated regulations or if they restrict, suspend or revoke our prior approvals, they could prohibit us from manufacturing our products or conducting clinical trials or selling our marketed products until we or the affected third party contract manufacturers or third party service providers comply, or indefinitely. Because our third party contract manufacturers and certain of our third party service providers are subject to the FDA and foreign regulatory authorities, alternative qualified third party contract manufacturers and third party service providers may not be available on a timely basis or at all. Although we have launched a global manufacturing business continuity program to reduce the potential for manufacturing difficulties or delays and reduce the severity of a disruptive event, under which program manufacturing sites identify and develop temporary workarounds for manufacturing processes that may be disrupted with the aim of reducing the risk and severity of a disruptive event, there is no guarantee that this program will be successful, and if we or our third party contract manufacturers or third party service providers cease or interrupt production or if our third party contract manufacturers and third party service providers fail to supply materials, products or services to us, we may experience delayed shipments, supply constraints, stock outs and/or recalls of our products.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Our business could suffer as a result of failure of our R&D program or the failure of our product pipeline to produce successful products.

The discovery and development of safe, effective new products, as well as the development of additional uses for existing products, are necessary for the continued strength of our businesses. Our product lines must be replenished over time in order to offset revenue losses when products lose their market exclusivity, as well as to provide for earnings growth. Our growth potential depends in large part on our ability to identify and develop new products or new indications for existing products that address unmet medical needs and receive reimbursement from payers, either through internal R&D or through collaborations, acquisitions, joint ventures or licensing or other arrangements with third parties. However, balancing current growth, investment for future growth and the delivery of shareholder return remains a major challenge. The average costs of product development continue to rise, as do the regulatory requirements in many therapeutic areas, which may affect the number of candidates funded as well as the sustainability of the R&D portfolio. Our ongoing investments in new product introductions and in R&D for new products and existing product extensions could exceed corresponding sales growth.

Additionally, our R&D investment plans and resources may not be correctly matched between science and markets, and failure to invest in the right technology platforms, therapeutic segments, product classes, geographic markets and/or in-licensing and out-licensing opportunities in order to deliver a robust pipeline could adversely impact the productivity of our pipeline. Further, even if the areas with the greatest market attractiveness are identified, the science may not work for any given program despite the significant investment required for R&D, and the commercial potential of the product may not be as competitive as expected because of the highly dynamic market environment and the hurdles in terms of access and reimbursement.

Investigations of the calculation of average wholesale prices may adversely affect our business.

Many government and third-party payers, including Medicare, Medicaid, HMOs and MCOs, have historically reimbursed doctors, pharmacies and others for the purchase of certain prescription drugs based on a drug's average wholesale price ("AWP") or wholesale acquisition cost ("WAC"). In the past several years, state and federal government agencies have conducted ongoing investigations of manufacturers' reporting practices with respect to AWP and WAC, in which they have suggested that reporting of inflated AWPs or WACs has led to excessive payments for prescription drugs. For example, the Company and certain of its subsidiaries, as well as numerous other pharmaceutical companies, have been named as defendants in various state and federal court actions alleging improper or fraudulent practices related to the reporting of AWP and/or WAC of certain products, and other improper acts, in order to increase prices and market shares. Similarly, in December 2015, certain subsidiaries of the Company were named as defendants in a private class action litigation in Pennsylvania based on similar allegations. Additional actions are possible. These actions, if successful, could adversely affect us and may have a material adverse effect on our business, results of operations, financial condition and cash flows.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

We are subject to U.S. federal and state healthcare fraud and abuse and health information privacy and security laws, and the failure to comply with such laws may adversely affect our business.

In the United States, many of our products are reimbursed under federal and state health care programs such as Medicaid, Medicare, TriCare, and/or state pharmaceutical assistance programs, and as a result, certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. We could be subject to healthcare fraud and abuse and patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include, but are not limited to: (i) the U.S. Anti-Kickback Statute, which applies to our marketing and research practices, educational programs, pricing policies and relationships with healthcare providers or other entities, by prohibiting, among other things, soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, either the referral of an individual or the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs; (ii) federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other third-party payers that are false or fraudulent; (iii) the U.S. Health Insurance Portability and Accountability Act of 1996, ("HIPAA"), which among other things created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters, and HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and its implementing regulations, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information and places restrictions on the use of such information for marketing communications; (iv) the U.S. Physician Payments Sunshine Act, which among other things, requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under a federal healthcare program to report annually information related to "payments or other transfers of value" made to physicians and teaching hospitals, and ownership and investment interests held by certain healthcare professionals and their immediate family members and similar state laws; (v) the government pricing rules applicable to the Medicaid, Medicare Part B, 340B Drug Pricing Program, the U.S. Department of Veterans Affairs program, the TriCare program, and state price reporting laws; and (vi) state and foreign law equivalents of each of the above U.S. laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers, and state and foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts. Violations of the fraud and abuse laws may result in severe penalties against Allergan and/or its responsible employees, including jail sentences, large fines, and the exclusion of our products from reimbursement under federal and state programs. Defense of litigation claims and government investigations can be costly, time-consuming, and distract management, and it is possible that Allergan could incur judgments or enter into settlements that would require us to change the way we operate our business. We are committed to conducting the sales and marketing of our products in compliance with the healthcare fraud and abuse laws, but certain applicable laws may impose liability even in the absence of specific intent to defraud. Furthermore, should there be ambiguity, a governmental authority may take a position contrary to a position we have taken, or should an employee violate these laws without our knowledge, a governmental authority may impose civil and/or criminal sanctions.

Any adverse outcome in these types of actions, or the imposition of penalties or sanctions for failing to comply with the fraud and abuse laws, could adversely affect us and may have a material adverse effect on our business,

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

We are subject to U.S. federal and state healthcare fraud and abuse and health information privacy and security laws, and the failure to comply with such laws may adversely affect our business. – continued

results of operations, financial condition and cash flows. Some of the statutes and regulations that govern our activities, such as federal and state anti-kickback and false claims laws, are broad in scope, and while exemptions and safe harbors protecting certain common activities exist, they are often narrowly drawn. While we manage our business activities to comply with these statutory provisions, due to their breadth, complexity and, in certain cases, uncertainty of application, it is possible that our activities could be subject to challenge by various government agencies. In particular, the FDA, the U.S. Department of Justice and other agencies are engaged in enforcement activities with respect to the sales, marketing, research and similar activities of pharmaceutical companies, and many pharmaceutical companies have been subject to government investigations related to these practices. A determination that we are in violation of these and/or other government regulations and legal requirements may result in civil damages and penalties, criminal fines and prosecution, administrative remedies, the recall of products, the total or partial suspension of manufacture and/or distribution, seizure of products, injunctions, whistleblower lawsuits, failure to obtain approval of pending product applications, withdrawal of existing product approvals, exclusion from participation in government healthcare programs and other sanctions.

Allergan is also currently responding to subpoenas seeking information relating to its sales and marketing activities, including payments to people who are in a position to recommend drugs and "off-label" promotion and the Company is defending litigations based on similar allegations. Refer to *Legal Matters* in "NOTE 22 — Commitments and Contingencies" in the accompanying "Notes to the Consolidated Financial Statements" for more information. We cannot predict or determine the impact of these inquiries on our future financial condition or results of operations. These investigations and any other threatened or actual government enforcement action could also generate adverse publicity and require that we devote substantial resources that could be used productively on other aspects of our business.

Additionally, the Company has been named as a defendant in approximately 290 matters relating to the promotion and sale of prescription opioid pain relievers and additional suits may be filed. Refer to *Legal Matters* in "NOTE 22 — Commitments and Contingencies" in the accompanying "Notes to the Consolidated Financial Statements" for more information. We cannot predict or determine the impact of these suits on our future financial condition or results of operations. These suits and any other threatened or actual suits could also generate adverse publicity and require that we devote substantial resources that could be used productively on other aspects of our business.

Any of these types of investigations, suits, or enforcement actions could affect our ability to commercially distribute our products and could materially and adversely affect our business, financial condition, results of operations and cash flows.

Changes in data privacy and protection laws and regulations, particularly in Europe, or any failure to comply with such laws and regulations, could adversely affect our business and financial results.

We are subject to a variety of continuously evolving and developing laws and regulations globally regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. These laws apply to transfers of information among our affiliates, as well as to

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Changes in data privacy and protection laws and regulations, particularly in Europe, or any failure to comply with such laws and regulations, could adversely affect our business and financial results. – continued

transactions we enter into with third party vendors. For example, the European Union adopted a comprehensive General Data Privacy Regulation (GDPR) in May 2016 that will replace the current EU Data Protection Directive and related country-specific legislation. The GDPR will become fully effective in May 2018, and requires companies to satisfy new requirements regarding the handling of personal and sensitive data, including its use, protection and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to comply with GDPR requirements could result in penalties of up to 4% of worldwide revenue. Complying with the enhanced obligations imposed by the GDPR may result in significant costs to our business and require us to revise certain of our business practices. In addition, legislators and regulators in the U.S. are proposing new and more robust cybersecurity rules in light of the recent broad-based cyberattacks at a number of companies.

These and similar initiatives around the world could increase the cost of developing, implementing or securing our servers and require us to allocate more resources to improved technologies, adding to our IT and compliance costs. In addition, enforcement actions and investigations by regulatory authorities related to data security incidents and privacy violations continue to increase. The enactment of more restrictive laws, rules, regulations, or future enforcement actions or investigations could impact us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties and significant legal liability.

Extensive industry regulation has had, and will continue to have, a significant impact on our business, especially our product development, manufacturing and distribution capabilities.

All pharmaceutical companies, including Allergan, are subject to extensive, complex, costly and evolving government regulation. For the U.S., this is principally administered by the FDA, but is also administered by the DEA and state government agencies, as well as by varying regulatory agencies in foreign countries where products or product candidates are being manufactured and/or marketed. The Federal Food, Drug and Cosmetic Act, the Controlled Substances Act and other federal statutes and regulations, and similar foreign statutes and regulations, govern or influence the development, testing, manufacturing, packing, labeling, storing, record keeping, safety, approval, advertising, promotion, sale, distribution and import/ export of our products. Foreign regulatory authorities impose similar requirements focused on drug safety and effectiveness. Obtaining and maintaining regulatory approval has been and will continue to be increasingly difficult, time-consuming and costly. In addition, changes in applicable federal, state and foreign laws and regulations or the implementation of new laws and regulations could affect our ability to obtain or maintain approval of our products and could have a material adverse effect on the Company's business. There is currently the potential for regulatory changes adverse to our business due to recent uncertainty related to the direction of U.S. regulatory policy related to the pharmaceutical industry.

Once regulatory approval has been obtained, agencies continue to have substantial authority to require additional testing, perform inspections, change product labeling based on post-marketing safety information or mandate withdrawals of our products. Failure to comply with applicable regulatory requirements may subject us to administrative or judicially-imposed sanctions. These sanctions may include, among others, untitled letters, warning letters, fines, civil penalties, criminal penalties, injunctions, debarment, product seizure or detention, product recalls and total or partial suspension of production, sale and promotion. In addition, we may voluntarily elect to recall or restrict the use of a product. Any recall or restriction could divert managerial and financial resources and might harm our reputation.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Extensive industry regulation has had, and will continue to have, a significant impact on our business, especially our product development, manufacturing and distribution capabilities. – continued

Under these statutes and regulations, we are subject to periodic inspection of our facilities, procedures and operations and/or the testing of our products by the FDA and similar ex-U.S. authorities, the DEA and other authorities, which conduct periodic inspections to confirm that we are in compliance with all applicable requirements. In addition, the FDA and foreign regulatory agencies conduct pre-approval and post-approval reviews and plant inspections to determine whether our systems and processes are in compliance with cGMP and other regulations. Following such inspections, the FDA or other agency may issue observations, notices, citations and/or warning letters that could cause us to modify certain activities identified during the inspection. FDA guidelines specify that a warning letter is issued only for violations of "regulatory significance" for which the failure to adequately and promptly achieve correction may be expected to result in an enforcement action. We are also required to report adverse events associated with our products to the FDA and other regulatory authorities. Unexpected or serious health or safety concerns could result in product liability claims, labeling changes, recalls, market withdrawals or other regulatory actions, including withdrawal of product approvals. Adverse events and safety concerns can arise as our product candidates are evaluated in clinical trials or as our marketed products are used in clinical practice. We are required to communicate to regulatory agencies adverse events reported to us regarding our products.

We cannot assure that the FDA inspections at any of our manufacturing sites will not result in inspectional observations at such sites, that approval of any of the pending or subsequently submitted NDAs or supplements to such applications by Allergan plc or our subsidiaries will be granted or that the FDA will not seek to impose additional sanctions against Allergan plc or any of its subsidiaries. The range of possible sanctions includes, among others, FDA issuance of product recalls or seizures, fines, total or partial suspension of production and/or distribution, suspension of the FDA's review of product applications, enforcement actions, injunctions, and civil or criminal prosecution. Any such sanctions, if imposed, could have a material adverse effect on our business, operating results, financial condition and cash flows. Under certain circumstances, the FDA also has the authority to revoke previously granted drug approvals. Similar sanctions as detailed above may be available to the FDA under a consent decree, depending upon the actual terms of such decree. Although we have instituted internal compliance programs, if these programs do not meet regulatory agency standards or if compliance is deemed deficient in any significant way, it could materially harm our business. Certain of our vendors are subject to similar regulation and periodic inspections and may be operating under consent decrees.

In order to market our products in the United States and other jurisdictions, we must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements required for approval as well as maintaining registrations post-approval in every country where our products are approved. The process for obtaining governmental approval to manufacture and market pharmaceutical products is rigorous, time-consuming, uncertain and costly, and we cannot predict the extent to which we may be affected by legislative and regulatory requirement changes. We are dependent on receiving FDA and other governmental or third-party approvals prior to manufacturing, marketing and distributing our products. There is always the chance that we will not obtain FDA or other necessary approvals, or that the rate, timing and cost of obtaining such approvals, will adversely affect our product introduction plans or impact operations. Additionally, any regulatory approvals we receive may be subject to limitations on the approved indicated uses for which the product may be marketed or the conditions of approval may require costly additional studies and additional safety surveillance of the product. We may only market or promote our products for their approved indications, and our labeling, promotional activities and advertising are subject to extensive regulation and oversight. We carry inventories of

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Extensive industry regulation has had, and will continue to have, a significant impact on our business, especially our product development, manufacturing and distribution capabilities. – continued

certain product(s) in anticipation of launch, and if such product(s) are not subsequently launched, we may be required to write-off the related inventory.

Our customers are subject to various regulatory requirements, including requirements of the DEA, FDA, state boards of pharmacy and city and county health regulators, among others. These include licensing, registration, recordkeeping, security and reporting requirements. Additionally, although physicians may prescribe FDA approved products for an "off label" indication, we are permitted to market our products only for the indications for which they have been approved. Some of our products are prescribed "off label" and the FDA, the U.S. Department of Justice, the U.S. Attorney or other regulatory authorities could take enforcement actions if they conclude that we or our distributors have engaged in "off label" marketing. In addition, historically a number of states and the federal government have enforced licensing and anti-counterfeit drug pedigree laws which require the tracking of all transactions involving prescription drugs beginning with the manufacturer, through the supply chain, and down to the pharmacy or other health care provider dispensing or administering prescription drug products. Therefore, manufacturers and wholesale distributors have been required to maintain records documenting the chain of custody on distribution of prescription drugs. On November 27, 2013, the federal government enacted the Drug Quality and Security Act ("DQSA") amending federal requirements in regard to the licensing and tracking of prescription drugs. Certain provisions in the law related to licensing and tracking and tracing specifically preempted prior state laws related to drug pedigrees that are inconsistent, more stringent, or in addition to the federal law. Specifically, Title II of the DQSA, also known as the Drug Supply Chain Security Act ("DSCSA"), provides for creation of an electronic, interoperable system to identify and trace certain prescription drugs as they are distributed in the United States. These amendments include requirements on licensing, tracking and tracing and other operations applicable to manufacturers and wholesale distributors of prescription drug products. The full requirements of the DSCSA are being phased in over a ten-year period; however, in January 2015, specific product tracing requirements for manufacturers, wholesalers, repackagers and dispensers (e.g., pharmacies) of prescription drugs became effective. Also, as of January 2015, the DSCSA required manufacturers and wholesale distributors to implement systems to identify potential "suspect" or "illegitimate" product, and take appropriate action. The DSCSA also addresses product tracing using unique product identifiers on packaging, and requirements for standardized numerical identifiers which will take effect in the future.

In addition to government agencies that promulgate regulations and guidelines directly applicable to us, other professional societies, practice management groups, insurance carriers, physicians, private health or science foundations and organizations involved in various diseases from time to time may also publish guidelines or recommendations to healthcare providers, administrators and payers, and patient communities. For example, the treatment practices of physicians that currently prescribe our products may change. Recommendations by government agencies or other groups and organizations may relate to such matters as usage, dosage, route of administration and use of related therapies, as well as reimbursement of our products by government and private payers. Any recommendations or guidelines that result in decreased use, dosage or reimbursement of our products could materially and adversely affect our product sales, business and operating results.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

The supply of APIs into Europe may be negatively affected by recent regulations promulgated by the European Union.

All APIs imported into the EU must be certified as complying with the good manufacturing practice standards established by the EU, as stipulated by the International Conference for Harmonization. These regulations place the certification requirement on the regulatory bodies of the exporting countries. Accordingly, the national regulatory authorities of each exporting country must: (i) ensure that all manufacturing plants within their borders that export API into the EU comply with EU manufacturing standards and; (ii) for each API exported, present a written document confirming that the exporting plant conforms to EU manufacturing standards. The imposition of this responsibility on the governments of the nations exporting API may cause a shortage of API necessary to manufacture our products, as certain governments may not be willing or able to comply with the regulation in a timely fashion, or at all. A shortage in API may cause us to have to cease manufacture of certain products, or to incur costs and delays to qualify other suppliers to substitute for those API manufacturers unable to export. This could adversely affect the Company and could have a material adverse effect on our business, results of operations, financial condition and cash flow.

Federal regulation of arrangements between manufacturers of branded and generic products could adversely affect our business.

As part of the Medicare Prescription Drug and Modernization Act of 2003, companies are required to file with the FTC and the Department of Justice certain types of agreements entered into between branded and generic pharmaceutical companies related to the manufacture, marketing and sale of generic versions of branded drugs. This requirement, as well as legislation pending in the U.S. Congress related to settlements between brand and generic drug manufacturers, could affect the manner in which brand drug manufacturers resolve intellectual property litigation and other disputes with generic pharmaceutical companies and could result generally in an increase or lengthening of litigation against pharmaceutical companies or additional investigations or proceedings by the FTC or other governmental authorities. The impact of this requirement, the pending legislation and the potential private-party lawsuits associated with arrangements between brand and generic drug manufacturers, is uncertain and could adversely affect our business. For example, on April 5, 2013, class actions were filed against Warner Chilcott plc and certain affiliates alleging that its 2009 patent lawsuit settlements with Watson Laboratories, Inc. and Lupin Pharmaceuticals, Inc. related to Loestrin® 24 Fe (norethindrone acetate/ethinyl estradiol tablets and ferrous fumarate tablets, "Loestrin® 24") are unlawful. The complaints generally allege that Watson and Lupin improperly delayed launching generic versions of Loestrin® 24 in exchange for substantial payments from Warner Chilcott in violation of federal and state antitrust and consumer protection laws. Similar lawsuits have been filed against the Company challenging the lawfulness of patent litigation settlements related to Asacol® and Namenda®. We have also received requests for information and Statements of Objection in connection with investigations into settlements and other arrangements between competing pharmaceutical companies by the Federal Trade Commission and the European Competition Commission. For example, in May 2014, Forest received a Civil Investigatory Demand from the FTC requesting information about Forest's agreements with ANDA filers for Bystolic®. Any adverse outcome of these actions or investigations, or actions or investigations related to other settlements we have entered into, could have a material adverse effect on our business, results of operations, financial condition and cash flows. Refer to *Legal Matters* in "NOTE 22 — Commitments and Contingencies" in the accompanying "Notes to the Consolidated Financial Statements."

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Healthcare reform and a reduction in the coverage and reimbursement levels by governmental authorities, HMOs, MCOs or other third-party payers may adversely affect our business.

Demand for our products depends in part on the extent to which coverage and reimbursement is available from third-party payers, such as the Medicare and Medicaid programs and private payors. In order to commercialize our products, we have obtained from government authorities and private health insurers and other organizations, such as HMOs and MCOs, recognition for coverage and reimbursement at varying levels for the cost of certain of our products and related treatments. Third-party payers increasingly challenge pricing of pharmaceutical products. Further, the trend toward managed healthcare in the U.S., the growth of organizations such as HMOs and MCOs and legislative proposals to reform healthcare and government insurance programs create uncertainties regarding the future levels of coverage and reimbursement for pharmaceutical products. Such cost containment measures and healthcare reform could reduce reimbursement of our pharmaceutical products, resulting in lower prices and a reduction in the product demand. This could affect our ability to sell our products and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

There have been changes in reimbursement for pharmaceuticals under various government programs, including Medicaid, and there is uncertainty surrounding implementation of legislation and regulatory changes relating to reimbursement for pharmaceuticals under Medicaid and other government programs such as Medicare and TriCare. Reimbursement changes under such government programs may impact demand for our products and may negatively affect the price. In addition, any reimbursement granted may not be maintained or limits on reimbursement available from third-party payers may reduce demand for, or negatively affect the price of, those products. Additionally, various legislative and regulatory initiatives in states, including proposed modifications to reimbursements and rebates, price transparency laws, product pedigree and tracking, pharmaceutical waste "take back" initiatives, restrictions on co-pay assistance programs and therapeutic category generic substitution carve out legislation may also have a negative impact on the Company. We maintain a full-time government affairs department in Washington, D.C., which is responsible for coordinating state and federal legislative activities, and places a major emphasis in terms of management time and resources to ensure a fair and balanced legislative and regulatory arena.

Although the ACA reforms have significantly impacted our business, in the coming years, it is likely that additional changes will be made to governmental healthcare and insurance reimbursement programs. On January 20, 2017, President Donald Trump signed an executive order, which stated that it is the policy of his Administration to seek the prompt repeal of the ACA and directed executive departments and federal agencies to waive, defer, grant exemptions from, or delay the implementation of the provisions of the ACA to the maximum extent permitted by law. The Trump Administration has also issued numerous executive orders, including a "regulatory freeze" order issued on January 20, 2017 that temporarily postpones by 60 days the effective date of regulations that have not yet taken effect (subject to certain limitations) and a "one in, two out" executive order issued on January 30, 2017 that requires two rules be "identified for elimination" for every new one proposed. There is uncertainty with respect to the timing of any potential changes, to coverage and reimbursement for healthcare items and services covered by plans that were authorized by the ACA. We cannot predict the ultimate content, timing or effect of any such reform on our business. Additionally, the pricing and reimbursement of pharmaceutical products have recently received the attention of U.S. policymakers, the Trump Administration, and others. At this time, we cannot predict the impact of this increased scrutiny on the pricing or reimbursement of our products or pharmaceutical products generally.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Sales of our products may continue to be adversely affected by the continuing consolidation of our distribution network and the concentration of our customer base.

Our principal customers are wholesale drug distributors and major retail drug store chains. These customers comprise a significant part of the distribution network for pharmaceutical products in the United States. This distribution network is continuing to undergo significant consolidation marked by mergers and acquisitions among wholesale distributors and the growth of large retail drug store chains. As a result, a small number of large wholesale distributors and large chain drug stores control a significant share of the market. We expect that consolidation of drug wholesalers and retailers will increase pricing and other competitive pressures on drug manufacturers, including the Company.

The loss of any of these customers could have a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, none of our customers are party to any long-term supply agreements with us, and thus are able to change suppliers freely should they wish to do so.

Developments after a product reaches the market may adversely affect sales of our products.

Even after regulatory approval, certain developments may decrease demand for our products, including the following:

- the re-review of products that are already marketed;
- new scientific information and evolution of scientific theories;
- the recall or loss of marketing approval of products that are already marketed;
- changing government standards or public expectations regarding safety, efficacy or labeling changes; and
- greater scrutiny in advertising and promotion.

In the past, clinical trials and post-marketing surveillance of certain marketed drugs of the Company and of competitors within the industry have raised concerns that have led to recalls, withdrawals or adverse labeling of marketed products. If previously unknown side effects are discovered or if there is an increase in negative publicity regarding known side effects of any of our products, it could significantly reduce demand for the product or require us to take actions that could negatively affect sales, including removing the product from the market, restricting its distribution or applying for labeling changes.

In addition, certain health authorities, regulators and agencies have increased their focus on safety when assessing the balance of benefits and risks of drugs. Some health authorities appear to have become more cautious when making decisions about approvability of new products and are re-reviewing select products that are already marketed, adding further to the uncertainties in the regulatory processes. There is also greater regulatory scrutiny, especially in the U.S., on advertising, and promotion (in particular, direct-to-consumer advertising) and pricing of pharmaceutical products. Certain regulatory changes or decisions could make it more difficult for us to sell our products and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

If we do not successfully integrate newly acquired businesses into our business operations, our business could be adversely affected.

We will need to successfully integrate the operations of recently and pending acquired businesses, including LifeCell and Zeltiq, with our business operations. As a result of these and other recent and any other future or

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

If we do not successfully integrate newly acquired businesses into our business operations, our business could be adversely affected. – continued

pending acquisitions, we have undergone substantial changes in a short period of time and our business has changed and broadened in size and the scope of products we offer. Integrating the operations of multiple new businesses with that of our own is a complex, costly and time-consuming process, which requires significant management attention and resources to integrate the business practice and operations. The integration process may disrupt the businesses and, if implemented ineffectively, would preclude realization of the full benefits expected by us. Our failure to meet the challenges involved in integrating the businesses in order to realize the anticipated benefits of the acquisitions could cause an interruption of, or a loss of momentum in, our activities and could adversely affect our results of operations. Prior to each acquisition, the acquired business operated independently, with its own business, corporate culture, locations, employees and systems. There may be substantial difficulties, costs and delays involved in any integration of other businesses with that of our own.

These may include:

- distracting management from day-to-day operations;
- potential incompatibility of corporate cultures;
- an inability to achieve synergies as planned;
- risks associated with the assumption of contingent or other liabilities of acquisition targets;
- adverse effects on existing business relationships with suppliers or customers;
- inheriting and uncovering previously unknown issues, problems and costs from the acquired company;
- delays between our expenditures to acquire new products, technologies or businesses and the generation of revenues from those acquired products, technologies or businesses;
- realization of assets and settlement of liabilities at amounts equal to estimated fair value as of the acquisition date of any acquisition or disposition;
- revenue recognition related to licensing agreements and/or strategic collaborations;
- costs and delays in implementing common systems and procedures (including technology, compliance programs, financial systems, distribution and general business operations, among others); and
- increased difficulties in managing our business due to the addition of international locations.

These risks may be heightened in cases where the majority of the former businesses' operations, employees and customers are located outside of the United States. Any one or all of these factors may increase operating costs or lower anticipated financial performance. Many of these factors are also outside of our control. In addition, dispositions of certain key products, technologies and other rights may affect our business operations.

In addition, even if the operations of the businesses are integrated successfully, we may not realize the full benefits of the acquisitions, including the synergies, cost savings or sales or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frames, or at all. Additional unanticipated costs may be incurred in the integration of the businesses. All of these factors could cause a reduction to our earnings, decrease or delay the expected accretive effect of the transactions, and negatively impact the price of our ordinary shares.

The failure to integrate the business operations of the acquired businesses successfully would have a material adverse effect on our business, financial condition and results of operations.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Any acquisitions of businesses, technologies, or products or other significant transactions could adversely affect our relationships with employees, vendors or key customers.

We regularly review potential acquisitions of technologies, products and businesses complementary to our business. Acquisitions typically entail many risks and could result in difficulties in integrating operations, personnel, technologies and products. Refer to "If we do not successfully integrate newly acquired businesses into our business operations, our business could be adversely affected." In connection with acquisitions, we could experience disruption in our business, technology and information systems, financial systems, vendors customer or employee base, including diversion of management's attention from our continuing operations, among others. Refer to "Certain aspects of our operations are highly dependent upon third-party service providers." There is also a risk that key employees of companies that we acquire or key employees necessary to successfully commercialize technologies and products that we acquire may seek employment elsewhere, including with our competitors. Furthermore, there may be overlap between our products or customers and the companies that we acquire that may create conflicts in relationships or other commitments detrimental to the integrated businesses.

If we are unsuccessful in our joint ventures and other collaborations, our operating results could suffer.

We have made substantial investments in joint ventures and other collaborations, and may use these and other methods to develop or commercialize products in the future. These arrangements typically involve other pharmaceutical companies as partners that may be competitors of ours in certain markets. In many instances, we will not control these joint ventures or collaborations or the commercial exploitation of the licensed products, and cannot assure you that these ventures will be profitable. Joint venture agreements may place limitations or restrictions on marketing our products. Any such marketing restrictions could affect future revenues and have a material adverse effect on our operations. Our results of operations may suffer if existing joint venture or collaboration partners withdraw, or if these products are not timely developed, approved or successfully commercialized and we cannot guarantee the successful outcome of such efforts, nor that they will result in any intellectual property rights or products that inure to our benefit.

We have incurred and will continue to incur significant transaction, integration and restructuring costs in connection with recent transactions, including our acquisitions of Zeltiq, LifeCell, and the sale of our generics business and certain other assets to Teva.

We have incurred significant transaction costs related to our acquisitions such as Zeltiq, LifeCell, and the sale of our generics business and certain other assets to Teva and may continue to incur significant transaction costs related to past acquisitions. In addition, we may incur integration costs and restructuring costs as we integrate new businesses. While Allergan has assumed that a certain level of transaction and coordination expenses will be incurred, there are a number of factors beyond Allergan's control that could affect the total amount or the timing of these transaction and coordination expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately. Although we expect that the realization of benefits and efficiencies related to the integration of the businesses may offset these transaction costs, integration costs and restructuring costs over time, no assurances can be made that this net benefit will be achieved in the near term, or at all. The failure to realize the expected benefits and efficiencies related to the integration of the businesses could adversely affect our financial condition and results of operations.

In addition, as a result of acquiring businesses, technologies or products, or entering into other significant transactions, we may experience significant charges to earnings for merger and related expenses. These costs

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

We have incurred and will continue to incur significant transaction, integration and restructuring costs in connection with recent transactions, including our acquisitions of Zeltiq, LifeCell, and the sale of our generics business and certain other assets to Teva. – continued

may include substantial fees for investment bankers, attorneys, accountants, advisors, consultants and severance and other closure costs associated with regulator-mandated divestitures and the elimination of duplicate or discontinued products, operations and facilities. Charges that we may incur in connection with acquisitions could adversely affect our results of operations for particular quarterly or annual periods.

Our operating results and financial condition may fluctuate.

Our operating results and financial condition may fluctuate from quarter to quarter and year to year for a number of reasons. As a result, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful, and these comparisons should not be relied upon as an indication of future performance. Our operating results and financial condition are also subject to fluctuation from all of the risks described throughout this section. These fluctuations may adversely affect our results of operations and financial conditions.

Our debt and other financial obligations could impair our financial condition and our ability to fulfill our debt obligations. Any refinancing of this debt could be at significantly higher interest rates.

Our indebtedness and other financial obligations could:

- impair our ability to obtain financing or additional debt in the future for working capital, capital expenditures, acquisitions or general corporate purposes;
- impair our ability to access capital and credit markets on terms that are favorable to us;
- have a material adverse effect on us if we fail to comply with financial and affirmative and restrictive covenants in our debt agreements and an event of default occurs as a result of a failure that is not cured or waived;
- require us to dedicate a substantial portion of our cash flow for interest payments on our indebtedness and other financial obligations, thereby reducing the availability of our cash flow to fund working capital and capital expenditures;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared to our competitors that have proportionally less debt.

Additionally, certain of our financing agreements may contain cross-default or other similar provisions whereby a default under one financing agreement could result in a default under our other financing agreements.

If we are unable to meet our debt service obligations and other financial obligations such as planned dividends, we could be forced to restructure or refinance our indebtedness and other financial transactions, seek additional equity capital or sell our assets. We might then be unable to obtain such financing or capital or sell our assets on satisfactory terms, if at all. Any refinancing of our indebtedness could be at significantly higher interest rates, and/or incur significant transaction fees. Refer to "NOTE 14 — Long-Term Debt and Leases" for a detailed discussion of our outstanding indebtedness.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Significant balances of intangible assets, including product rights and goodwill acquired, are subject to impairment testing and may result in impairment charges, which will adversely affect our results of operations and financial condition.

A significant amount of our total assets is related to acquired intangibles and goodwill. As of December 31, 2017, the carrying value of our product rights and other intangible assets was $54,648.3 million and the carrying value of our goodwill was $49,862.9 million.

Our product rights are stated at cost, less accumulated amortization. We determine original fair value and amortization periods for product rights based on our assessment of various factors impacting estimated useful lives and cash flows of the acquired products. Such factors include the product's position in its life cycle, the existence or absence of like products in the market, various other competitive and regulatory issues and contractual terms. Significant adverse changes to any of these factors require us to perform an impairment test on the affected asset and, if evidence of impairment exists, require us to take an impairment charge with respect to the asset. For assets that are not impaired, we may adjust the remaining useful lives. Such a charge could have a material adverse effect on our results of operations and financial condition.

Our other significant intangible assets include acquired core technology and customer relationships, which are intangible assets with definite lives, and our acquired IPR&D intangible products, acquired in recent business acquisitions, which are intangible assets with indefinite lives.

Our acquired core technology and customer relationship intangible assets are stated at cost, less accumulated amortization. We determined the original fair value of our other intangible assets by performing a discounted cash flow analysis, which is based on our assessment of various factors. Such factors include existing operating margins, the number of existing and potential competitors, product pricing patterns, product market share analysis, product approval and launch dates, the effects of competition, customer attrition rates, consolidation within the industry and generic product lifecycle estimates. Our other intangible assets with definite lives are tested for impairment when there are significant changes to any of these factors. If evidence of impairment exists, we are required to take an impairment charge with respect to the impaired asset. Such a charge could have a material adverse effect on our results of operations and financial condition.

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

We may need to raise additional funds in the future which may not be available on acceptable terms or at all.

We may consider issuing additional debt or equity securities in the future to fund potential acquisitions or investments, to refinance existing debt, or for general corporate purposes. If we issue equity, convertible preferred equity or convertible debt securities to raise additional funds, our existing shareholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing shareholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest expenses and potentially lowering our credit ratings. We may not be able to market such issuances on favorable terms, or at all, in which case, we may not be able to

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

We may need to raise additional funds in the future which may not be available on acceptable terms or at all. – continued

develop or enhance our products, execute our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated customer requirements.

The loss of our key personnel could cause our business to suffer.

The success of our present and future operations will depend, to a significant extent, upon the experience, abilities and continued services of key personnel. For example, although we have other senior management personnel, a significant loss of the services of Brent Saunders, our Chief Executive Officer, or other senior executive officers without having or hiring a suitable successor, could cause our business to suffer. We cannot assure you that we will be able to attract and retain key personnel. We have entered into employment agreements with certain of our senior executive officers but such agreements do not guarantee that our senior executive officers will remain employed by us for a significant period of time, or at all. We do not carry key-employee life insurance on any of our officers.

Substantial amounts of our information concerning our products, customers, employees and ongoing business are stored digitally and are subject to threats of theft, exposure, tampering, or other intrusions.

We collect and maintain information in digital form that is necessary to conduct our business, and we are increasingly dependent upon information technology systems, devices, infrastructure and data. This digital information includes, but is not limited to, confidential and proprietary information as well as personal information regarding our customers and employees. We also rely to a large extent upon sophisticated information technology systems to operate our businesses. Data maintained in digital form is subject to the risk of intrusion, exposure, tampering and theft. Cyber attacks are increasing in frequency, sophistication and intensity. Such attacks are made by groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, "hacktivists," nation-states and others. Cyber attacks could include the deployment of harmful malware, denial of service attacks, worms, social engineering and other means to affect service reliability and threaten data confidentiality, integrity and availability. We have established physical, electronic, and organizational measures to safeguard and secure our systems to prevent a data compromise, and rely on commercially available systems, software, tools, and monitoring to provide security for the processing, transmission and storage of digital information. However, the development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly more sophisticated. Despite our efforts, the possibility of a future data compromise cannot be eliminated entirely, and risks associated with intrusion, exposure, tampering, and theft remain. We maintain cyber liability insurance; however, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems. Data privacy or security breaches by employees or others may pose a risk that data, including intellectual property or personal information, may be exposed to unauthorized individuals or to the public. In addition, we provide confidential, proprietary and personal information to third parties when it is necessary to pursue our business objectives. While we obtain assurances that these third parties will protect this information and, where appropriate, monitor the protections employed by these third parties, there is a risk the confidentiality of data held by third parties may be compromised. If our data systems are compromised, our business operations may be impaired, we may lose profitable opportunities or the value of those opportunities may be diminished, and we may lose revenue because of unlicensed use of our intellectual property. If personal

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Substantial amounts of our information concerning our products, customers, employees and ongoing business are stored digitally and are subject to threats of theft, exposure, tampering, or other intrusions. – continued

information of our customers or employees is misappropriated, our reputation with our customers and employees may be injured resulting in loss of business and/or morale, and we may incur costs to remediate possible injury to our customers and employees or be required to pay fines or take other action with respect to judicial or regulatory actions arising out of such incidents.

Our business will continue to expose us to risks of environmental liabilities.

Our product and API development programs, manufacturing processes and distribution logistics involve the controlled use of hazardous materials, chemicals and toxic compounds in our owned and leased facilities. As a result, we are subject to numerous and increasingly stringent federal, state and local environmental laws and regulations concerning, among other things, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous materials and the discharge of pollutants into the air and water. Our programs and processes expose us to risks that an accidental contamination could result in (i) our noncompliance with such environmental laws and regulations and (ii) regulatory enforcement actions or claims for personal injury and property damage against us. If an accident or environmental discharge occurs, or if we discover contamination caused by prior operations, including by prior owners and operators of properties we acquire, we could be liable for cleanup obligations, damages and fines. The substantial unexpected costs we may incur could have a material and adverse effect on our business, results of operations, financial condition, and cash flows. In addition, environmental permits and controls are required for some of our operations, and these permits are subject to modification, renewal and revocation by the issuing authorities. Any modification, revocation or non-renewal of our environmental permits could have a material adverse effect on our ongoing operations, business and financial condition. Our environmental capital expenditures and costs for environmental compliance may increase in the future as a result of changes in environmental laws and regulations or increased development or manufacturing activities at any of our facilities.

Our foreign operations may become less attractive if political and diplomatic relations between the United States and any country where we conduct business operations deteriorates.

The relationship between the United States and the foreign countries where we conduct business operations may weaken over time. Changes in the state of the relations between any such country and the United States are difficult to predict and could adversely affect our future operations. This could lead to a decline in our profitability. Any meaningful deterioration of the political, economic and diplomatic relations between the United States and the relevant country could have a material adverse effect on our operations.

Our global operations expose us to risks and challenges associated with conducting business internationally.

We operate on a global basis with offices or activities in Europe, Africa, Asia, South America, Australia and North America. We face several risks inherent in conducting business internationally, including compliance with international and U.S. laws and regulations that apply to our international operations. These laws and regulations include data privacy requirements; labor relations laws; tax laws; competition regulations; import and trade restrictions; economic sanctions; export requirements; U.S. laws such as the Foreign Corrupt Practices Act; the UK Bribery Act 2010; and other local laws that prohibit corrupt payments to governmental officials or certain payments or remunerations to customers. Given the high level of complexity of these laws there is a risk that

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Our global operations expose us to risks and challenges associated with conducting business internationally. – continued

some provisions may be breached by us, for example through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Our success depends, in part, on our ability to anticipate these risks and manage these challenges. Further, certain of our employees, including employees located in certain jurisdictions in Canada, Europe and Asia, are represented by collective bargaining or other labor agreements or arrangements that provide bargaining or other rights to employees. Such employment rights require us to expend greater time and expense in making changes to employees' terms of employment or carrying out staff reductions. In addition, any national or other labor disputes in these regions could result in a work stoppage or strike by our employees that could delay or interrupt our ability to supply products and conduct operations. Due to the nature of these collective bargaining agreements, we will have no control over such work stoppages or strikes by such employees, and a strike may occur even if the employees do not have any grievances against us. Any interruption in manufacturing or operations could interfere with our business and could have a material adverse effect on our revenues.

In addition to the foregoing, engaging in international business inherently involves a number of other difficulties and risks, including:

- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- political and economic instability or sanctions in areas in which we operate;
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements and other trade barriers;
- regulations related to customs and import/export matters (including sanctions);
- tax issues, such as tax law changes and variations in tax laws;
- challenges in collecting accounts receivable from customers in the jurisdictions in which we operate;
- complying with laws, rules and regulations relating to the manufacturing, marketing, distribution and sale of pharmaceutical products in the jurisdictions in which we do or will operate;
- operating under regulations in jurisdictions related to obtaining eligibility for government or private payor reimbursement for our products at the wholesale/retail level;
- competition from local, regional and international competitors;
- difficulties and costs of staffing and managing foreign operations, including cultural and language differences and additional employment regulations, union workforce negotiations and potential disputes in the jurisdictions in which we operate;
- difficulties associated with compliance with a variety of laws and regulations governing international trade, including the Foreign Corrupt Practices Act;
- difficulties protecting or procuring intellectual property rights; and
- fluctuations in foreign currency exchange rates.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Our global operations expose us to risks and challenges associated with conducting business internationally. – continued

These factors or any combination of these factors could have a material adverse effect on our results of operations and financial condition.

Our ordinary share dividend policy is subject to change and could adversely affect the price of our ordinary shares.

Our ordinary share dividend policy is based upon our Board of Directors' current assessment of our business and the environment in which we operate. That assessment could change based on competitive or commercial developments (which could, for example, increase our need for capital expenditures), new growth opportunities, the terms of future debt instruments, legal risks, changes in Irish corporate or tax or federal tax law and challenges to our business model. Our Board of Directors may, in its discretion, amend or repeal our dividend policy to decrease the level of dividends on our ordinary shares or entirely discontinue the payment of dividends on our ordinary shares. The reduction or elimination of our cash dividend could adversely affect the market price of our ordinary shares.

Our share repurchase program may not enhance shareholder value.

Repurchases by the Company of our ordinary shares reduce the number of outstanding shares of our ordinary shares. There can be no assurance that any share repurchases will enhance shareholder value because the market price of our ordinary shares may decline below the levels at which we repurchased ordinary shares. Although the Company's repurchases of its shares are intended to enhance long-term shareholder value, short-term stock price fluctuations could reduce the effectiveness of these repurchases.

The value of our Teva Shares could go down.

As part of the Teva Transaction we received 100.3 million Teva ordinary shares, which at the time of the closing approximated $5.0 billion in value. Pursuant to an agreement with Teva, we were not permitted to sell the Teva Shares before August 2017. The price of Teva ordinary shares has decreased significantly since the closing of the Teva Transaction, and also from August 2017: from $53.39 at the closing of the Teva Transaction, to $18.95 at December 29, 2017, and reaching a low of $11.23 in November of 2017. Since November 2017, we have been engaged in sales of the Teva Shares through a variety of transactions. As of April 4, 2018, the Company owned approximately 34.4 million Teva ordinary shares. We cannot predict the price of Teva ordinary shares and the total proceeds from the sale of the Teva Shares is likely to be less than anticipated at the closing of the Teva Transaction and may be less than the proceeds we would have received had we sold the shares at earlier or later date.

We have exposure to tax liabilities.

As a multinational corporation, we are subject to income taxes as well as non-income based taxes in various jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. We are subject to costs and other potential outcomes from tax audits. The Company believes that its accrual for tax contingencies is adequate for all open years based on past experience, interpretations of tax law and judgments about potential actions by tax authorities; however, due to the complexity of tax

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

We have exposure to tax liabilities. – continued

contingencies, the ultimate resolution of any tax matters may result in payments greater or less than amounts accrued.

Changes in tax laws or tax rulings in the U.S. and abroad could have a significant adverse impact on our effective tax rate.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA"), was enacted into law by President Trump. The TCJA makes significant changes to the U.S. taxation of our domestic and international operations. The TCJA contains a number of provisions that may adversely impact our effective tax rate or operating cash flows going forward, including:

- The limitation on the amount of interest expense deduction available to our U.S. subsidiaries to the extent we are unable to absorb any unused interest deductions over time;
- The "Base Erosion Anti-Abuse Tax", which requires our U.S. subsidiaries to make an alternative determination of taxable income without regard to tax deductions for certain payments to affiliates;
- Provisions that may deny deductions for certain payments made by our U.S. subsidiaries to non-U.S. affiliates to the extent such payments are classified as "hybrid payments"; and
- The one-time transition tax (i.e. toll charge) on the pre-2018 earnings of certain non-U.S. subsidiaries. The tax is payable over eight years, but is not dependent on our future earnings and therefore may have an adverse impact on our future operating cash flow.

Many countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws which could impact our effective tax rate or future tax obligations. The Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Sharing Project, and is expected to continue to issue guidelines and proposals that may change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. The European Commission has conducted investigations in multiple countries focusing on whether local country tax rulings or tax legislation provides preferential tax treatment that violates European Union state aid rules. If the Company's effective tax rates were to increase, or if the ultimate determination of the Company's taxes owed is for an amount in excess of amounts previously accrued, the Company's operating results, cash flows, and financial condition could be adversely affected.

We would be adversely affected if, either based on current law or in the event of a change in law, the Internal Revenue Service ("IRS") did not agree that Allergan is a foreign corporation for U.S. federal tax purposes. In addition, future changes to international tax laws not specifically related to inversions could adversely affect us.

Allergan believes that, under current law, it is treated as a foreign corporation for U.S. federal tax purposes, because it is an Irish incorporated entity. However, the IRS may assert that Allergan should be treated as a U.S. corporation for U.S. federal tax purposes pursuant to Section 7874 of the U.S. Internal Revenue Code. Under Section 7874, a corporation created or organized outside the United States (i.e., a foreign corporation) will be treated as a U.S. corporation for U.S. federal tax purposes when (i) the foreign corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a U.S. corporation (including the indirect acquisition of assets of the U.S. corporation by acquiring all the outstanding shares of the U.S. corporation),

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

We would be adversely affected if, either based on current law or in the event of a change in law, the Internal Revenue Service ("IRS") did not agree that Allergan is a foreign corporation for U.S. federal tax purposes. In addition, future changes to international tax laws not specifically related to inversions could adversely affect us. – continued

(ii) the shareholders of the acquired U.S. corporation hold at least 80% (by either vote or value) of the shares of the foreign acquiring corporation after the acquisition by reason of holding shares in the U.S. acquired corporation (including the receipt of the foreign corporation's shares in exchange for the U.S. corporation's shares) and (iii) the foreign corporation's "expanded affiliated group" does not have substantial business activities in the foreign corporation's country of organization or incorporation relative to such expanded affiliated group's worldwide activities. For purposes of Section 7874, multiple acquisitions of U.S. corporations by a foreign corporation, if treated as part of a plan or series of related transactions, may be treated as a single acquisition. If multiple acquisitions of U.S. corporations are treated as a single acquisition, all shareholders of the acquired U.S. corporations would be aggregated for purposes of the test set forth above concerning such shareholders holding at least 80% (by either vote or value) of the shares of the foreign acquiring corporation after the acquisitions by reason of holding shares in the acquired U.S. corporations.

Allergan believes that the test set forth above to treat Allergan as a foreign corporation was satisfied in connection with the Warner Chilcott Acquisition, the Forest Acquisition and the Allergan Acquisition. However, the law and Treasury regulations promulgated under Section 7874 are somewhat unclear, and thus it cannot be assured that the IRS will agree that the ownership requirements to treat Allergan as a foreign corporation were met in the Warner Chilcott Acquisition, the Forest Acquisition and/or the Allergan Acquisition, and the IRS may assert that, even though the Allergan Acquisition is a separate transaction from the Warner Chilcott Acquisition and the Forest Acquisition, the Allergan Acquisition should be integrated with the Warner Chilcott Acquisition and the Forest Acquisition as a single transaction. In the event the IRS were to prevail with such assertion, Allergan would be treated as a U.S. corporation for U.S. federal tax purposes and significant adverse tax consequences would result for Allergan.

Even if Allergan is respected as a foreign corporation for U.S. federal tax purposes, Allergan might be adversely impacted by recent proposals that have aimed to make other changes in the taxation of multinational corporations. For example, the Organization for Economic Cooperation and Development has created an agreed set of international rules for fighting base erosion and profit shifting. As a result, the tax laws in the United States, Ireland and other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect Allergan and its affiliates (including Legacy Allergan and its affiliates).

Foreign currency fluctuations could adversely affect our business and financial results.

We do business and generate sales in numerous countries outside the United States. The Company has also entered and will from time to time enter into acquisition, licensing, borrowing, hedging or other financial transactions that may give rise to currency and interest rate exposure. As such, foreign currency fluctuations may affect the costs that we incur in such international operations. Some of our operating expenses are incurred in non-U.S. dollar currencies. The appreciation of non-U.S. dollar currencies in those countries where we have operations against the U.S. dollar could increase our costs and could harm our results of operations and financial condition.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

A failure of our internal control over financial reporting could materially impact our business or share price.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. An internal control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, 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. Because of the inherent limitations in all internal control systems, internal control over financial reporting may not prevent or detect misstatements. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud, and could expose us to litigation or adversely affect the market price of the Allergan plc Ordinary Shares.

For example, in the year ended December 31, 2016, management concluded that there was a material weakness in internal controls over financial reporting as it did not maintain effective controls to appropriately assess the tax implications of certain transactions between our subsidiaries. This control deficiency did not result in a material misstatement of our current or prior period consolidated financial statements. However, this control deficiency could have resulted in a misstatement to the income tax accounts and disclosures, which would have resulted in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management previously concluded that this control deficiency constituted a material weakness, which has since been remediated.

We are incorporated in Ireland, and Irish law differs from the laws in effect in the United States and may afford less protection to, or otherwise adversely affect, our shareholders.

Our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the United States. As an Irish company, we are governed by the Irish Companies Act 2014 (the "Companies Act"). The Companies Act and other relevant aspects of Irish law differ in some material respects from laws generally applicable to U.S. corporations and shareholders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. For example, under Irish law, the duties of directors and officers of a company are generally owed to the company only. As a result, shareholders of Irish companies do not have the right to bring an action against the directors or officers of a company, except in limited circumstances. In addition, depending on the circumstances, you may be subject to different or additional tax consequences under Irish law as a result of your acquisition, ownership and/or disposition of our ordinary shares, including, but not limited to, Irish stamp duty, dividend withholding tax and capital acquisitions tax.

As a result of different shareholder voting requirements in Ireland relative to laws in effect in certain states in the United States, we may have less flexibility with respect to certain aspects of capital management than companies organized in the United States.

Under Irish law, our authorized share capital can be increased by an ordinary resolution of our shareholders and the directors may issue new ordinary or preferred shares up to a maximum amount equal to the authorized but unissued share capital, without shareholder approval, once authorized to do so by our articles of association or by an ordinary resolution of our shareholders. Additionally, subject to specified exceptions, Irish law grants statutory preemption rights to existing shareholders where shares are being issued for cash consideration but allows shareholders to disapply such statutory preemption rights either in our articles of association or by way of

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

As a result of different shareholder voting requirements in Ireland relative to laws in effect in certain states in the United States, we may have less flexibility with respect to certain aspects of capital management than companies organized in the United States. – continued

special resolution. Such disapplication can either be generally applicable or be in respect of a particular allotment of shares. Accordingly, our articles of association contain, as permitted by Irish company law, provisions authorizing the board to issue new shares, and to disapply statutory preemption rights. The authorization of the directors to issue shares and the disapplication of statutory preemption rights must both be renewed by the shareholders at least every five years, and we cannot provide any assurance that these authorizations will always be approved, which could limit our ability to issue equity and thereby adversely affect the holders of our securities.

We are an Irish company and it may be difficult for you to enforce judgments against us or certain of our officers and directors.

We are incorporated in Ireland and a substantial portion of our assets are located in jurisdictions outside the United States. In addition, some of our officers and directors reside outside the United States, and some or all of their respective assets are or may be located in jurisdictions outside of the United States. Therefore, it may be difficult for investors to effect service of process against us or such officers or directors or to enforce against us or them judgments of U.S. courts predicated upon civil liability provisions of the U.S. federal securities laws.

There is no treaty between Ireland and the United States providing for the reciprocal enforcement of foreign judgments. The following requirements must be met before the foreign judgment will be recognized and deemed enforceable in Ireland:

- the judgment must be for a definite monetary sum;
- the judgment must be final and conclusive and the decree final and unalterable in the court which pronounces it; and
- the judgment must be provided by a court of competent jurisdiction.

An Irish court will also refuse to recognize or enforce a foreign judgment obtained by fraud, or if to enforce the judgment would violate Irish public policy or breach natural or constitutional justice. Further, an Irish court may not recognize or enforce a judgment that is irreconcilable with an earlier judgment, and may stay recognition and enforcement proceedings, if concurrent proceedings are in being elsewhere. Further, as a matter of public policy, an Irish Court will not recognize or enforce foreign revenue, penal or other public laws, either directly or through the recognition and enforcement of a foreign judgment. Judgments of U.S. courts of liabilities predicated upon U.S. federal securities laws may not be recognized or enforced by Irish courts if deemed to be contrary to public policy in Ireland.

A transfer of our ordinary shares, other than by means of the transfer of book-entry interests in the Depository Trust Company ("DTC"), may be subject to Irish stamp duty, as may a transfer of preference shares.

Transfers of our ordinary shares effected by means of the transfer of book entry interests in the DTC will not be subject to Irish stamp duty. However, if you hold your ordinary shares directly rather than beneficially through the DTC, any transfer of your ordinary shares could be subject to Irish stamp duty (currently at the rate of 1% of the higher of the price paid or the market value of the shares acquired). Payment of Irish stamp duty is generally

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

A transfer of our ordinary shares, other than by means of the transfer of book-entry interests in the Depository Trust Company ("DTC"), may be subject to Irish stamp duty, as may a transfer of preference shares. – continued

a legal obligation of the transferee. Transfers of preference shares, including our mandatory convertible preferred shares, may also be subject to Irish stamp duty at the same rate. The potential for stamp duty could adversely affect the price of your shares.

In certain limited circumstances, dividends we pay may be subject to Irish dividend withholding tax.

In certain limited circumstances, dividend withholding tax (currently at a rate of 20%) may arise in respect of any dividends paid on our ordinary shares or our preference shares. A number of exemptions from dividend withholding tax exist such that shareholders resident in the U.S. and shareholders resident in certain countries may be entitled to exemptions from dividend withholding tax.

Shareholders resident in the U.S. that hold their shares through the DTC will not be subject to dividend withholding tax provided the addresses of the beneficial owners of such shares in the records of the brokers holding such shares are recorded as being in the U.S. (and such brokers have further transmitted the relevant information to a qualifying intermediary appointed by us). U.S. resident shareholders in Allergan that hold their shares outside of the DTC and shareholders resident in certain other countries (irrespective of whether they hold their shares through the DTC or outside the DTC) will not be subject to dividend withholding tax provided the beneficial owners of such shares have furnished completed and valid dividend withholding tax forms or an IRS Form 6166, as appropriate, to our transfer agent or their brokers (and such brokers have further transmitted the relevant information to our transfer agent). However, other shareholders may be subject to dividend withholding tax, which could adversely affect the price of your shares.

Dividends received by Irish residents and certain other shareholders may be subject to Irish income tax.

Shareholders entitled to an exemption from Irish dividend withholding tax on dividends received from us will not be subject to Irish income tax in respect of those dividends, unless they have some connection with Ireland other than their shareholding in us (for example, they are resident in Ireland). Shareholders who are not resident nor ordinarily resident in Ireland but who are not entitled to an exemption from Irish dividend withholding tax will generally have no further liability to Irish income tax on those dividends which suffer dividend withholding tax.

Allergan's Ordinary Shares received by means of a gift or inheritance could be subject to Irish capital acquisitions tax.

Irish capital acquisitions tax ("CAT") could apply to a gift or inheritance of ordinary shares or our preference shares, including our mandatory convertible preferred shares, irrespective of the place of residence, ordinary residence or domicile of the parties. This is because Company Ordinary Shares and preference shares are regarded as property situated in Ireland. The person who receives the gift or inheritance has primary liability for CAT. Gifts and inheritances passing between spouses are exempt from CAT. Children have a tax-free threshold of €310,000 in respect of taxable gifts or inheritances received from their parents. Certain other tax-free thresholds may also apply.

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources

At December 31, 2017, our cash on hand was $1,817.2 million, as compared to $1,724.0 million at December 31, 2016. As of December 31, 2017, our total outstanding debt excluding capital leases was $30,072.6 million which consisted of $29,698.2 million of borrowings under the Senior Notes, $459.0 million of a margin loan, $29.7 million of other borrowings, and $88.9 million of unamortized premium attributable to the Senior Notes, less $81.7 million attributable to unamortized discount and $121.5 million attributable to debt issuance costs.

Cash Flows from Operations

Our cash flows from operations are summarized as follows:

	Years Ended December 31,	
($ in millions)	**2017**	**2016**
	$	**$**
Net cash provided by operating activities	5,873.4	1,445.7

Cash flows from operations represent net profit adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities increased $4,427.7 million in the year ended December 31, 2017 versus the prior year period, due primarily to $3,293.7 million in cash tax payments made in connection with the sale of the generics business in the year ended December 31, 2016 and period-over-period movements in other tax payments. The year ended December 31, 2017 also had favorable non-income tax working capital movements versus the prior-year-period. In addition, the Company notes that prior year cash flows from operations were impacted by cash flows generated by our discontinued operations.

Management expects that available cash balances will provide sufficient resources to fund our operating liquidity needs and expected 2018 capital expenditure funding requirements.

Investing Cash Flows

Our cash flows from investing activities are summarized as follows:

	Years Ended December 31,	
($ in millions)	**2017**	**2016**
	$	**$**
Net cash (used in) / provided by investing activities	(878.0)	24,333.3

Investing cash flows consist primarily of cash used in acquisitions of businesses and intangible assets (primarily product rights), capital expenditures and purchases of investments and marketable securities partially offset by proceeds from the sale of a business, investments and marketable securities. Included in the year ended December 31, 2017 was the net cash provided by the net sale of marketable securities of $5,369.5 million offset, in part, by the cash purchases of LifeCell for $2,874.4 million and Zeltiq of $2,346.7 million, net of cash acquired, and the purchase of intangible assets of $614.3 million.

Included in the year ended December 31, 2016 were cash proceeds received from the sale of the global generics and Anda Distribution businesses to Teva of $33,804.2 million offset, in part, by purchases of marketable securities and other assets, net of $7,971.9 million, cash used for capital expenditures of $331.4 million and cash

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources - continued

Investing Cash Flows – continued

used in connection with acquisitions of $1,198.9 million, primarily related to the Tobira Acquisition, the Vitae Acquisition and the ForSight Acquisition.

Financing Cash Flows

Our cash flows from financing activities are summarized as follows:

	Years Ended December 31,	
($ in millions)	**2017**	**2016**
	$	**$**
Net cash (used in) financing activities	(4,923.6)	(25,142.5)

Financing cash flows consist primarily of borrowings and repayments of debt, repurchases of ordinary shares, dividend payments and proceeds from the exercise of stock options. Cash used in financing activities in the year ended December 31, 2017 primarily related to the repayment of indebtedness of $6,413.6 million, which included debt repurchased under the tender offer completed on May 30, 2017 and the early redemption of certain debt securities, the payment of dividends of $1,218.2 million and payments relating to contingent consideration and other financing of $511.6 million, and $493.0 million repurchases of ordinary shares, offset, in part by the long-term borrowings of $3,550.0 million.

Cash provided by financing activities in the year ended December 31, 2016 primarily included payments of debt of $10,848.7 million, contingent consideration of $161.1 million, dividends on preferred stock of $278.4 million and the repurchase of ordinary shares of $15,076.4 million, including $15,000.0 million repurchased under the Company's share repurchase programs, offset by borrowings under the credit facility of $1,050.0 million.

Debt and Borrowing Capacity

Debt consisted of the following ($ in millions):

			Balance As of		Fair Market Value As of	
	Issuance Date / Acquisition Date	Interest Payments	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
			$	$	$	$
Senior Notes:						
Floating Rate Notes						
$500.0 million floating rate notes due March 12, 2018*	March 4, 2015	Quarterly	500.0	500.0	500.6	502.5
$500.0 million floating rate notes due March 12, 2020**	March 4, 2015	Quarterly	500.0	500.0	508.1	509.4
			1,000.0	1,000.0	1,008.7	1,011.9
Fixed Rate Notes						
$1,000.0 million 1.850% notes due March 1, 2017	March 4, 2015	Semi-Annually	-	1,000.0	-	1,001.1
$500.0 million 1.300% notes due June 15, 2017	June 10, 2014	Semi-Annually	-	500.0	-	499.7
$1,200.0 million 1.875% notes due October 1, 2017	October 2, 2012	Semi-Annually	-	1,200.0	-	1,202.5

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources - continued

Debt and Borrowing Capacity – continued

	Issuance Date / Acquisition Date	Interest Payments	Balance As of December 31, 2017	Balance As of December 31, 2016	Fair Market Value As of December 31, 2017	Fair Market Value As of December 31, 2016
			$	$	$	$
$3,000.0 million 2.350% notes due March 12, 2018	March 4, 2015	Semi-Annually	3,000.0	3,000.0	3,001.9	3,018.0
$250.0 million 1.350% notes due March 15, 2018	March 17, 2015	Semi-Annually	250.0	250.0	249.7	248.4
$1,050.0 million 4.375% notes due February 1, 2019	July 1, 2014	Semi-Annually	-	1,050.0	-	1,090.0
$500.0 million 2.450% notes due June 15, 2019	June 10, 2014	Semi-Annually	500.0	500.0	499.7	501.2
$400.0 million 6.125% notes due August 15, 2019	August 24, 2009	Semi-Annually	-	400.0	-	437.7
$3,500.0 million 3.000% notes due March 12, 2020	March 4, 2015	Semi-Annually	3,500.0	3,500.0	3,528.4	3,541.8
$650.0 million 3.375% notes due September 15, 2020	March 17, 2015	Semi-Annually	650.0	650.0	661.3	663.6
$750.0 million 4.875% notes due February 15, 2021	July 1, 2014	Semi-Annually	450.0	750.0	474.3	803.3
$1,200.0 million 5.000% notes due December 15, 2021	July 1, 2014	Semi-Annually	1,200.0	1,200.0	1,282.6	1,297.7
$3,000.0 million 3.450% notes due March 15, 2022	March 4, 2015	Semi-Annually	3,000.0	3,000.0	3,044.5	3,030.7
$1,700.0 million 3.250% notes due October 1, 2022	October 2, 2012	Semi-Annually	1,700.0	1,700.0	1,703.0	1,693.1
$350.0 million 2.800% notes due March 15, 2023	March 17, 2015	Semi-Annually	350.0	350.0	341.6	335.6
$1,200.0 million 3.850% notes due June 15, 2024	June 10, 2014	Semi-Annually	1,200.0	1,200.0	1,232.3	1,211.7
$4,000.0 million 3.800% notes due March 15, 2025	March 4, 2015	Semi-Annually	4,000.0	4,000.0	4,067.1	3,995.6
$2,500.0 million 4.550% notes due March 15, 2035	March 4, 2015	Semi-Annually	2,500.0	2,500.0	2,631.9	2,458.5
$1,000.0 million 4.625% notes due October 1, 2042	October 2, 2012	Semi-Annually	456.7	1,000.0	471.2	967.6
$1,500.0 million 4.850% notes due June 15, 2044	June 10, 2014	Semi-Annually	1,500.0	1,500.0	1,606.2	1,496.4
$2,500.0 million 4.750% notes due March 15, 2045	March 4, 2015	Semi-Annually	1,200.0	2,500.0	1,277.3	2,466.9
			25,456.7	31,750.0	26,073.0	31,961.1
Euro Denominated Notes						
€750.0 million 0.500% notes due June 1, 2021	May 26, 2017	Annually	900.4	-	895.8	-
€700.0 million 1.250% notes due June 1, 2024	May 26, 2017	Annually	840.4	-	831.1	-
€550.0 million 2.125% notes due June 1, 2029	May 26, 2017	Annually	660.3	-	657.8	-
€700.0 million floating rate notes due June 1, 2019***	May 26, 2017	Quarterly	840.4	-	837.2	-
			3,241.5	-	3,221.9	-
Total Senior Notes Gross			**29,698.2**	**32,750.0**	**30,303.6**	**32,973.0**
Unamortized premium			88.9	171.2	-	-
Unamortized discount			(81.7)	(95.8)	-	-
Total Senior Notes Net			**29,705.4**	**32,825.4**	**30,303.6**	**32,973.0**

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources - continued

Debt and Borrowing Capacity – continued

	Balance As of	
	December 31, 2017	December 31, 2016
	$	$
Other Indebtedness		
Debt Issuance Costs	(121.5)	(144.6)
Margin Loan	459.0	-
Other	29.7	85.5
Total Other Borrowings	**367.2**	**(59.1)**
Capital Leases	**2.7**	**2.4**
Total Indebtedness	**30,075.3**	**32,768.7**

* Interest on the 2018 floating rate note is three month USD LIBOR plus 1.080% per annum
** Interest on the 2020 floating rate note is three month USD LIBOR plus 1.255% per annum
*** Interest on the €700.0 million floating rate notes is the three month EURIBOR plus 0.350% per annum

Fair market value in the table above is determined in accordance with Accounting Standards Codification ("ASC") Topic 820 "Fair Value Measurement" ("ASC 820") under Level 2 based upon quoted prices for similar items in active markets.

Senior Notes

Borrowings

Euro Denominated Notes

On May 26, 2017, Allergan Funding SCS, a limited partnership (société en commandite simple) organized under the laws of the Grand Duchy of Luxembourg and an indirect wholly-owned subsidiary of Allergan plc, issued the euro denominated notes. The notes are fully and unconditionally guaranteed by Allergan Funding SCS's indirect parents, Warner Chilcott Limited and Allergan Capital S.a.r.l. ("Allergan Capital"), and by Allergan Finance, LLC, a subsidiary of Allergan Capital, on an unsecured and unsubordinated basis.

These notes were issued to fund, in part, the payment of the tender offers described below.

Floating Rate Notes

On March 4, 2015, Allergan Funding SCS, issued floating rate notes which are fully and unconditionally guaranteed by Allergan Funding SCS's indirect parents, Warner Chilcott Limited and Allergan Capital, and by Allergan Finance LLC on an unsecured and unsubordinated basis. Allergan plc has not guaranteed the notes.

The previously outstanding 2016 floating rate notes were paid in full at maturity on September 1, 2016 and bore interest at the three-month LIBOR plus 0.875%.

Fixed Rate Notes

Acquired Allergan Notes

On March 17, 2015 in connection with the Allergan Acquisition, the Company acquired, and subsequently guaranteed the indebtedness of Allergan, Inc., including $800.0 million 5.750% senior notes due and redeemed in 2016 not shown in the table above. The fair value of the acquired senior notes was determined to be

DIRECTORS' REPORT - continued

Fixed Rate Notes - continued

Acquired Allergan Notes – continued

$2,087.5 million as of March 17, 2015. As such, as part of acquisition accounting, the Company recorded a premium of $37.5 million to be amortized as contra interest over the life of the notes.

The notes acquired in the Allergan Acquisition are redeemable at any time at the Company's option, subject to a make-whole provision based on the present value of remaining interest payments at the time of the redemption.

2015 Notes Issuance

On March 4, 2015, Allergan Funding SCS, issued indebtedness, in part, to fund the Allergan Acquisition. The notes are fully and unconditionally guaranteed by Allergan Funding SCS's indirect parents, Warner Chilcott Limited and Allergan Capital, and by Allergan Finance LLC on an unsecured and unsubordinated basis. Allergan plc has not guaranteed the notes.

Acquired Forest Notes

On July 1, 2014 in connection with the Forest acquisition, the Company acquired the indebtedness of Forest. As a result of acquisition accounting, the notes were fair valued with a premium of $260.3 million as of July 1, 2014, which will be amortized as contra-interest over the life of the notes. The guarantor of the debt is Allergan plc.

2014 Notes Issuance

On June 10, 2014, Allergan Funding SCS issued indebtedness, in part, to fund the Forest Acquisition. The guarantors of the debt are Warner Chilcott Limited, Allergan Capital, and Allergan Finance, LLC.

2012 Notes Issuance

On October 2, 2012, Allergan Finance, LLC issued indebtedness which were were used for the acquisition of the Actavis Group. The guarantors of the debt are Warner Chilcott Limited and Allergan plc.

2009 Notes Issuance

On August 24, 2009, Allergan Finance, LLC issued senior notes which were used to repay certain debt with the remaining net proceeds being used to fund a portion of the cash consideration for the Arrow Group acquisition. The guarantors of the debt are Warner Chilcott Limited and Allergan plc.

Credit Facility Indebtedness

On August 2, 2016, the Company repaid the remaining balances of all outstanding term-loan indebtedness and terminated its then existing revolving credit facility with proceeds from the Teva Transaction. The interest expense on the then-outstanding indebtedness in the years ended December 31, 2016 and 2015 was $116.2 million and $147.3 million, respectively.

Margin Loan

On November 10, 2017, Allergan W.C. Holding Inc., Allergan Finance, LLC and Allergan Holding B1 Inc. and JP Morgan Chase Bank executed a margin loan agreement for an aggregate principal amount not exceeding

DIRECTORS' REPORT - continued

Credit Facility Indebtedness - continued

Margin Loan – continued

$550.0 million which was available as a single draw from the signing date to December 22, 2017 (the "Loan" or "Margin Loan Agreement"). In Q4 2017, the Company drew down $525.0 million and repaid $66.0 million. The outstanding indebtedness under this facility at any time is collateralized by the Company's investment in Teva securities. As of April 4, 2018, the margin loan balance remaining was $87.0 million.

Revolving Credit Facility

On June 14, 2017, Allergan plc and certain of its subsidiaries entered into a revolving credit and guaranty agreement (the "Revolver Agreement") among Allergan Capital, as borrower, Allergan plc, as Ultimate Parent; Warner Chilcott Limited, Allergan Finance LLC, and Allergan Funding SCS, as guarantors; the lenders from time to time party thereto (the "Revolving Lenders"); J.P. Morgan Chase Bank as Administrative Agent; J.P. Morgan Europe Limited, as London Agent; and the other financial institutions party thereto. Under the Revolver Agreement, the Revolving Lenders have committed to provide an unsecured five-year revolving credit facility in an aggregate principal amount of up to $1.5 billion, with the ability to increase the revolving credit facility by $500.0 million to an aggregate principal amount of up to $2.0 billion.

The Revolver Agreement provides that loans thereunder would bear interest, at our choice, of a per annum rate equal to either (a) a base rate, plus an applicable margin per annum varying from 0.00% per annum to 1.00% per annum depending on the Debt Rating or (b) a Eurodollar rate, plus an applicable margin varying from 0.875% per annum to 2.00% per annum depending on the Debt Rating. Additionally, to maintain availability of funds, the Company pays an unused commitment fee varying from 0.070% to 0.250% per annum, depending on the Debt Rating on the unused portion of the revolver.

The obligations under the Revolver Agreement are guaranteed by Warner Chilcott Limited, Allergan Finance, LLC and Allergan Funding SCS.

The Revolver Agreement contains customary affirmative covenants for facilities of this type, including, among others, covenants pertaining to the delivery of financial statements, notices of default, maintenance of corporate existence and compliance with laws, as well as customary negative covenants for facilities of this type, including, among others, limitations on secured indebtedness, non-guarantor subsidiary indebtedness, mergers and certain other fundamental changes and passive holding company status. The Revolver Agreement also contains a financial covenant requiring maintenance of a maximum consolidated leverage ratio.

In addition, the Revolver Agreement also contains customary events of default (with customary grace periods and materiality thresholds).

The Company was subject to, and as of December 31, 2017 was in compliance with all, financial and operational covenants under the terms of the Revolver Agreement. At December 31, 2017, there were $28.6 million of outstanding borrowings or letters of credit outstanding under the Revolver Agreement.

2017 Repayments

The Company redeemed all senior notes during the year ended December 31, 2017 that matured within that period.

DIRECTORS' REPORT - continued

2017 Repayments - continued

Tender Offer

On May 30, 2017, the Company's wholly owned subsidiaries Allergan Funding SCS, Allergan Finance LLC, Forest Laboratories, LLC and Allergan, Inc., each as co-offeror with Warner Chilcott Limited, completed the repurchase of certain debt securities issued by the entities for cash under a previously announced tender offer. As a result of the offering, the Company repurchased $300.0 million of the $750.0 million 4.875% notes due February 15, 2021, $543.3 million of the $1,000.0 million 4.625% notes due October 1, 2042, $700.0 million of the $1,050.0 million 4.375% notes due February 1, 2019, and $1,300.0 million of the $2,500.0 million 4.750% notes due March 15, 2045. The Company paid a total of $3,013.8 million, which included an early tender penalty to repurchase the notes of $170.5 million in cash. The Company recognized a net expense of $161.6 million within "Interest Expense" for the early tender payment and non-cash write-off of premiums and debt fees related to the repurchased notes.

Other Prepayments

On November 30, 2017, the Company repaid its $400.0 million 6.125% notes due August 15, 2019 in full. The Company paid a total of $426.8 million, which included an early tender payment, to repurchase the notes of $26.8 million in cash, which was recognized as a component of "Interest Expense".

On December 13, 2017, the Company repaid its remaining $350.0 million obligation under its 4.375% notes due February 1, 2019. The Company recognized a deminimis net P&L charge as a result of the debt termination.

Long-term Obligations

The following table lists our enforceable and legally binding obligations as of December 31, 2017. Certain amounts included herein are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties and other factors. Because these estimates and assumptions are necessarily subjective, the enforceable and legally binding obligation we will actually pay in future periods may vary from those reflected in the table:

	Payments Due by Period (Including Interest on Debt)				
($ in millions):	**Total**	**2018**	**2019-2020**	**2021-2022**	**Thereafter**
	$	**$**	**$**	**$**	**$**
Long-term debt[1]	30,186.9	4,209.0	5,990.4	7,250.4	12,737.1
Cash interest[1]	9,246.8	932.0	1,707.8	1,337.7	5,269.3
Operating lease obligations[2]	453.0	53.5	105.6	87.8	206.1
Capital lease obligations[3]	2.7	2.7	-	-	-
Sales based and other milestone obligations[4][5]	9,809.9	-	135.0	165.0	9,509.9
R&D / approval milestone obligations[4][5]	5,809.1	409.5	709.2	866.6	3,823.8
Other obligations and commitments	1,596.8	205.1	863.8	191.2	336.7
Total	**57,105.2**	**5,811.8**	**9,511.8**	**9,898.7**	**31,882.9**

(1) Amounts represent total minimum cash payments and anticipated interest payments, as applicable, assuming scheduled repayments under the Company's existing notes. Amounts exclude fair value adjustments, discounts or premiums on outstanding debt obligations.

(2) Amount represents operating leases for our global business. There are no contingent rental amounts or sublease rentals.

(3) Amount represents capital leases for our global business, including interest. Leases are for property, plant and equipment, vehicles and furniture and fixtures.

(4) Amount includes contingent consideration obligations, including accretion resulting from various acquisitions.

DIRECTORS' REPORT - continued

2017 Repayments - continued

Long-term Obligations – continued

(5) The table above reflects the anticipated timing of R&D and approval related milestones with sales based milestones included in the period "Thereafter" as the achievement of sales targets is variable. Certain agreements also include royalties based on commercial sales.

The following are contractual commitments relating to the R&D and approval related milestones and sales based milestones ($ in millions):

Transaction	Product	Maximum Milestones	R&D /Approval Milestones	Sales Based and Other Milestones
		$	$	$
Heptares Therapeutics, Ltd	Neurological disorders	3,224.5	649.5	2,575.0
Assembly Biosciences, Inc.	Gastrointestinal products	2,459.0	1,069.0	1,390.0
AstraZeneca plc License	Brazikumab	1,265.0	225.0	1,040.0
Akarna Therapeutics, Ltd	Inflammatory and fibrotic diseases	975.0	600.0	375.0
Tobira Therapeutics, Inc.	Cenicriviroc	800.1	400.1	400.0
Chase Pharmaceuticals Corporation	Neurodegenerative disorders	875.0	325.0	550.0
Merck & Co.	Ubrogepant & Atogepant	865.0	425.0	440.0
Retrosense Therapeutics, LLC	RST-001	495.0	245.0	250.0
Naurex, Inc.	GLYX-13	475.0	75.0	400.0
AqueSys, Inc.	Xen Gel Stent	300.0	-	300.0
Topokine Therapeutics, Inc.	XAF5	260.0	110.0	150.0
Oculeve, Inc.	TrueTear™	200.0	100.0	100.0
Forsight VISION5, Inc.	Bimatoprost Ring	125.0	125.0	-
All Other		3,300.4	1,460.5	1,839.9
Total		**15,619.0**	**5,809.1**	**9,809.9**

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, net revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Financial risk management

The following discussion provides forward-looking quantitative and qualitative information about our potential exposure to market risk. Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings. We are exposed to market risk for changes in the market values of our investments (Investment Risk), the impact of interest rate changes (Interest Rate Risk) and the impact of foreign currency exchange changes (Foreign Currency Exchange Risk).

We maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including both government and government agency obligations with ratings of A or better and money market funds. Our investments in marketable securities are governed by our investment policy which seeks to preserve the value of our principal, provide liquidity and maximize return on the Company's investment against minimal interest rate

DIRECTORS' REPORT - continued

Financial risk management - continued

risk. Consequently, our interest rate and principal risk are minimal on our non-equity investment portfolio. The quantitative and qualitative disclosures about market risk are set forth below.

Investment Risk

As of December 31, 2017, our total investments in marketable and equity securities of other companies, including equity method investments, but excluding securities considered cash and cash equivalents were $4,704.4 million (included in marketable securities and investments and other assets). The fair values of these investments are subject to significant fluctuations due to volatility of the stock market and changes in general economic conditions.

As of December 31, 2017, the Company owned 95.9 million Teva ordinary shares, which are subject to changes in value based on the price of Teva shares. As of April 4, 2018, the Company owned approximately 34.4 million Teva ordinary shares.

We regularly review the carrying value of our investments and identify and recognize losses, for profit and loss statement purposes, when events and circumstances indicate that any declines in the fair values of such investments below our accounting basis are other-than-temporary, including the other-than-temporary impairment of Teva securities in the year ended December 31, 2017 of $3,273.5 million.

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our non-equity investment portfolio. Our cash is invested in money market securities.

Our portfolio of marketable securities includes highly liquid money market securities classified as available-for-sale securities, with no security having a maturity in excess of one year. These include floating rate securities that are exposed to interest rate fluctuations. Because of the short-term nature of these investments, we are subject to minimal interest rate risk and do not believe that an increase in market rates would have a significant negative impact on the realized value of our portfolio.

Floating Rate Debt

At December 31, 2017, borrowings outstanding under the floating rate notes were $1,840.4 million. Assuming a one percent increase in the applicable interest rate on the Company's floating rates notes, annual interest expense would increase by approximately $18.4 million over the next twelve months.

Fixed Rate Debt

The Company has outstanding borrowings under its fixed rate notes. Changes in market interest rates generally affect the fair value of fixed rate debt, but do not impact earnings or cash flows.

Foreign Currency Exchange Risk

Overall, we are a net recipient of currencies other than the U.S. dollar and, as such, benefit from a weaker dollar and are adversely affected by a stronger dollar relative to major currencies worldwide. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, may negatively affect our consolidated revenues or operating costs and expenses as expressed in U.S. dollars.

DIRECTORS' REPORT - continued

Foreign Currency Exchange Risk - continued

From time to time, we have entered into foreign currency option and forward contracts. Accordingly, we have entered into various contracts which change in value as foreign exchange rates change to allow the Company at its option to economically offset the effect of changes in the value of foreign currency assets and liabilities, commitments and anticipated foreign currency denominated sales and operating expenses. We have entered into foreign currency option and forward contracts in amounts between minimum and maximum anticipated foreign exchange exposures.

From time to time, we have used foreign currency option contracts, which provide for the sale or purchase of foreign currencies, if exercised, to economically hedge the currency exchange risks associated with probable but not firmly committed transactions that arise in the normal course of our business. Probable but not firmly committed transactions are comprised primarily of sales of products and purchases of raw material in currencies other than the U.S. dollar. While these instruments were subject to fluctuations in value, such fluctuations were anticipated to offset changes in the value of the underlying exposures.

While the Company does not believe it has significant exposure to foreign exchange, we are subject to transactional items which may impact the results of operations. Net foreign currency (gains) and losses on the results of operations were $97.5 million and ($52.8) million for the years ended December 31, 2017 and 2016, respectively.

The Company is exposed to foreign exchange risk in its international operations from foreign currency purchases, net investments in foreign subsidiaries, and foreign currency assets and liabilities created in the normal course of business, including the Euro Denominated Notes. In the year ended December 31, 2017, we used effective net investment hedges to partially offset the effects of foreign currency on our investments in certain of our foreign subsidiaries. The total notional amount of our instruments designated as net investment hedges was $3.6 billion as of December 31, 2017. During the year ended December 31, 2017, the impact of the net investment hedges on other comprehensive income was a loss of $191.8 million.

Inflation

We do not believe that inflation has had a significant impact on our revenues or operations, nor do we have any material commodity price risks.

Future developments

Allergan plc is a global pharmaceutical company focused on developing, manufacturing and commercializing branded pharmaceutical, device, biologic, surgical and regenerative medicine products for patients around the world. Allergan markets a portfolio of leading brands and best-in-class products for the central nervous system, eye care, medical aesthetics and dermatology, gastroenterology, women's health, urology and anti-infective therapeutic categories. Allergan is an industry leader in Open Science, a model of research and development, which defines our approach to identifying and developing game-changing ideas and innovation for better patient care. The Company has operations in more than 100 countries.

Political donations

No political contributions that require disclosure under Irish law were made during the year.

DIRECTORS' REPORT - continued

Treasury Shares

At December 31, 2017, and December 31, 2016, there were no treasury shares outstanding. During the period since incorporation, Allergan plc acquired treasury shares for nil consideration in connection with the company's stock based payment compensation plans for employees. During the year ended December 31, 2017, the Company acquired and cancelled 4.2 million ordinary shares for aggregate consideration of $1,424.8 million in connection with the Company's share repurchase programs. On September 25, 2017, the Company's Board of Directors approved a $2.0 billion share repurchase program. As of December 31, 2017, the Company has repurchased $450.0 million, or 2.6 million ordinary shares under the program.

Subsequent Events

Elastagen Pty Ltd

On February 6, 2018, the Company announced the acquisition of Elastagen Pty Ltd for approximately $95.0 million. Under the terms of the agreement, Elastagen Pty Ltd is eligible to receive additional consideration of up to $165.0 million.

Repros Therapeutics, Inc.

On January 31, 2018, the Company completed the acquisition of Repros Therapeutics, Inc. for approximately $31.0 million, which was accounted for as an asset acquisition and expensed as a component of R&D during the first quarter of 2018.

DIRECTORS' REPORT - continued

Directors and secretary's interests in shares

No director, the secretary or any member of their immediate families had any interest in shares or debentures of any subsidiary. Directors' remuneration is set forth in "Note 26 — Directors' Remuneration" to the Consolidated Financial Statements. The interest in Allergan plc of the Directors and Company secretary who were in office at December 31, 2017, are presented in the table below.

	At December 31, 2017		At December 31, 2016	
	Shares	Options (Vested and Unvested)	Shares	Options (Vested and Unvested)
Directors:				
Brenton L. Saunders	177,631[1]	407,102	106,564[1]	407,102
Nesli Basgoz, M.D.	5,962[2]	10,989	5,475[2]	12,878
Paul M. Bisaro	385,253[3]	78,029	414,910[3]	78,029
James H. Bloem	11,163[2]	-	10,608[2]	-
Joseph H. Boccuzi	962[4]	-	-[4]	-
Christopher W. Bodine	17,098[2]	-	14,279[2]	-
Adriane M. Brown	1,399[5]	-	-[5]	-
Christopher J. Coughlin	14,446[2]	15,927	3,891[2]	15,927
Catherine M. Klema	23,639[2]	-	22,416[2]	-
Peter J. McDonnell, M.D.	4,835[2]	-	4,280[2]	-
Patrick J. O'Sullivan	5,236[2]	-	4,681[2]	-
Ronald R. Taylor	25,305[2] [7]	-	24,750[2]	-
Fred G. Weiss	27,690[2]	-	27,135[2]	-
Secretary:				
A. Robert D. Bailey	24,503[6]	42,939	12,213[6]	42,939

1 Includes 61,710 and 6,652 restricted share units as of December 31, 2017 and 2016 respectively.
2 Includes 1,223 and 1,389 restricted share units as of December 31, 2017 and 2016 respectively.
3 Includes 32,339 and 5,075 restricted share units as of December 31, 2017 and 2016 respectively. Includes 120,000 shares held by Paul Bisaro LLC ("LLC"), a limited liability company in which Mr. Bisaro retains an ownership interest and might be deemed to have or share investment control. 99% of the LLC interests have been transferred to four grantor retained annuity trust of which the remainder beneficiaries are Mr. Bisaro's children. Mr. Bisaro may be deemed to continue to beneficially own the shares that were transferred to the LLC but he disclaims beneficial ownership of all such shares.
4 Includes 962 and 0 restricted share units as of December 31, 2017 and 2016, respectively.
5 Includes 1,223 and 0 restricted share units as of December 31, 2017 and 2016, respectively.
6 Includes 11,215 and 1,367 restricted share units as of December 31, 2017 and 2016 respectively.
7 Includes 721 shares held by the Ronald R. Taylor Trust, a family trust in which Mr. Taylor retains a pecuniary interest.

Other than the directors noted above, during the year ended December 31, 2017 no other directors served Allergan plc, except for Michael R. Gallagher who was a director until May 4, 2017.

DIRECTORS' REPORT - continued

Directors' Compliance Statement

The directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the Companies Act) and, as required by Section 225 of the Companies Act, the directors confirm that:

- a compliance policy statement setting out the Company's policies with regard to complying with the relevant obligations under the Companies Act has been prepared;
- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and
- a review of the arrangements and structures has been conducted during the financial year to which this directors' report relates.

Directors' responsibilities for financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year that gives a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the group for the financial year. Under that law, the Directors have prepared the consolidated financial statements in accordance with US accounting standards, as defined in Section 279(1) of the Companies Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Companies Act or of any regulations made thereunder and the Parent Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council, including Financial Reporting Standard 102, which is applicable in the UK and the Republic of Ireland and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's and group's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the group for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act and enable those financial statements to be audited.

DIRECTORS' REPORT - continued

Directors' responsibilities for financial statements - continued

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement on relevant audit information

The directors are not aware of any relevant audit information of which the Company's statutory auditor has not been made aware and each (including those serving on the Company's audit committee) has taken the proper steps deemed appropriate for directors to make himself or herself aware of any relevant audit information and to ensure the auditors have been provided all relevant audit information, including that they have proper access to the Company's books and records.

Audit Committee

The Company had an Audit Committee in place for the years ended December 31, 2017 and 2016.

Accounting records

The measures taken by the directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are available at Clonshaugh Business and Technology Park, Coolock, Dublin D17 E400, Ireland.

On behalf of the board

/s/ Brenton L. Saunders

Brenton L. Saunders
Director

/s/ Fred G. Weiss

Fred G. Weiss
Director

April 4, 2018

Independent auditors' report to the members of Allergan Public Limited Company

Report on the audit of the financial statements

Opinion

In our opinion:

- Allergan Public Limited Company's consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the group's and the parent company's assets, liabilities and financial position as at December 31, 2017 and of the group's loss and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared, in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the consolidated financial statements does not contravene any provision of Part 6 of the Companies Act 2014;
- the parent company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and promulgated by the Institute of Chartered Accountants in Ireland and Irish law); and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report, which comprise:

- the consolidated balance sheet as at December 31, 2017;
- the parent company balance sheet as at December 31, 2017;
- the consolidated profit and loss account and consolidated statement of comprehensive (loss)/income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of shareholders' equity for the year then ended;
- the parent company statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements and the notes to the parent company financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Our audit approach

Overview

Materiality

- Overall materiality for the consolidated financial statements: $125 million, which represents circa 0.75% of revenue.
- Overall materiality for the parent company financial statements: $365 million, which represents circa 0.5% of net assets. Financial statement line items that do not eliminate on consolidation have been audited to overall materiality for the consolidated financial statements.

Audit scope

- We conducted a full scope audit of the group's largest reporting component.
- Specified audit procedures were performed at five additional components.
- Additionally, certain other activities controlled and managed centrally from Corporate such as acquisitions and disposals, intangible asset and goodwill accounting and impairment testing, financing and treasury, legal and certain elements of income taxes were audited as part of our group procedures.
- Overall, we obtained coverage of 91% of group net revenues and 99% of group total assets.

Key audit matters

- US Managed Care, Medicare Part D and Medicaid Rebates
- Restasis intangible asset impairment
- Uncertain tax positions
- Calculation of the toll charge resulting from US Tax Reform

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Our audit approach - continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
US Managed Care, Medicare Part D and Medicaid Rebates *Refer to Note 2 "Basis of preparation and summary of accounting policies "* Allergan's gross sales in the United States are reduced by various sales-related deductions including, but not limited to: chargebacks, trade discounts, sales returns and allowances, commercial and government rebates, customer loyalty programs and fee-for-service arrangements with certain distributors which Allergan refers to in the aggregate as "SRA" allowances in order to arrive at reported net sales. The estimated SRAs are recorded at the time the group sells product. The SRA's are recorded as a reduction to gross revenue and have a related balance sheet reserve under accounts receivable and/or provisions for liabilities. SRAs are estimated based on historical payment experience, historical relationship of deductions to gross product revenues, government regulations, estimated utilization or redemption rates, estimated customer inventory levels and current contract sales terms. The most significant of these SRAs relates to Managed Care, Medicare Part D, and Medicaid rebates. Based on our professional judgement of the quantitative significance of the Managed Care, Medicare Part D and Medicaid rebate programs, the complexity of the US Medicaid government reimbursement program and the significance of the judgements applied by management in determining the appropriateness of each of the related accruals, Managed Care, Medicare Part D, and	We evaluated the group's key internal controls over financial reporting related to deductions made to US revenue for Managed Care, Medicare Part D, and Medicaid rebates as well as the ending balance sheet position, including controls regarding the initiation, authorization, processing and recording of Managed Care, Medicare Part D, and Medicaid rebates. We tested a sample of Managed Care, Medicare Part D, and Medicaid rebate payments by obtaining the third party invoice and agreeing the amount and related terms to company records, evaluating the accuracy of the calculation, validity of the rebate claim, and adherence to the applicable rebate program/contract. We utilized our internal governmental pricing experts to evaluate the appropriateness of the group's application of the US governmental rebate program. We performed analytical procedures over the group's accrual estimate at year-end by comparing Managed Care, Medicare Part D, and Medicaid rebate accrual balances to our independently developed expectations. Our expectations took into account unpaid liabilities relating to current and prior earned rebate periods as well as accruals for product currently at distributors and retailers, but not utilized by patients. The inputs to our expectation included historical payments, product inventory

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Our audit approach - continued

Key audit matter	How our audit addressed the key audit matter
Medicaid rebate accrual balances were a significant focus of our audit. Specifically, in order to develop the SRA to reduce gross sales to reported net sales, management must estimate the rebates relating to sales made during the period. The key assumptions throughout this process include the relationship between historical and future rebate payments, product inventory levels at wholesale and retail customers, expected changes in product utilization through commercial and governmental channels, expected changes in price, expected changes in contractual relationships with customers, and expected changes in government regulations, among others.	levels at wholesale and retail customers, expected changes in price, expected changes in contractual relationships with customers (where applicable), and expected changes in government regulations (where applicable), among others. We corroborated the inputs to our expectations with various internal and third party sources. We evaluated management's analysis over the current year movement in Managed Care, Medicare Part D, and Medicaid rebate accrual balances, corroborating the movements by obtaining and evaluating relevant supporting documentation. We also considered the adequacy of the SRA disclosures in the financial statements.
Restasis intangible asset impairment *Refer to Note 2 "Basis of preparation and summary of accounting policies" and Note 13 "Goodwill, Product Rights and Other Intangible Assets"* The U.S. District Court for the Eastern District of Texas issued an adverse trial decision finding that the four asserted patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05% are invalid. As a result of the group's review of all potential scenarios relating to these assets, and the group's assessment of the decreased likelihood of revenue extending through the full patent term of 2024, the group recognized an impairment of $3,230 million related to Restasis®, as well as $170 million related to other Dry Eye IPR&D assets obtained in the Allergan acquisition. Based on our professional judgement of the quantitative significance of the carrying value of the Restasis intangible asset, the impairment amount recorded and the judgements applied by management in determining the fair value, the Restasis impairment, and in particular management's judgements surrounding the timing of a potential generic competitor market entrant, was a significant focus of our audit.	We evaluated the group's key internal controls over financial reporting related to the identification of impairment triggering events, fair value determination of intangible assets, including controls over key assumptions used in the valuation model and the internal controls over the accuracy of the impairment calculation and analysis. We obtained supporting documentation to corroborate management's assessment of the timing of a generic entrant to the market, including third party studies related to the historical loss of exclusivity erosion curves. We independently computed an average time to market launch of generic entrants to the market by assessing unrelated third party Abbreviated New Drug Application (ANDA) filings to corroborate the time-period between ANDA submission and ultimate generic drug product launch, which is the basis for the group's timeline and probabilities of generic entrants. Additionally, we obtained and read pertinent available court documents and obtained third party data (including, but not limited to, statistics regarding overall court of appeals affirmance and reversal rates and timing of decisions) to validate the various different

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Our audit approach - continued

Key audit matter	How our audit addressed the key audit matter
	probabilities related to the potential timing of a generic entrant to the market. We obtained an understanding of how management developed the different probabilities related to the timing of a generic entrant to the market and performed corroborating inquiries. We also assessed management's judgements relating to the revenue forecast, expense ratios and the discount rate. We evaluated management's analysis for each assumption by obtaining and evaluating supporting documentation and reviewing third party market data or independent third party analyses, when available. In addition, we utilized our internal valuation experts to assess the appropriateness of the discount rate.
Uncertain tax positions *Refer to Note 2 "Basis of preparation and summary of accounting policies" and Note 16 "Income Taxes"* Allergan plc is subject to income taxes in federal, state, and foreign jurisdictions, as well as regular tax authority examinations. The group has implemented a tax efficient legal entity and capital structure which includes an Irish domiciled ultimate parent company, various non-US holding companies and intercompany financing between certain subsidiaries. Significant tax positions are inherent in all aspects of this structure and these tax positions are subject to challenge by the taxing authorities. Inherent in uncertain tax positions are various assumptions, including management's judgement as to the interpretation of tax law and management's expectations regarding the outcome of tax authority examinations as well as the judgement in the ultimate valuation of potential liabilities. The group assesses its uncertain tax positions ("UTPs") on a quarterly basis to determine whether changes in its business, such as legal entity reorganizations, significant transactions, changes in tax law or tax authority examination experience necessitates a change	We evaluated the group's key internal controls over financial reporting related to the identification, valuation and recognition of uncertain tax positions and related financial statement disclosures. These include controls related to the review and analysis of new uncertain positions, changes in existing positions, and the review of tax legislation changes. We assessed the completeness of the inventory of UTPs through our knowledge of potential exposures arising from 2017 ordinary business activities, significant transactions, changes in tax law and the current status of U.S. and foreign tax examinations, including new notices of proposed adjustments from taxation authorities, where applicable. We gained an understanding of and evaluated management's judgements for determining the valuation of the reserve for each uncertain tax position. Additionally, due to the impacts of US Tax reform, we performed audit procedures over the appropriateness of changes to management's accounting related to UTPs. We performed tests to assess management's judgements regarding significant changes in UTPs

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Our audit approach - continued

Key audit matter	How our audit addressed the key audit matter
in tax position. As of December 31, 2017, Allergan plc had a UTP provision of approximately $850 million. Based on our professional judgement of the quantitative significance of the total UTP provision, and the judgements required by management when determining appropriate provisions for uncertain tax positions, this was a significant focus of our audit.	during 2017. We tested management's analysis of each selected position by obtaining and evaluating supporting documentation, relevant tax law, and the assumptions utilized to form the judgement regarding the recorded tax position. This included an evaluation of the significant elements of management's model for recognition and measurement of uncertain tax benefits. For existing positions with immaterial changes that were selected for evaluation, we confirmed whether the movement (or lack thereof) was consistent with our expectations based on changes in tax law and history of tax authority examinations. We utilized our tax specialists to facilitate detailed testing of uncertain tax positions and assessment of the accounting implications, if any, for material legal entity reorganizations. We assessed the reasonableness of interest and penalties recorded to income tax expense related to the group's UTPs by considering local country tax laws as well as the impact from tax attribute carryovers. We obtained and evaluated tax advice provided by third parties. We reconciled the current year movement in UTPs as well as UTP ending balances to their respective components of the income tax provision and tax balance sheet accounts. We also considered the adequacy of the UTP disclosures in the financial statements.
Calculation of the toll charge resulting from US Tax Reform *Refer to Note 2 "Basis of preparation and summary of accounting policies" and Note 16 "Income Taxes"* On December 22, 2017, the US government enacted tax reform legislation commonly referred to as the Tax Cuts and Jobs Act (or "TCJA"). The TCJA, includes a provision that requires an entity's untaxed post – 1986	We gained an understanding of the group's process for determining the impact of US Tax Reform to the group. We performed procedures to understand the design of new control activities related to US Tax Reform, including the group's assessment and adoption of the new legislation and the determination of historical

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Our audit approach - continued

Key audit matter	How our audit addressed the key audit matter
earnings and profits of certain non –US subsidiaries to be subject to an immediate toll tax ("toll charge") on the qualifying amount of unremitted earnings (the deemed repatriated earnings). As a result of this provision, pursuant to Staff Accounting Bulletin 118 ("SAB 118"), the group recorded in the consolidated financial statements a provisional estimated tax expense on the toll charge of $728.3M, payable over 8 years to the IRS beginning in 2018. To make a provisional estimate of the toll charge, management considered a multiple of impacting factors. Those factors included estimating the December 31, 2017 ending earnings and profits ("E&P") balances of certain of the group's non-U.S. subsidiaries accumulated since 1986, determining which portion of that E&P was held in cash and non-cash equivalents or other assets at different prescribed measurement dates, reviewing and confirming non- U.S. taxes that would have been previously paid on those earnings, estimating other U.S. income inclusions to be considered in the E&P balances and assessing the potential impact of currently recorded uncertain tax positions. Based on our professional judgement of the quantitative significance of the estimated toll charge, and the judgements applied by management in determining the historical accumulated earnings, the determination of the toll charge recorded was a significant focus of our audit.	accumulated earnings, and performed tests of those controls' operating effectiveness. With the assistance of our internal tax specialists, we performed procedures over management's computation and the related methodologies for estimating the toll charge. We performed procedures to test accumulated post 1986 earnings by agreeing historical earnings and profits to a combination of third party sources, prior period audit documentation, historical significant tax events and studies to corroborate management's process and conclusions. We tested the accuracy of foreign taxes paid, which are available for offset against the liability (e.g. foreign tax credits), and the impacts of withholding taxes and other applicable taxes. We tested the aggregate cash balances (as defined per the TCJA) used in management's calculation of the toll charge, including testing historical cash balances, which included agreeing these cash balances to the legal entity trial balances subject to historical audits and comparing management's determination of what constitutes cash with the relevant provisions of the TCJA. We tested the completeness of the toll charge by confirming that management included a complete list of legal entities in their summary of historical earnings and profits subject to the current period toll charge.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls and the industry in which the group operates.

The group is structured along three operating segments, US Specialized Therapeutics, US General Medicine and International. Reporting components are structured on a country basis for the US and by legal entity internationally with the majority of these components supported by shared services centres within the group.

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Our audit approach - continued

Certain other activities are controlled and managed centrally from Corporate within the consolidated group such as acquisitions and disposals, intangible asset and goodwill accounting and impairment testing, financing and treasury, legal and certain elements of income taxes.

In determining our audit scope we first focused on individual reporting components and determined the type of work that needed to be performed at the reporting components by us, as the Irish group engagement team, PwC US as the global engagement team, or other component auditors within other PwC network firms. Where the work was performed by PwC US and component auditors, we determined the level of involvement we needed to have in the audit work of those reporting components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Overall, through the full scope audit of the group's largest reporting component and five specified procedures audits, we obtained coverage of 91% of group net revenues and 99% of group total assets. We allocated materiality levels and issued instructions to each component auditor. In addition to the audit report from each of the component auditors, we received detailed memoranda of examinations on work performed and relevant findings which supplemented our understanding of the component, its results and the audit findings and we participated in a number of local audit closing meetings. Included in the above coverage were other reporting components where specific audit procedures on certain balances are performed. This, together with additional procedures performed at the group level, gave us evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	**Parent company financial statements**
Overall materiality	$125 million	$365 million
How we determined it	We considered a number of potential benchmarks for materiality including revenue, EBITDA (defined as earnings before interest, taxes, depreciation and amortization), pre-tax loss and determined an overall materiality of $125 million which approximates to 0.75% of revenue.	Approximately 0.5% of net assets of the parent company. Financial line items that do not eliminate on consolidation have been audited to overall materiality for the consolidated financial statements.

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Our audit approach – continued

	Consolidated financial statements	Parent company financial statements
Rationale for benchmark applied	The group's earnings fluctuate significantly period over period reflecting the impact of events such as acquisitions, dispositions, patent and other legal disputes, impairments of in-process research and development intangible assets, impairment of intangible assets, the impacts of income tax reform in the United States and restructuring and integration activities. Accordingly, determining materiality using a single benchmark such as pre-tax loss was not considered appropriate. Rather we considered it necessary to evaluate multiple benchmarks to arrive at our overall materiality for our audit. The benchmarks we considered represent the performance measures that the group reports to the users of the financial statements.	The entity is a holding company whose main activity is the management of investments in subsidiaries.

For each component in the scope of our audit, we allocated a materiality that is less than our overall group materiality.

We agreed with the Audit & Compliance Committee that we would report to them misstatements identified during our audit above $10 million (group and parent company audit) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's or the parent company's ability to continue as a going concern.

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below.

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended December 31, 2017 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of Directors' Responsibilities for financial statements set out on page 82, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud

Independent auditors' report to the members of Allergan Public Limited Company - continued

Report on the audit of the financial statements - continued

Responsibilities for the financial statements and the audit – continued

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the parent company were sufficient to permit the parent company financial statements to be readily and properly audited.
- The parent company financial statements are in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

/s/ Enda McDonagh

Enda McDonagh
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin, Ireland
April 4, 2018

- The maintenance and integrity of the Allergan Public Limited Company website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year Ended December 31, 2017

(all amounts in millions except per share amounts)	Notes	2017 $	2016 $
Revenue	2,18	15,940.7	14,570.6
Cost of sales		(2,168.0)	(1,860.8)
Gross profit		**13,772.7**	**12,709.8**
Selling, general and administrative expenses		(17,593.8)	(11,959.6)
Research and development		(2,100.1)	(2,575.7)
Other (expense) / income		(3,248.1)	219.2
Interest expense and similar items	14	(1,284.8)	(1,295.6)
Interest income		67.7	69.9
(Loss) before taxes		**(10,386.4)**	**(2,832.0)**
Benefit for income taxes	16	6,670.4	1,897.0
(Loss) from continuing operations		(3,716.0)	(935.0)
(Loss) / income from discontinued operations	6	(402.9)	15,914.5
(Loss) / income		**(4,118.9)**	**14,979.5**
(Loss) attributable to noncontrolling interest		(6.6)	(6.1)
(Loss) / profit for the year		**(4,125.5)**	**14,973.4**
Dividends on Preferred Shares	17	278.4	278.4
(Loss) / profit for the year for ordinary shareholders		**(4,403.9)**	**14,695.0**
(Loss) / profit per share:			
(Loss) / profit per share attributable to ordinary shareholders – basic:			
Continuing operations		$ (11.99)	$ (3.17)
Discontinued operations		(1.20)	41.35
(Loss) / profit per share – basic	2	$ (13.19)	$ 38.18
(Loss) / profit per share attributable to ordinary shareholders – diluted:			
Continuing operations		$ (11.99)	$ (3.17)
Discontinued operations		(1.20)	41.35
(Loss) / profit per share – diluted	2	$ (13.19)	$ 38.18
Dividends per ordinary share		**$ 2.80**	**$ -**
Weighted average shares outstanding:			
Basic	2	333.8	384.9
Diluted	2	333.8	384.9

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) / INCOME
Year Ended December 31, 2017

(all amounts in millions)	Notes	2017 $	2016 $
(Loss) / income		(4,118.9)	14,979.5
Other comprehensive income / (loss):			
Foreign currency translation gains / (losses)	17, 21	1,248.0	(441.6)
Net impact of other-than-temporary loss on investment in Teva Securities	17, 21	1,599.4	-
Impact of Teva Transaction	17, 21	-	1,544.8
Unrealized gains / (losses), net of tax		111.7	(1,647.5)
Total other comprehensive income / (loss), net of tax		2,959.1	(544.3)
Comprehensive (loss) / income		(1,159.8)	14,435.2
Comprehensive (income) attributable to noncontrolling interest		(6.6)	(6.1)
Comprehensive (loss) / income attributable to ordinary shareholders		**(1,166.4)**	**14,429.1**

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
As of December 31, 2017

(all amounts in millions)	Notes	2017 $	2016 $
Assets			
Fixed assets:			
Intangible assets			
Goodwill	13	49,862.9	46,356.1
Other Intangibles	13	54,648.3	62,618.6
Tangible assets			
Property, plant and equipment	11	1,785.4	1,611.3
Investments	12	72.3	95.0
Total fixed assets		**106,368.9**	**110,681.0**
Current assets:			
Assets held for sale	3	81.6	27.0
Inventories	9	904.5	718.0
Debtors:			
Accounts receivable		2,899.0	2,531.0
Other assets	12	174.5	178.4
Prepaid expenses and other current assets	12	1,123.9	1,383.4
Deferred income taxes – amounts due after more than one year	16	319.1	233.3
Investments-marketable securities	12	4,632.1	11,501.5
Cash at bank and in hand		1,817.2	1,724.0
		11,951.9	**18,296.6**
Creditors (amounts falling due within a year)			
Current portion of long-term debt and capital leases	14	4,231.8	2,797.9
Accounts payable		324.5	224.9
Income taxes payable	16	74.9	57.8
Accrued expenses	10	2,082.9	1,968.4
Total current liabilities		**6,714.1**	**5,049.0**
Net current assets		**5,237.8**	**13,247.6**
Total assets less current liabilities		**111,606.7**	**123,928.6**
Creditors (amounts falling after more than one year)			
Long-term debt and capital leases	14	25,843.5	29,970.8
Other taxes payable	16	723.6	75.0
Other long term liabilities	15	221.7	172.2
		26,788.8	30,218.0

CONSOLIDATED BALANCE SHEET - continued
As of December 31, 2017

(all amounts in millions)	Notes	2017 $	2016 $
Provisions for liabilities			
Pensions and similar obligations	8	141.6	192.9
Severance provision	19	185.9	108.2
Uncertain tax positions	16	850.3	811.2
Litigation related	22	55.0	70.0
Deferred income taxes	16	6,352.4	12,969.1
Sales returns and allowances	2	2,179.9	1,891.4
Contingent Liabilities	21	476.9	1,172.1
Other provisions	2,10	738.8	295.2
Net assets		**73,837.1**	**76,200.5**
Capital and reserves			
Called up share capital presented as equity	17	-	-
Share premium		5,285.2	5,101.8
Other reserves		55,578.7	52,748.4
Profit and loss account		12,957.2	18,342.5
Shareholders' equity		**73,821.1**	**76,192.7**
Non controlling interest		16.0	7.8
Total shareholders' funds		**73,837.1**	**76,200.5**

See accompanying notes to consolidated financial statements.

On behalf of the board

/s/ Brenton L. Saunders
Brenton L. Saunders
Director

/s/ Fred G. Weiss
Fred G. Weiss
Director

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
For the Year Ended December 31, 2017

(all amounts in millions)	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total
	$	$	$	$	$
Balance as of December 31, 2015	**-**	**83,943.9**	**(11,000.0)**	**3,647.5**	**76,591.4**
Profit for the year	-	-	-	14,973.4	14,973.4
Value of employee services – share options, net	-	-	278.5	-	278.5
Other comprehensive (loss)	-	-	(2,089.1)	-	(2,089.1)
Other comprehensive income resulting from the Teva Transaction	-	-	1,544.8	-	1,544.8
Impact of the share repurchase programs	-	-	(15,000.0)	-	(15,000.0)
Capital reduction	-	(79,014.2)	79,014.2	-	-
Ordinary shares issued under employee stock plans	-	172.1	-	-	172.1
Preferred share dividend	-	-	-	(278.4)	(278.4)
Balance as of December 31, 2016	**-**	**5,101.8**	**52,748.4**	**18,342.5**	**76,192.7**
(Loss) for the year	-	-	-	(4,125.5)	(4,125.5)
Value of employee services – share options, net	-	-	250.3	-	250.3
Other comprehensive income	-	-	1,359.7	-	1,359.7
Other comprehensive income resulting from other-than-temporary loss on investment in Teva securities	-	-	1,599.4	-	1,599.4
Impact of the share repurchase programs	-	-	(450.0)	-	(450.0)
Non-cash share issuance for Zeltiq Acquisition	-	-	8.5	-	8.5
Impact of change in accounting for share-based compensation plans	-	-	62.4	(41.6)	20.8
Ordinary shares issued under employee stock plans	-	183.4	-	-	183.4
Dividends declared	-	-	-	(939.8)	(939.8)
Preferred share dividend	-	-	-	(278.4)	(278.4)
Balance as of December 31, 2017	**-**	**5,285.2**	**55,578.7**	**12,957.2**	**73,821.1**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(all amounts in millions)

	2017	2016
	$	$
Cash Flows From Operating Activities:		
(Loss) / income	(4,118.9)	14,979.5
Reconciliation to net cash provided by operating activities:		
Depreciation	171.5	155.8
Amortization	7,197.1	6,475.2
Provision for inventory reserve	102.2	181.4
Share-based compensation	293.3	334.5
Deferred income tax benefit	(7,783.1)	(1,443.9)
Pre-tax gain on sale of businesses to Teva	-	(24,511.1)
Non-cash tax effect of gain on sale of businesses to Teva	-	5,285.2
In-process research and development impairments	1,452.3	743.9
Loss on asset sales and impairments, net	3,927.7	5.0
Profit and loss impact of other-than-temporary loss on investment in Teva Securities	3,273.5	-
Charge to settle Teva related matters	387.4	-
Loss on forward sale of Teva shares	62.9	-
Amortization of inventory step-up	131.7	42.4
Non-cash extinguishment of debt	(15.7)	-
Amortization of deferred financing costs	27.8	51.0
Contingent consideration adjustments, including accretion	(133.2)	(66.8)
Other, net	(37.0)	(59.9)
Changes in assets and liabilities (net of effects of acquisitions):		
Decrease / (increase) in accounts receivable, net	(188.3)	(191.0)
Decrease / (increase) in inventories	(144.8)	(268.4)
Decrease / (increase) in prepaid expenses and other current assets	27.9	29.9
Increase / (decrease) in accounts payable and accrued expenses	95.9	313.5
Increase / (decrease) in income and other taxes payable	1,114.1	(326.6)
Increase / (decrease) in other assets and liabilities	29.1	(283.9)
Net cash provided by operating activities	5,873.4	1,445.7
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(349.9)	(331.4)
Additions to product rights and other intangibles	(614.3)	(2.0)
Sale of businesses to Teva	-	33,804.2
Additions to investments	(9,783.8)	(15,743.5)
Proceeds from sale of investments and other assets	15,153.3	7,771.6
Proceeds from sales of property, plant and equipment	7.1	33.3
Acquisitions of businesses, net of cash acquired	(5,290.4)	(1,198.9)
Net cash (used in) / provided by investing activities	(878.0)	24,333.3
Cash Flows From Financing Activities:		
Proceeds from borrowings of long-term indebtedness, including credit facility	3,550.0	1,050.0
Debt issuance and other financing costs	(20.6)	-
Payments on debt, including capital lease obligations and credit facility	(6,413.6)	(10,848.7)
Proceeds from stock plans	183.4	172.1
Other financing, including contingent consideration	(511.6)	(161.1)
Repurchase of ordinary shares	(493.0)	(15,076.4)
Dividends paid	(1,218.2)	(278.4)
Net cash (used in) financing activities	(4,923.6)	(25,142.5)
Effect of currency exchange rate changes on cash and cash equivalents	21.4	(8.5)
Net increase in cash and cash equivalents	93.2	628.0
Cash and cash equivalents at beginning of period	1,724.0	1,096.0
Cash and cash equivalents at end of period	1,817.2	1,724.0
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Income taxes other, net of refunds	(5.1)	3,692.7
Interest	1,144.4	1,277.9
Schedule of Non-Cash Investing and Financing Activities:		
Receipt of Teva Pharmaceuticals Industries Ltd. Ordinary shares in connection with the sale of the generics business	-	5,038.6
Dividends accrued	24.6	23.2
Non-cash equity issuance for the Acquisition of Zeltiq net assets	8.5	-

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 The Company

Allergan plc is a global pharmaceutical company focused on developing, manufacturing and commercializing branded pharmaceutical ("brand", "branded" or "specialty brand"), device, biologic, surgical and regenerative medicine products for patients around the world. Allergan markets a portfolio of leading brands and best-in-class products for the central nervous system, eye care, medical aesthetics and dermatology, gastroenterology, women's health, urology and anti-infective therapeutic categories. Allergan is an industry leader in Open Science, a model of research and development, which defines our approach to identifying and developing game-changing ideas and innovation for better patient care. The Company has operations in more than 100 countries.

On August 2, 2016 we completed the divestiture of our global generics business and certain other assets to Teva Pharmaceutical Industries Ltd. ("Teva") (the "Teva Transaction") for $33.3 billion in cash, net of cash acquired by Teva, which included estimated working capital and other contractual adjustments, and 100.3 million unregistered Teva ordinary shares (or American Depository Shares with respect thereto), which at the time of the closing approximated $5.0 billion in value using the closing date Teva opening stock price discounted at a rate of 5.9 percent due to the lack of marketability ("Teva Shares"). As part of the Teva Transaction, Teva acquired our global generics business, including the United States ("U.S.") and international generic commercial units, our third-party supplier Medis, our global generic manufacturing operations, our global generic research and development ("R&D") unit, our international over-the-counter ("OTC") commercial unit (excluding OTC eye care products) and certain established international brands.

On October 3, 2016, the Company completed the divestiture of the Anda Distribution business to Teva for $500.0 million. The Anda Distribution business distributed generic, branded, specialty and OTC pharmaceutical products from more than 300 manufacturers to retail independent and chain pharmacies, nursing homes, mail order pharmacies, hospitals, clinics and physician offices across the U.S.

The Company recognized a combined gain on the sale of the Anda Distribution business and the Teva Transaction of $15,932.2 million in the year ended December 31, 2016, as well as deferred liabilities relating to other elements of our arrangements with Teva of $299.2 million.

In October 2016, pursuant to our agreement with Teva, Teva provided the Company with its proposed estimated adjustment to the closing date working capital balance. The Company disagreed with Teva's proposed adjustment, and, pursuant to our agreement with Teva, each of the Company's and Teva's proposed adjustments were submitted to arbitration ("Working Capital Arbitration") to determine the working capital amount in accordance with GAAP as applied by the Company consistent with past practice. Teva initially proposed an adjustment of approximately $1.4 billion and subsequently submitted a revised adjustment of approximately $1.5 billion to the arbitrator. In addition, on October 30, 2017, Teva submitted a Notice of Direct and Third Party Claims seeking indemnification for virtually all of the same items for which Teva sought a proposed adjustment in the Working Capital Arbitration as well as several new items as to which no quantity of damages had been asserted. On January 31, 2018, Allergan plc and Teva entered into a Settlement Agreement and Mutual Releases (the "Agreement"). The Agreement provides that the Company will make a one-time payment of $700.0 million to Teva; the Company and Teva will jointly dismiss their working capital dispute arbitration, and the Company and Teva will release all actual or potential claims under the Master Purchase Agreement, dated July 26, 2015, by and between the Company and Teva, for breach of any representation, warranty, or covenant (other than any breach of a post-closing covenant not known as of the date of the Agreement). The Company recorded a pre-tax charge

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

1 The Company - continued

of $466.0 million as a component of other (expense) / income, net from discontinued operations relating to the settlement in the year ended December 31, 2017.

As a result of the Teva Transaction and the divestiture of the Company's Anda Distribution business, and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," the financial results of the businesses held for sale were reclassified to discontinued operations for all periods presented in our consolidated financial statements. The results of our discontinued operations include the results of our generic product development, manufacturing and distribution of off-patent pharmaceutical products, certain established international brands marketed similarly to generic products and out-licensed generic pharmaceutical products primarily in Europe through our Medis third-party business through August 2, 2016, as well as our Anda Distribution business through October 3, 2016.

2 Basis of preparation and summary of accounting policies

The directors have elected to prepare the consolidated financial statements in accordance with Section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss may be given by preparing the financial statements in accordance with US accounting standards ("US GAAP"), as defined in that section to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

These consolidated financial statements were prepared in accordance with Irish Company Law, to present to the shareholders of the Company and file with the Companies Registration Office in Ireland. Accordingly, these financial statements include disclosures required by the Republic of Ireland's Companies Act 2014 (the "Companies Act") in addition to those required under accounting principles generally accepted in the US ("US GAAP"). The consolidated financial statements include the accounts of subsidiaries, after elimination of intercompany accounts and transactions. The consolidated financial information presented herein reflects all financial information that, in the opinion of management, is necessary for a fair statement of financial position, profit and loss and cash flows for the periods presented.

The significant accounting policies adopted by the Company are as follows:

Reclassifications

In March 2016, the FASB issued ASU No. 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The amendments are intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Effective January 1, 2017, the Company prospectively adopted the guidance and as a result of implementation, the Company reduced previously reported Profit and Loss Account by $62.4 million and increased previously reported Other Reserves by $62.4 million. In addition, the Company decreased its net Deferred Tax Liabilities and increased Profit and Loss Account by $20.8 million for the tax impact of this

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Reclassifications – continued

change. The Company also revised its presentation of previously reported cash flows by eliminating the presentation of "Excess tax benefit from stock-based compensation" which raised operating cash flows and reduced financing cash flows for the year ended December 31, 2016 by $20.4 million.

Some prior year balances have been reclassified to ensure consistent classification with the current year.

Use of Estimates

Management is required to make certain estimates and assumptions in order to prepare consolidated financial statements in conformity with GAAP. Such estimates and assumptions affect the reported financial statements. The Company's most significant estimates relate to the determination of SRAs (defined below) included within either accounts receivable or provisions, the valuation of inventory balances, the determination of useful lives for intangible assets, pension and other post-retirement benefit plan assumptions, the assessment of expected cash flows used in evaluating goodwill and other long-lived assets for impairment and recognition and measurement of assets acquired and liabilities assumed in business combinations at fair value. The estimation process required to prepare the Company's consolidated financial statements requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. The Company's actual results could differ materially from those estimates.

Foreign Currency Translation

For most of the Company's international operations, the local currency has been determined to be the functional currency. The results of its non-U.S. dollar based operations are translated to U.S. dollars at the average exchange rates during the period. Assets and liabilities are translated at the rate of exchange prevailing on the balance sheet date. Equity is translated at the prevailing rate of exchange at the date of the equity transaction. Translation adjustments are reflected in shareholders' equity and are included as a component of other comprehensive (loss) / income. The effects of revaluing non-functional currency assets and liabilities into the functional currency are recorded as selling, general and administrative ("SG&A") expenses in the consolidated statements of operations.

The Company realizes foreign currency gains / (losses) in the normal course of business based on movement in the applicable exchange rates. These gains / (losses) are included as a component of SG&A.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to include cash in banks, commercial paper and deposits with financial institutions that can be liquidated without prior notice or penalty. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fair Value of Other Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, accounts and other receivables, investments, trade accounts payable, and long-term debt, including the current portion. The carrying amounts of cash and cash equivalents, marketable securities, accounts and other receivables and trade accounts payable are representative of their respective fair values due to their relatively short maturities. The fair values of investments in companies that are publicly traded and not accounted for under the equity method are based on quoted market prices. The Company estimates the fair value of its fixed rate long-term obligations based on quoted market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Inventories

Inventories consist of finished goods held for sale and distribution, raw materials and work in process. Inventory includes brand pharmaceutical and medical aesthetic products which represent Food and Drug Administration ("FDA") approved or likely to be approved indications. Inventory valuation reserves are established based on a number of factors/situations including, but not limited to, raw materials, work in process or finished goods not meeting product specifications, product obsolescence, or application of the lower of cost (first-in, first-out method) or market (net realizable value) concepts. The determination of events requiring the establishment of inventory valuation reserves, together with the calculation of the amount of such reserves may require judgment. Assumptions utilized in our quantification of inventory reserves include, but are not limited to, estimates of future product demand, consideration of current and future market conditions, product net selling price, anticipated product launch dates, potential product obsolescence and other events relating to special circumstances surrounding certain products. No material adjustments have been required to our inventory reserve estimates for the periods presented. Adverse changes in assumptions utilized in our inventory reserve calculations could result in an increase to our inventory valuation reserves and higher cost of sales.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Major renewals and improvements are capitalized, while routine maintenance and repairs are expensed as incurred. The Company capitalizes interest on qualified construction projects. At the time property, plant and equipment are retired from service, the cost and accumulated depreciation is removed from the respective accounts.

Depreciation expense is computed principally on the straight-line method, over the estimated useful lives of the related assets. The following table provides the range of estimated useful lives used for each asset type:

Computer software/hardware (including internally developed)	3 - 10 years
Machinery and equipment	3 - 15 years
Research and laboratory equipment	3 - 10 years
Furniture and fixtures	3 - 10 years
Buildings, improvements, leasehold improvements and other	4 - 50 years
Transportation equipment	3 - 20 years

The Company assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable.

Investments

The Company's equity investments are accounted for under the equity method of accounting when the Company can exert significant influence and the Company's ownership interest does not exceed 50%. The Company records equity method investments at cost and adjusts for the appropriate share of investee net earnings or losses. Investments in which the Company owns less than a 20% interest and cannot exert significant influence are accounted for using the cost method if the fair value of such investments is not readily determinable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Marketable Securities

The Company's marketable securities consist of U.S. treasury and agency securities and debt and equity securities of publicly-held companies. The Company's marketable securities are classified as available-for-sale and are recorded at fair value, based upon quoted market prices. Unrealized temporary adjustments to fair value were included on the balance sheet in a separate component of shareholders' equity as unrealized gains and losses and are reported as a component of accumulated other comprehensive income / (loss) as of December 31, 2017. No gains or losses on marketable securities are realized until shares are sold or a decline in fair value is determined to be other-than-temporary. If a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Product Rights and Other Definite-Lived Intangible Assets

Our product rights and other definite-lived intangible assets are stated at cost, less accumulated amortization, and are amortized using the economic benefit model or the straight-line method, if results are materially aligned, over their estimated useful lives. We determine amortization periods for product rights and other definite-lived intangible assets based on our assessment of various factors impacting estimated useful lives and cash flows. Such factors include the product's position in its life cycle, the existence or absence of like products in the market, various other competitive and regulatory issues, and contractual terms. Significant changes to any of these factors may result in a reduction in the intangibles useful life and an acceleration of related amortization expense, which could cause our net results to decline.

Product rights and other definite-lived intangible assets are tested periodically for impairment when events or changes in circumstances indicate that an asset's carrying value may not be recoverable. The impairment testing involves comparing the carrying amount of the asset to the forecasted undiscounted future cash flows. In the event the carrying value of the asset exceeds the undiscounted future cash flows, the carrying value is considered not recoverable and an impairment exists. An impairment loss is measured as the excess of the asset's carrying value over its fair value, calculated using discounted future cash flows. The computed impairment loss is recognized in net (loss) / income in the period that the impairment occurs. Assets which are not impaired may require an adjustment to the remaining useful lives for which to amortize the asset. Our projections of discounted cash flows use a discount rate determined by our management to be commensurate with the risk inherent in our business model. Our estimates of future cash flows attributable to our other definite-lived intangible assets require significant judgment based on our historical and anticipated results and are subject to many factors. Different assumptions and judgments could materially affect the calculation of the fair value of the other definite-lived intangible assets which could trigger impairment.

Goodwill and Intangible Assets with Indefinite Lives

Irish Company Law requires fixed assets including goodwill to be written off over a period of time which does not exceed its useful life. Consistent with US GAAP the Company does not amortize goodwill over an arbitrary period as it is considered to have an indefinite life.

The Company tests goodwill and intangible assets with indefinite-lives for impairment annually in the second quarter. Additionally, the Company may perform interim tests if an event occurs or circumstances

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Goodwill and Intangible Assets with Indefinite Lives – continued

change that could potentially reduce the fair value of a reporting unit below its carrying amount. The carrying value of each reporting unit is determined by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units.

Goodwill is considered impaired if the carrying amount of the net assets exceeds the fair value of the reporting unit. Impairment, if any, would be recorded in operating income and this could result in a material impact to profit and loss and profit and loss per share.

Acquired in-process research and development ("IPR&D") intangible assets represent the value assigned to acquired research and development projects that, as of the date acquired, represent the right to develop, use, sell and/or offer for sale a product or other intellectual property that the Company has acquired with respect to products and/or processes that have not been completed or approved. The IPR&D intangible assets are subject to impairment testing until completion or abandonment of each project. Upon abandonment, the assets are impaired, if there is no future alternative use or no market for which to sell the asset. Impairment testing requires the development of significant estimates and assumptions involving the determination of estimated net cash flows for each year for each project or product (including net revenues, cost of sales, R&D costs, selling and marketing costs and other costs which may be allocated), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, the potential regulatory and commercial success risks, and competitive trends impacting the asset and each cash flow stream as well as other factors. The major risks and uncertainties associated with the timely and successful completion of the IPR&D projects include legal risk, market risk and regulatory risk. Changes in these assumptions could result in future impairment charges. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change or the timely completion of each project and commercial success will occur. For these and other reasons, actual results may vary significantly from estimated results.

Upon successful completion of each project and approval of the product, we will make a separate determination of the useful life of the intangible, transfer the amount to currently marketed products ("CMP") and amortization expense will be recorded over the estimated useful life.

Contingent Consideration

Contingent consideration is recorded at the acquisition date estimated fair value of the contingent payment for all applicable acquisitions. The fair value of the contingent consideration is remeasured at each reporting period with any adjustments in fair value included in our consolidated statements of profit and loss accounts. (Refer to "NOTE 21 — Fair Value Measurement" for additional details regarding the fair value of contingent consideration.)

Revenue Recognition

General

During the years ended December 31, 2017 and 2016, revenue from product sales was recognized when title and risk of loss to the product transfers to the customer, which is based on the transaction shipping terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition – continued

Recognition of revenue also requires reasonable assurance of collection of sales proceeds, the seller's price to the buyer to be fixed or determinable and the completion of all performance obligations. The Company warrants products against defects and for specific quality standards, permitting the return of products under certain circumstances. Product sales are recorded net of all sales-related deductions including, but not limited to: chargebacks, trade discounts, sales returns and allowances, commercial and government rebates, customer loyalty programs and fee-for-service arrangements with certain distributors, which we refer to in the aggregate as "SRA".

Royalty and commission revenue is recognized as a component of net revenues in accordance with the terms of their respective contractual agreements when collectability is reasonably assured and when revenue can be reasonably measured.

Reserves for SRAs

As is customary in the pharmaceutical industry, our gross product sales are subject to a variety of deductions in arriving at reported net product sales. When the Company recognizes gross revenue from the sale of products, an estimate of SRA is recorded, which reduces the product revenues. Accounts receivable and/or provisions are also reduced and/or increased by the SRA amount depending on whether we have the right of offset with the customer. These provisions are estimated based on historical payment experience, historical relationship of the deductions to gross product revenues, government regulations, estimated utilization or redemption rates, estimated customer inventory levels and current contract sales terms. The estimation process used to determine our SRA reserve has been applied on a consistent basis and no material revenue adjustments have been necessary in prior periods to increase or decrease our reserves for SRA as a result of a significant change in underlying estimates. The Company uses a variety of methods to assess the adequacy of the SRA reserves to ensure that our financial statements are fairly stated.

Chargebacks – A chargeback represents an amount payable in the future to a wholesaler for the difference between the invoice price paid by our wholesale customer for a particular product and the negotiated contract price that the wholesaler's customer pays for that product. The chargeback deduction and related reserve varies with changes in product mix, changes in customer pricing and changes to estimated wholesaler inventories. The deduction for chargebacks also takes into account an estimate of the expected wholesaler sell-through levels to indirect customers at certain contract prices. The Company validates the chargeback reserve quarterly through a review of the inventory reports obtained from our largest wholesale customers. This customer inventory information is used to verify the estimated liability for future chargeback claims based on historical chargeback and contract rates. These large wholesalers represent the vast majority of the recipients of the Company's chargeback payments. We continually monitor current pricing trends and wholesaler inventory levels to ensure the liability for future chargebacks is fairly stated.

Rebates – Rebates include volume related incentives to direct and indirect customers, third-party managed care and Medicare Part D rebates, Medicaid rebates and other government rebates. Rebates are accrued based on an estimate of claims to be paid for product sold into trade by the Company. Volume rebates are generally offered to customers as an incentive to use the Company's products and to encourage greater product sales. These rebate programs include contracted rebates based on customers' purchases made during an applicable monthly, quarterly or annual period. The reserve for third-party rebates is estimated based on

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition – continued

our customers' contracted rebate programs and the Company's historical experience of rebates paid. Any significant changes to our customer rebate programs are considered in establishing the reserve for rebates. The reserves for government rebates are based, in part, upon historical experience of claims submitted by the various states / authorities, contractual terms and government regulations. We monitor legislative changes to determine what impact such legislation may have on our reserve.

C*ash Discounts* – Cash discounts are provided to customers that pay within a specific period. The reserve for cash discounts is estimated based upon invoice billings and historical customer payment experience. The Company's experience of payment history is fairly consistent and most customer payments qualify for the cash discount.

Returns and Other Allowances – The Company's reserve for returns and other allowances include returns, promotional allowances, and loyalty cards.

Consistent with industry practice, the Company maintains a returns policy that allows customers to return product for a credit. In accordance with the Company's policy, credits for customer returns of products are applied against outstanding account activity or are settled in cash. Product exchanges are not permitted. Customer returned products are generally not resalable. The Company's estimate of the reserve for returns is based upon historical experience and current trends of actual customer returns. Additionally, we consider other factors when estimating the current period returns reserve, including levels of inventory in the distribution channel, as well as significant market changes that may impact future expected returns.

Promotional allowances are credits that are issued in connection with a product launch or as an incentive for customers to carry our product. The Company establishes a reserve for promotional allowances based upon contractual terms.

Loyalty cards allow the end user patients a discount per prescription and are accrued based on historical experience, contract terms and the volume of product and cards in the distribution channel.

The following table summarizes the activity from continuing operations in the Company's major categories of SRA ($ in millions):

	Chargebacks	Rebates	Returns and Other Allowances	Cash Discounts	Total
	$	$	$	$	$
Balance at December 31, 2015	**78.2**	**1,344.4**	**367.5**	**25.1**	**1,815.2**
Provision related to sales in 2016	1,003.2	4,338.7	1,390.1	306.5	7,038.5
Credits and payments	(967.2)	(4,069.1)	(1,341.7)	(296.9)	(6,674.9)
Balance at December 31, 2016	**114.2**	**1,614.0**	**415.9**	**34.7**	**2,178.8**
Provision related to sales in 2017	1,098.7	4,891.4	1,799.3	330.6	8,120.0
Credits and payments	(1,135.7)	(4,710.4)	(1,734.7)	(328.8)	(7,909.6)
Add: LifeCell and Zeltiq Acquisitions	-	4.2	37.1	-	41.3
Balance at December 31, 2017	**77.2**	**1,799.2**	**517.6**	**36.5**	**2,430.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition – continued

The following table summarizes the balance sheet classification of our SRA reserves ($ in millions):

	As of December 31,	
	2017	2016
	$	$
Accounts receivable	250.6	287.4
Provisions	2,179.9	1,891.4
	2,430.5	**2,178.8**

The deductions recorded to reduce gross product sales to net product sales were as follows ($ in millions):

Years Ended December 31,	Gross Product Sales	Chargebacks	Rebates	Returns and Other Allowances	Cash Discounts	Net Product Sales	Percentage of Gross Product Sales
	$	$	$	$	$	$	%
2016	21,398.6	1,003.2	4,338.7	1,390.1	306.5	14,360.1	67.1%
2017	23,688.4	1,098.7	4,891.4	1,799.3	330.6	15,568.4	65.7%

The following table summarizes the activity from discontinued operations in the Company's major categories of SRA ($ in millions):

	Chargebacks	Rebates	Returns and Other Allowances	Cash Discounts	Total
	$	$	$	$	$
Balance at December 31, 2015	**619.0**	**731.0**	**328.6**	**60.1**	**1,738.7**
Provision related to sales in 2016	3,525.4	1,290.4	583.0	159.1	5,557.9
Credits and payments	(3,655.0)	(1,350.0)	(496.3)	(155.4)	(5,656.7)
Disposal of businesses	(489.4)	(671.4)	(415.3)	(63.8)	(1,639.9)
Balance at December 31, 2016	**-**	**-**	**-**	**-**	**-**

The Company's divested generics business also had the following type of SRAs:

- Pricing adjustments, included shelf stock adjustments which are credits issued to reflect price decreases in selling prices charged to the Company's direct customers. Shelf stock adjustments are based upon the amount of product our customers have in their inventory at the time of an agreed-upon price reduction. The provision for shelf stock adjustments was based upon specific terms with the Company's customers and includes estimates of existing customer inventory levels based upon their historical purchasing patterns.
- Billback adjustments are credits that are issued to certain customers who purchase directly from us as well as indirectly through a wholesaler. These credits are issued in the event there was a difference between the customer's direct and indirect contract price. The provision for billbacks was estimated based upon historical purchasing patterns of qualified customers who purchase product directly from us and supplement their purchases indirectly through our wholesale customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Litigation and Contingencies

The Company is involved in various legal proceedings in the normal course of its business, including product liability litigation, intellectual property litigation, employment litigation and other litigation. Additionally, the Company, in consultation with its counsel, assesses the need to record a liability for contingencies on a case-by-case basis in accordance with FASB Accounting Standards Codification ("ASC") Topic 450 "Contingencies" ("ASC 450"). Accruals are recorded when the Company determines that a loss related to a matter is both probable and reasonably estimable. These accruals are adjusted periodically as assessment efforts progress or as additional information becomes available. Acquired contingencies in business combinations are recorded at fair value to the extent determinable, otherwise in accordance with ASC 450. Refer to "NOTE 22 — Commitments and Contingencies" for more information.

R&D Activities

R&D activities are expensed as incurred and consist of self-funded R&D costs, the costs associated with work performed under collaborative R&D agreements, regulatory fees, and acquisition and license related milestone payments, if any.

As of December 31, 2017, we are developing a number of products, some of which utilize novel drug delivery systems, through a combination of internal and collaborative programs including the following:

Product	Therapeutic Area	Indication	Expected Launch Year	Phase
Esmya	Women's Health	Uterine Fibroids	2018	Review
Cariprazine	CNS	Bipolar Depression	2019	III
Ubrogepant	CNS	Acute Migraine	2020	III
Abicipar	Eye Care	Age Related Macular Degeneration	2020	III
Bimatoprost SR	Eye Care	Glaucoma	2020	III
Rapastinel	CNS	Depression	2021	III
Cenicriviroc	Gastrointestinal	NASH	2021	III
Relamorelin	Gastrointestinal	Gastroparesis	2023	III
Pilo/Oxy	Eye Care	Presbyopia	2021	II
RORyT	Medical Aesthetics	Psoriasis	2022	II
Atogepant	CNS	Migraine Prevention	2022	II
Abicipar	Eye Care	Diabetic Macular Edema	2023	II
Brazikumab	Gastrointestinal	Crohn's Disease	2024	II
Botox	Medical Aesthetics	Platysma/Masseter	2025/2023	II
Brazikumab	Gastrointestinal	Ulcerative Colitis	2025	I

We also have a number of products in development as part of our life-cycle management strategy for our existing product portfolio.

Allocation of Acquisition Fair Values to Assets Acquired and Liabilities Assumed

We account for acquired businesses using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Allocation of Acquisition Fair Values to Assets Acquired and Liabilities Assumed – continued

consolidated financial statements and results of operations reflect an acquired business after the completion of the acquisition. The fair value of the consideration paid, including contingent consideration, is assigned to the underlying net assets of the acquired business based on their respective fair values as determined using a market participant concept. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

The most material line items impacted by the allocation of acquisition fair values are:

- Intangible assets (including IPR&D assets upon successful completion of the project and approval of the product) which are amortized to amortization expense over the expected life of the asset. Significant judgments are used in determining the estimated fair values assigned to the assets acquired and liabilities assumed and in determining estimates of useful lives of long-lived assets. Fair value determinations and useful life estimates are based on, among other factors, estimates of expected future net cash flows, estimates of appropriate discount rates used to present value expected future net cash flow streams, the timing of approvals and the probability of success for IPR&D projects and the timing of related product launch dates, the assessment of each asset's life cycle, the impact of competitive trends on each asset's life cycle and other factors. These judgments can materially impact the estimates used to allocate acquisition date fair values to assets acquired and liabilities assumed and the future useful lives. For these and other reasons, actual results may vary significantly from estimated results.
- Inventory is recorded at fair market value factoring in selling price and costs to dispose. Inventory acquired is typically valued higher than replacement cost.

Income Taxes

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable tax rates. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization include the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings.

Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first financial reporting period in which that threshold is no longer met. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within the consolidated statements of operations as income tax expense.

The income tax effects of the TCJA have been initially accounted for on a provisional basis pursuant to the guidance in Staff Accounting Bulletin ("SAB") 118. Reasonable estimates for all material tax effects of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Income Taxes – continued

TCJA (other than amounts related to accounting policy elections) have been provided and adjustments to provisional amounts will be made in subsequent reporting periods as information becomes available to complete provisional computations. The provisional impact of the TCJA for the Federal tax rate change and the resulting deferred tax liability for unremitted earnings will be completed in subsequent measurement periods when the required computations for the 2017 tax year and the related tax returns for the relevant entities have been completed. The final amount for the toll charge is dependent on amounts that cannot be determined until the 2018 financial results of certain non-US subsidiaries are completed. In addition, the IRS continues to issue interpretive guidance on the computation of the tax on deferred foreign earnings and therefore the computations cannot be finalized until all relevant IRS guidance has been promulgated and its impact assessed.

The TCJA introduced an additional U.S. tax on certain non-U.S. subsidiaries' earnings which are considered to be Global Intangible Low Taxed Income (referred to as "GILTI"). Under this provision, the amount of GILTI included by a U.S. shareholder will be taxed at a rate of 10.5% for tax years beginning after December 31, 2017 (increasing to 13.125% for tax years beginning after December 31, 2025) with a partial offset for foreign tax credits.

Due to the complexity of the new GILTI tax rules, we are continuing to evaluate this provision of the TCJA and the application of ASC 740 and are considering if deferred tax amounts should be recorded for this provision. Our accounting policies depend, in part, on analyzing our global income to determine whether we expect material tax liabilities resulting from the application of this provision, and, if so, whether and when to record related current and deferred income taxes and whether such amounts can be reasonably estimated. Anticipated further guidance from the IRS will also clarify the manner in which the GILTI tax is computed. For these reasons, we have not recorded a deferred tax expense or benefit relating to potential GILTI tax in our 2017 consolidated financial statements and have not made a policy election regarding whether to record deferred taxes on GILTI or account for the GILTI entirely as a period cost.

Comprehensive Income / (Loss)

Comprehensive income / (loss) includes all changes in equity during a period except those that resulted from investments by or distributions to the Company's stockholders. Other comprehensive income / (loss) refers to revenues, expenses, gains and losses that are included in comprehensive income / (loss), but excluded from profit / (loss) as these amounts are recorded directly as an adjustment to shareholders' equity. The Company's other comprehensive income / (loss) is comprised of unrealized gains / (losses) on certain holdings of publicly traded equity and debt securities, investments in U.S. treasury and agency securities and actuarial gains / (losses), and foreign currency translation adjustments.

Earnings Per Share ("EPS")

The Company accounts for EPS in accordance with ASC Topic 260, "Earnings Per Share" ("ASC 260") and related guidance, which requires two calculations of EPS to be disclosed: basic and diluted. Basic EPS is computed by dividing profit / (loss) by the weighted average ordinary shares outstanding during a period. Diluted EPS is based on the treasury stock method and includes the effect from potential issuance of Ordinary Shares, such as shares issuable pursuant to the exercise of stock options and restricted stock units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Earnings Per Share ("EPS") – continued

Ordinary share equivalents have been excluded where their inclusion would be anti-dilutive. The calculation for diluted EPS for discontinued operations is computed using the basis of continuing operations.

A reconciliation of the numerators and denominators of basic and diluted EPS consisted of the following ($ in millions, except per share amounts):

	2017	2016
	$	$
(Loss) / profit:		
(Loss) attributable to ordinary shareholders excluding (loss) / income from discontinued operations, net of tax	(4,001.0)	(1,219.5)
(Loss) / income from discontinued operations, net of tax	(402.9)	15,914.5
(Loss) / profit attributable to ordinary shareholders	(4,403.9)	14,695.0
Basic weighted average ordinary shares outstanding	**333.8**	**384.9**
Basic EPS:		
Continuing operations	(11.99)	(3.17)
Discontinued operations	(1.20)	41.35
(Loss) / profit per share	(13.19)	38.18
Dividends per ordinary share	2.80	-
Diluted weighted average ordinary shares outstanding	333.8	384.9
Diluted EPS:		
Continuing operations	(11.99)	(3.17)
Discontinued operations	(1.20)	41.35
(Loss) / profit per share	(13.19)	38.18

Stock awards to purchase 3.8 million and 4.7 million ordinary shares for the years ended December 31, 2017 and 2016, respectively, were outstanding, but not included in the computation of diluted EPS, because the awards were anti-dilutive for continuing operations and as such the treatment for discontinued operations was also anti-dilutive.

The weighted average impact of ordinary share equivalents of 17.8 million and 17.6 million for years ended December 31, 2017 and 2016, respectively, which are anticipated to result from the mandatory conversion of the Company's preferred shares were not included in the calculation of diluted EPS as their impact would be anti-dilutive.

Employee Benefits

Defined Contribution Plans

The Company has defined contribution plans that are post-employment benefit plans under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution plans are recognized as an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Employee Benefits – continued

employee benefit expense in the consolidated profit and loss accounts in the periods during which the related services were rendered.

Defined Benefit Plans

The Company recognizes the overfunded or underfunded status of each of its defined benefit plans as an asset or liability on its consolidated balance sheets. The obligations are generally measured at the actuarial present value of all benefits attributable to employee service rendered, as provided by the applicable benefit formula. The estimates of the obligation and related expense of these plans recorded in the financial statements are based on certain assumptions. The most significant assumptions relate to discount rate and expected return on plan assets. Other assumptions used may include employee demographic factors such as compensation rate increases, retirement patterns, expected employee turnover and participant mortality rates. The difference between these assumptions and actual experience results in the recognition of an asset or liability based upon a net actuarial (gain) / loss. If the total net actuarial (gain) / loss included in accumulated other comprehensive income / (loss) exceeds a threshold of 10% of the greater of the projected benefit obligation or the market related value of plan assets, it is subject to amortization and recorded as a component of net periodic pension cost over the average remaining service lives of the employees participating in the pension plan. Net periodic benefit costs are recognized in the consolidated statement of profit and loss account.

Share-based Compensation

The Company has adopted several equity award plans which authorize the granting of options, restricted shares, restricted stock units and other forms of equity awards of the Company's ordinary shares, subject to certain conditions.

The Company grants awards with the following features:

- Time-based vesting restricted stock and restricted stock units awards;
- Performance-based restricted stock unit awards measured to performance-based targets defined by the Company, including, but not limited to, total shareholder return metrics, R&D milestones and EBITDA, as defined by the Company;
- Non-qualified options to purchase outstanding shares; and
- Cash-settled awards recorded as a liability. These cash settled awards are based on pre-established total shareholder returns metrics.

The Company recognizes share-based compensation expense for the granted awards over the applicable vesting period.

Restructuring Costs

The Company records liabilities for costs associated with exit or disposal activities in the period in which the liability is incurred. In accordance with existing benefit arrangements, employee severance costs are accrued when the restructuring actions are probable and estimable. Costs for one-time termination benefits in which the employee is required to render service until termination in order to receive the benefits are

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Restructuring Costs – continued

recognized ratably over the future service period. The Company also incurs costs with contract terminations and costs of transferring products as part of restructuring activities. Refer to "NOTE 19 — Business Restructuring Charges" for more information.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, "Revenue Recognition", and requires entities to recognize revenue when they transfer control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company will adopt Topic 606 as of January 1, 2018, using the modified retrospective transition method applied to those contracts which were not completed as of that date. Upon adoption, the Company will recognize the cumulative effect of adopting this guidance as an adjustment to our opening balance of Profit and Loss Account, the impact of which is not significant. Prior periods will not be retrospectively adjusted. The Company has assessed our revenue recognition practices with respect to the agreements for which the Company currently recognizes revenues and has concluded that there is no material impact from the new revenue recognition standard.

Under Topic 606, the Company will apply the practical expedient to recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs will be included in selling, general, and administrative expenses which are consistent with current accounting prior to the adoption of Topic 606. The Company will also elect to use the practical expedient to not adjust the promised amount of consideration for the effects of the time value of money for contracts in which the anticipated period between when the Company transfers the goods or services to the customer and when the customer pays is equal to one year or less.

In January 2016, the FASB issued ASU No. 2016-01, which changes the requirement to require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through profit. This update is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this guidance on January 1, 2018 resulted in a reduction of other comprehensive income, net of tax, of approximately $63.0 million with a corresponding increase to Profit and Loss Account.

In February 2016, the FASB issued ASU No. 2016-02, which states that a lessee should recognize the assets and liabilities that arise from leases. This update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is evaluating the impact that this pronouncement will have on our financial position and or profit and loss accounts.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Recent Accounting Pronouncements – continued

financial institutions and other organizations. The ASU requires the measurement of all expected credit losses for financial assets including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is evaluating the impact, if any, that this pronouncement will have on our financial position and or profit and loss accounts.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes in GAAP. The amendment to the guidance eliminates the exception for an intra-entity transfer of an asset other than inventory and requires an entity to recognize the income tax consequences when the transfer occurs. Two common examples of assets included in the scope of the amendment are intellectual property and property, plant, and equipment. The amendment is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. The amendment should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to shareholders' equity as of the beginning of the period of adoption. The adoption of the guidance on January 1, 2018 resulted in an increase to Profit and Loss Account of $356.2 million and a corresponding reduction in net tax liabilities.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The amendments to the guidance are intended to help companies evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. When substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. This amendment introduces an initial required screening that, if met, eliminates the need for further assessment. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. To be a business without outputs, there will need to be an organized workforce. The ASU also narrows the definition of the term "outputs" to be consistent with how it is described in Topic 606, Revenue from Contracts with Customers. These amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those periods. The changes to the definition of a business may result in more acquisitions being accounted for as asset acquisitions.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments to the guidance eliminate Step 2 from the goodwill impairment test. The goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. These amendments also eliminate the requirements for any

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Recent Accounting Pronouncements – continued

reporting unit with a zero or negative carrying amount to perform a qualitative assessment. These amendments should be applied on a prospective basis. The nature of and reason for the change in accounting principle should be disclosed upon transition. These amendments are effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of these amendments are not anticipated to have a material impact on the Company's financial position or profit and loss accounts.

In March 2017, the FASB issued ASU No. 2017-07, Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendments to the guidance require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the Consolidated Profit and Loss Account separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the Consolidated Profit and Loss Account to present the other components of net benefit cost must be disclosed. In addition, the amendments also allow only the service cost component to be eligible for capitalization when applicable. The amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. The Company does not anticipate the standard having a material impact on our financial position and results of operations.

In March 2017, The FASB issued Accounting Standards Update (ASU) No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities. The ASU shortens the amortization period for certain callable debt securities held at a premium and requires the premium to be amortized to the earliest call date, but does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The amendments are effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods. Entities are required to apply the amendments on a modified retrospective basis through a cumulative-effect adjustment directly to Profit and Loss Account as of the beginning of the period of adoption. The entity is required to provide disclosures about a change in accounting principle in the period of adoption. The Company is evaluating the impact these amendments will have on our financial position and results of operations.

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718) — Scope of Modification Accounting. ASU No. 2017-09 applies to entities that change the terms or conditions of a share-based payment award. The amendments to the guidance in ASU No. 2017-09 include guidance on determining changes to the terms and conditions of share-based payment awards and require an entity to apply modification accounting under Topic 718 unless all of the following conditions are met: (1) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification; (2) the vesting conditions of the modified award are the same as the vesting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Recent Accounting Pronouncements – continued

conditions of the original award immediately before the original award is modified; and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The amendments are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 and should be applied prospectively to an award modified on or after the adoption date. The adoption of these amendments are not anticipated to have a material impact on the Company's financial position or results of operations.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815) — Targeted Improvements to Accounting for Hedging Activities. The amendments to the guidance will better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments also make certain targeted improvements to simplify the application of hedge accounting guidance and ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted in any interim period or fiscal years before the effective date of the amendments. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of Profit and Loss Account as of the beginning of the fiscal year that an entity adopts the amendments. The amended presentation and disclosure guidance is required only prospectively. The guidance may have an impact on the Company's future financial positions and results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3 Continuing Operations and Discontinued Operations

The Company is presenting a bridge of the continuing operations financial statements presented with the financial statements of the group. Treatment of assets and liabilities held for sale and discontinued operations presented are in accordance with US GAAP.

The following balance sheet shows a reconciliation of continuing operations to the global company as of December 31, 2017:

	As of December 31, 2017		
(all amounts in millions)	**Continuing Operations**	**Assets Held for Sale Other**	**Whole Company**
Assets	**$**	**$**	**$**
Fixed assets:			
Intangible assets			
Goodwill	49,862.9	12.8	49,875.7
Other Intangibles	54,648.3	15.8	54,664.1
Tangible assets			
Property, plant and equipment	1,785.4	49.0	1,834.4
Investments	72.3	-	72.3
Total fixed assets	**106,368.9**	**77.6**	**106,446.5**
Current assets:			
Assets held for sale	81.6	(81.6)	-
Inventories	904.5	-	904.5
Debtors:			
Accounts Receivable	2,899.0	-	2,899.0
Other assets	174.5	-	174.5
Prepaid expenses and other current assets	1,123.9	4.0	1,127.9
Deferred income taxes—amounts due after more than one year	319.1	-	319.1
Investments-marketable securities	4,632.1	-	4,632.1
Cash at bank and in hand	1,817.2	-	1,817.2
	11,951.9	**(77.6)**	**11,874.3**
Creditors (amounts falling due within a year)			
Current portion of long-term debt and capital leases	4,231.8	-	4,231.8
Accounts payable	324.5	-	324.5
Income taxes payable	74.9	-	74.9
Accrued expenses	2,082.9	-	2,082.9
Total current liabilities	**6,714.1**	-	**6,714.1**
Net current assets	**5,237.8**	**(77.6)**	**5,160.2**
Total assets less current liabilities	**111,606.7**	-	**111,606.7**
Creditors (amounts falling after more than one year)			
Long-term debt and capital leases	25,843.5	-	25,843.5
Other taxes payable	723.6	-	723.6
Other long term liabilities	221.7	-	221.7
	26,788.8	-	26,788.8
Provisions for liabilities			
Pensions and similar obligations	141.6	-	141.6
Severance provision	185.9	-	185.9
Uncertain tax positions	850.3	-	850.3
Litigation related	55.0	-	55.0
Deferred income taxes	6,352.4	-	6,352.4
Sales returns and allowances	2,179.9	-	2,179.9
Contingent Liabilities	476.9	-	476.9
Other provisions	738.8	-	738.8
Net assets	**73,837.1**	-	**73,837.1**
Capital and reserves			
Called up share capital	-	-	-
Share premium	5,285.2	-	5,285.2
Other reserves	55,578.7	-	55,578.7
Profit and loss account	12,957.2	-	12,957.2
Shareholders' equity	**73,821.1**	-	**73,821.1**
Non controlling interest	16.0	-	16.0
Total shareholders' funds	**73,837.1**	-	**73,837.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3 Continuing Operations and Discontinued Operations - continued

The following balance sheet shows a reconciliation of continuing operations and discontinued operations to the global company as of December 31, 2016:

	As of December 31, 2016		
(all amounts in millions)	**Continuing Operations**	**Assets Held for Sale Other**	**Whole Company**
Assets	**$**	**$**	**$**
Fixed assets:			
Intangible assets			
Goodwill	46,356.1	-	46,356.1
Other Intangibles	62,618.6	22.5	62,641.1
Tangible assets			
Property, plant and equipment	1,611.3	-	1,611.3
Investments	95.0	-	95.0
Total fixed assets	**110,681.0**	**22.5**	**110,703.5**
Current assets:			
Assets held for sale	27.0	(27.0)	-
Inventories	718.0	-	718.0
Debtors:			
Accounts receivable	2,531.0	-	2,531.0
Other assets	178.4	-	178.4
Prepaid expenses and other current assets	1,383.4	4.5	1,387.9
Deferred income taxes—amounts due after more than one year	233.3	-	233.3
Investments—marketable securities	11,501.5	-	11,501.5
Cash at bank and in hand	1,724.0	-	1,724.0
	18,296.6	**(22.5)**	**18,274.1**
Creditors (amounts falling due within a year)			
Current portion of long-term debt and capital leases	2,797.9	-	2,797.9
Accounts payable	224.9	-	224.9
Income taxes payable	57.8	-	57.8
Accrued expenses	1,968.4	-	1,968.4
Total current liabilities	**5,049.0**	**-**	**5,049.0**
Net current assets	**13,247.6**	**(22.5)**	**13,225.1**
Total assets less current liabilities	**123,928.6**	**-**	**123,928.6**
Creditors (amounts falling after more than one year)			
Long-term debt and capital leases	29,970.8	-	29,970.8
Other taxes payable	75.0	-	75.0
Other long term liabilities	172.2	-	172.2
	30,218.0	-	30,218.0
Provisions for liabilities			
Pensions and similar obligations	192.9	-	192.9
Severance provision	108.2	-	108.2
Uncertain tax positions	811.2	-	811.2
Litigation related	70.0	-	70.0
Deferred income taxes	12,969.1	-	12,969.1
Sales returns and allowances	1,891.4	-	1,891.4
Contingent liabilities	1,172.1	-	1,172.1
Other provisions	295.2	-	295.2
Net assets	**76,200.5**	**-**	**76,200.5**
Capital and reserves			
Called up share capital	-	-	-
Share premium	5,101.8	-	5,101.8
Other reserves	52,748.4	-	52,748.4
Profit and loss account	18,342.5	-	18,342.5
Shareholders' equity	**76,192.7**	**-**	**76,192.7**
Non controlling interest	7.8	-	7.8
Total shareholders' funds	**76,200.5**	**-**	**76,200.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3 Continuing Operations and Discontinued Operations - continued

The following profit and loss accounts shows a reconciliation of continuing operations and discontinued operations to the global company for the years ended December 31, 2017 and 2016:

	For the Year Ended December 31, 2017		
(all amounts in millions)	Continuing Operations	Discontinued Operations	Global Company
	$	$	$
Revenue	15,940.7	-	15,940.7
Cost of sales	(2,168.0)	-	(2,168.0)
Gross profit	**13,772.7**	**-**	**13,772.7**
Selling, general and administrative expenses	(17,593.8)	(20.0)	(17,613.8)
Research and development	(2,100.1)	-	(2,100.1)
Other (expense) / income	(3,248.1)	(470.4)	(3,718.5)
Interest expense and similar items	(1,284.8)	-	(1,284.8)
Interest income	67.7	-	67.7
(Loss) / income before taxes	**(10,386.4)**	**(490.4)**	**(10,876.8)**
Benefit / (provision) for income taxes	6,670.4	87.5	6,757.9
(Loss) / income	**(3,716.0)**	**(402.9)**	**(4,118.9)**
(Loss) attributable to noncontrolling interest	(6.6)	-	(6.6)
(Loss) / profit for the year	**(3,722.6)**	**(402.9)**	**(4,125.5)**
Dividends on Preferred Shares	278.4	-	278.4
(Loss) / profit for the year for ordinary shareholders	**(4,001.0)**	**(402.9)**	**(4,403.9)**

	For the Year Ended December 31, 2016		
(all amounts in millions)	Continuing Operations	Discontinued Operations	Global Company
	$	$	$
Revenue	14,570.6	4,504.3	19,074.9
Cost of sales	(1,860.8)	(2,798.3)	(4,659.1)
Gross profit	**12,709.8**	**1,706.0**	**14,415.8**
Selling, general and administrative expenses	(11,959.6)	(783.5)	(12,743.1)
Research and development	(2,575.7)	(269.4)	(2,845.1)
Other income / (expense)	219.2	15,932.2	16,151.4
Interest expense and similar items	(1,295.6)	-	(1,295.6)
Interest income	69.9	-	69.9
(Loss) / income before taxes	**(2,832.0)**	**16,585.3**	**13,753.3**
Benefit / (provision) for income taxes	1,897.0	(670.8)	1,226.2
(Loss) / income	**(935.0)**	**15,914.5**	**14,979.5**
(Loss) attributable to noncontrolling interest	(6.1)	-	(6.1)
(Loss) / profit for the year	**(941.1)**	**15,914.5**	**14,973.4**
Dividends on Preferred Shares	278.4	-	278.4
(Loss) / profit for the year for ordinary shareholders	**(1,219.5)**	**15,914.5**	**14,695.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements

2017 Strategic Transactions

Acquisitions

Keller Medical, Inc.

On June 23, 2017, the Company acquired Keller Medical, Inc. ("Keller"), a privately held medical device company and developer of the Keller Funnel® (the "Keller Acquisition"). The Keller Acquisition combines the Keller Funnel®, a surgical device used in conjunction with breast implants, with the Company's leading breast implants business.

Zeltiq Aesthetics, Inc.

On April 28, 2017, the Company acquired Zeltiq Aesthetics, Inc. ("Zeltiq") for an acquisition accounting purchase price of $2,405.4 million (the "Zeltiq Acquisition"). Zeltiq was focused on developing and commercializing products utilizing its proprietary controlled-cooling technology platform (Coolsculpting®). The Zeltiq Acquisition combined Zeltiq's body contouring business with the Company's leading portfolio of medical aesthetics.

Assets Acquired and Liabilities Assumed at Fair Value

The Zeltiq Acquisition has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. As of December 31, 2017, certain amounts relating to the valuation of tax related matters and intangible assets have not been finalized. The finalization of these matters may result in changes to goodwill.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the acquisition date and reflects purchase accounting adjustments subsequent to the acquisition date ($ in millions):

	Preliminary Valuation as of December 31, 2017
	$
Cash and cash equivalents	36.7
Accounts receivable	47.0
Inventories	59.3
Property, plant and equipment	12.4
Intangible assets	1,185.0
Goodwill	1,200.6
Other assets	17.1
Accounts payable and accrued expenses	(93.6)
Deferred revenue	(10.6)
Deferred taxes, net	(47.2)
Other liabilities	(1.3)
Net assets acquired	**2,405.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2017 Strategic Transactions – continued

Acquisitions – continued

IPR&D and Intangible Assets

The estimated fair value of the intangible assets, including customer relationships, was determined using the "income approach," which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of those asset valuations include the estimated net cash flows for each year for each asset or product (including net revenues, cost of sales, R&D costs, selling and marketing costs, other allocated costs, and working capital/contributory asset charges), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, the potential regulatory and commercial success risks, competitive trends impacting the asset and each cash flow stream. This technique is referred to herein as the "IPR&D and Intangible Asset Valuation Technique."

The fair value of the intangible assets acquired in the Zeltiq Acquisition was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value for these acquired intangible assets ranged from 10.0% to 11.0% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. The discount rate of the Zeltiq Acquisition was driven by the life-cycle stage of the products and the therapeutic indication. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

The following table identifies the summarized amounts recognized and the weighted average useful lives using the economic benefit of intangible assets ($ in millions):

	Amount recognized as of the acquisition date	Weighted average useful lives (years)
	$	Number
Definite-lived assets		
Consumables	985.0	6.7
System	43.0	3.7
Total CMP	1,028.0	
Customer relationships	157.0	6.6
Total definite-lived assets	1,185.0	

Goodwill

Among the reasons the Company acquired Zeltiq and the factors that contributed to the preliminary recognition of goodwill was the expansion of the Company's leading medical aesthetics portfolio. Goodwill from the Zeltiq Acquisition of $954.7 million was assigned to the US Specialized Therapeutic segment and goodwill of $245.9 million was assigned to the International segment and is non-deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2017 Strategic Transactions – continued

Acquisitions – continued

Inventories

The fair value of inventories acquired included an acquisition accounting fair market value step-up of $22.9 million which was recognized as a component of cost of sales as the inventory acquired was sold to the Company's customers in the year ended December 31, 2017.

Deferred Tax Liabilities

Deferred tax liabilities result from identifiable intangible assets' fair value adjustments. These adjustments create excess book basis over tax basis which is tax-effected by the statutory tax rates of applicable jurisdictions.

LifeCell Corporation

On February 1, 2017, the Company acquired LifeCell Corporation ("LifeCell"), a regenerative medicine company, for an acquisition accounting price of $2,883.1 million (the "LifeCell Acquisition"). The LifeCell Acquisition combines LifeCell's novel, regenerative medicines business, including its high-quality and durable portfolio of dermal matrix products with Allergan's leading portfolio of medical aesthetic products, breast implants and tissue expanders. The LifeCell Acquisition expanded the Company's medical aesthetics portfolio by adding Alloderm® and Strattice®.

Assets Acquired and Liabilities Assumed at Fair Value

The LifeCell Acquisition has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date and reflects purchase accounting adjustments subsequent to the acquisition date ($ in millions):

	Valuation as of December 31, 2017
	$
Cash and cash equivalents	8.7
Accounts receivable	50.8
Inventories	175.4
Property, plant and equipment, net	53.7
Currently marketed products ("CMP") intangible assets	2,010.0
In-process research and development ("IPR&D") intangible assets	10.0
Goodwill	1,449.1
Accounts payable and accrued expenses	(149.6)
Deferred taxes liabilities, net	(746.2)
Other	21.2
Net assets acquired	**2,883.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2017 Strategic Transactions – continued

Acquisitions – continued

IPR&D and Intangible Assets

The fair value of the acquired intangible assets was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value for these acquired intangible assets was 7.5% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections in the LifeCell Acquisition. The discount rate of the LifeCell Acquisition was driven by the life-cycle stage of the products, the advanced nature of IPR&D projects, and IPR&D assets acquired and the therapeutic indication. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

The following table identifies the summarized amounts recognized and the weighted average useful lives using the economic benefit of intangible assets ($ in millions):

	Amount recognized as of the acquisition date	Weighted average useful lives (years)
	$	Number
Definite-lived assets		
Alloderm®	1,385.0	6.9
Revolve®	80.0	7.1
Strattice®	320.0	5.1
Artia®	115.0	8.8
Other	10.0	2.8
Total CMP	1,910.0	
Customer relationships	100.0	6.3
Total definite-lived assets	2,010.0	
In-process research and development		
Other	10.0	
Total IPR&D	10.0	
Total intangible assets	**2,020.0**	

Goodwill

Among the reasons the Company acquired LifeCell and the factors that contributed to the recognition of goodwill was the expansion of the Company's leading medical aesthetic portfolio. Goodwill from the LifeCell Acquisition of $1,449.1 million was assigned to the US Specialized Therapeutic segment and is non-deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2017 Strategic Transactions - continued

Acquisitions – continued

Inventories

The fair value of inventories acquired included an acquisition accounting fair market value step-up of $108.4 million which was recognized as a component of cost of sales as the inventory acquired was sold to the Company's customers in the year ended December 31, 2017, excluding currency impact.

Deferred Tax Liabilities

Deferred tax liabilities result from identifiable intangible assets' fair value adjustments. These adjustments create excess book basis over tax basis which is tax-effected by the statutory tax rates of applicable jurisdictions.

Licenses and Other Transactions Accounted for as Asset Acquisitions

Lyndra, Inc.

On July 31, 2017, the Company entered into a collaboration, option and license agreement with Lyndra, Inc. ("Lyndra") to develop orally administered ultra-long-acting (once-weekly) products for the treatment of Alzheimer's disease and an additional, unspecified indication. The total upfront payment of $15.0 million was expensed as a component of R&D expense in the year ended December 31, 2017. The future option exercise payments, if any, and any future success based milestones relating to the licensed products of up to $85.0 million will be recorded if the corresponding events become probable.

Editas Medicine, Inc.

On March 14, 2017, the Company entered into a strategic alliance and option agreement with Editas Medicine, Inc. ("Editas") for access to early stage, first-in-class eye care programs. Pursuant to the agreement, Allergan made an upfront payment of $90.0 million for the right to license up to five of Editas' gene-editing programs in eye care, including its lead program for Leber Congenital Amaurosis ("LCA"). Under the terms of the agreement, if an option is exercised, Editas is eligible to receive contingent research and development and commercial milestones plus royalties based on net sales. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing, as well as the lack of certain other inputs and processes, that the transaction did not qualify as a business. The total upfront payment of $90.0 million was expensed as a component of R&D expense in the year ended December 31, 2017. The future option exercise payments, if any, and any future success based milestones relating to the licensed products will be recorded if the corresponding events become probable.

Assembly Biosciences, Inc.

On January 9, 2017, the Company entered into a licensing agreement with Assembly Biosciences, Inc. ("Assembly") for the worldwide rights to Assembly's microbiome gastrointestinal development programs. Under the terms of the agreement, the Company made an upfront payment to Assembly of $50.0 million for the exclusive, worldwide rights to develop and commercialize certain development compounds. Additionally, Assembly will be eligible to receive success-based development and commercial milestone payments plus royalties based on net sales. The Company and Assembly will generally share development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

Licenses and Other Transactions Accounted for as Asset Acquisitions – continued

costs through proof-of-concept ("POC") studies, and Allergan will assume all post-POC development costs. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing as well as the lack of certain other inputs and processes that the transaction did not qualify as a business. The total upfront payment of $50.0 million was expensed as a component of R&D expense in the year ended December 31, 2017 and the future success based milestone payments of up to $2,771.0 million, including amounts for additional development programs not committed to as of December 31, 2017, will be recorded if the corresponding events become probable.

Lysosomal Therapeutics, Inc.

On January 9, 2017, the Company entered into a definitive agreement for the option to acquire Lysosomal Therapeutics, Inc. ("LTI"). LTI is focused on innovative small-molecule research and development in the field of neurodegeneration, yielding new treatment options for patients with severe neurological diseases. Pursuant to the agreement, Allergan acquired an option right directly from LTI shareholders to acquire LTI for $150.0 million plus future milestone payments following completion of a Phase Ib trial for LTI-291 as well as an upfront research and development payment. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing, as well as the lack of certain other inputs and processes, that the transaction did not qualify as a business. The aggregate upfront payment of $145.0 million was recorded as a component of R&D expense in the year ended December 31, 2017.

Other Transactions

Saint Regis Mohawk Tribe

On September 8, 2017, the Company entered into an agreement with the Saint Regis Mohawk Tribe, under which the Saint Regis Mohawk Tribe obtained the rights to Orange Book-listed patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05%, and the Company was granted exclusive licenses under the patents related to the product. Pursuant to the agreement, the Company paid the Saint Regis Mohawk Tribe an upfront payment of $13.8 million, which was recorded as a component of cost of sales in the year ended December 31, 2017. Additionally, the Saint Regis Mohawk Tribe will be eligible to receive up to $15.0 million in annual royalties starting in 2018, during the period that certain patent claims remain in effect.

2016 Strategic Transactions

Acquisitions

Tobira Therapeutics, Inc.

On November 1, 2016, the Company acquired Tobira Therapeutics, Inc. ("Tobira"), a clinical-stage biopharmaceutical company focused on developing and commercializing therapies for non-alcoholic steatohepatitis ("NASH") and other liver diseases for an acquisition accounting purchase price of $570.1 million, plus contingent consideration of up to $49.84 per share in contingent value rights ("CVR"), or up to $1,101.3 million, that may be payable based on the successful completion of certain development, regulatory and commercial milestones (the "Tobira Acquisition"), of which $303.1 million was paid in the year ended December 31, 2017 for the initiation of Phase III clinical trials. The CVR had an acquisition date

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

fair value of $479.0 million. The Tobira Acquisition added Cenicriviroc, a differentiated, complementary development program for the treatment of the multi-factorial elements of NASH, including inflammation, metabolic syndromes and fibrosis, to Allergan's global gastroenterology R&D pipeline.

Assets Acquired and Liabilities Assumed at Fair Value

The transaction has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date ($ in millions):

	December 31, 2016 Preliminary Valuation	Measurement Period Adjustments	December 31, 2017 Final Valuation
	$	$	$
Cash and cash equivalents	21.3	-	21.3
IPR&D intangible assets	1,357.0	-	1,357.0
Goodwill	112.7	(14.1)	98.6
Indebtedness	(15.9)	-	(15.9)
Contingent consideration	(479.0)	-	(479.0)
Deferred tax liabilities, net	(395.9)	14.1	(381.8)
Other assets and liabilities	(30.1)	-	(30.1)
Net assets acquired	**570.1**	**-**	**570.1**

IPR&D and Intangible Assets

The fair value of the IPR&D intangible assets was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value for IPR&D intangible assets was 11.5% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. The discount rate of the acquisition was driven by the stage of the product and the therapeutic indication. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

Goodwill

Among the reasons the Company acquired Tobira and the factors that contributed to the preliminary recognition of goodwill was the expansion of the Company's pipeline of NASH products. Goodwill from the Tobira Acquisition of $98.6 million was assigned to the US General Medicine segment and is non-deductible for tax purposes.

Contingent Consideration

As part of the acquisition, the Company is required to pay the former shareholders of Tobira up to $1,101.3 million, of which $303.1 million was paid in the year ended December 31, 2017, based on the timing of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

certain development, regulatory and commercial milestones, if any. The Company estimated the fair value of the contingent consideration to be $479.0 million using a probability weighted average approach that considered the possible outcomes of scenarios related to the specified product.

Deferred Tax Liabilities

Deferred tax liabilities result from identifiable intangible assets' fair value adjustments. These adjustments create excess book basis over tax basis which is tax-effected by the statutory tax rates of applicable jurisdictions.

Vitae Pharmaceuticals, Inc.

On October 25, 2016, the Company acquired Vitae Pharmaceuticals, Inc. ("Vitae"), a clinical-stage biotechnology company, for an acquisition accounting purchase price of $621.4 million (the "Vitae Acquisition"). The Vitae Acquisition expanded Allergan's dermatology product pipeline with the addition of a Phase II orally active RORyt (retinoic acid receptor-related orphan receptor gamma) inhibitor for the potential treatment of psoriasis and other autoimmune disorders. In addition, the Company expanded its pipeline with the acquisition of a Phase II atopic dermatitis drug candidate.

Assets Acquired and Liabilities Assumed at Fair Value

The transaction has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date ($ in millions):

	December 31, 2016 Preliminary Valuation	Measurement Period Adjustments	December 31, 2017 Final Valuation
	$	$	$
Cash and cash equivalents	44.7	-	44.7
Marketable securities	20.2	-	20.2
Property, plant and equipment, net	5.0	-	5.0
IPR&D intangible assets	686.0	-	686.0
Assets held for sale	22.5	-	22.5
Goodwill	34.4	(3.8)	30.6
Other assets and liabilities	(20.7)	-	(20.7)
Deferred tax liabilities, net	(170.7)	3.8	(166.9)
Net assets acquired	**621.4**	**-**	**621.4**

IPR&D and Intangible Assets

The fair value of the IPR&D intangible assets was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value for IPR&D intangible assets was

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

9.5% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. The discount rate of the acquisition was driven by the stage of the product and the therapeutic indication. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results. The Company plans to assess the results of the phase II study relating to RORyt in the middle to end of April 2018 at which time it will reassess the fair value of the asset.

Goodwill

Among the reasons the Company acquired Vitae and the factors that contributed to the preliminary recognition of goodwill was the expansion of the Company's pipeline of dermatology products. Goodwill from the Vitae Acquisition of $30.6 million was assigned to the US Specialized Therapeutic segment and is non-deductible for tax purposes.

Deferred Tax Liabilities

Deferred tax liabilities result from identifiable intangible assets' fair value adjustments. These adjustments create excess book basis over tax basis which is tax-effected by the statutory tax rates of applicable jurisdictions.

Assets Held for Sale

The Company held for sale certain intangible assets acquired as part of the Vitae Acquisition. These assets had an acquisition accounting value of $22.5 million. In the year ended December 31, 2017, the Company sold these assets for $22.5 million.

ForSight VISION5, Inc.

On September 23, 2016, the Company acquired ForSight VISION5, Inc. ("ForSight"), a privately held, clinical-stage biotechnology company focused on eye care, in an all cash transaction of approximately $95.0 million (the "ForSight Acquisition"). Under the terms of the ForSight Acquisition, the Company acquired ForSight for an acquisition accounting purchase price of $74.5 million plus the payment of outstanding indebtedness of $14.8 million and other miscellaneous charges. ForSight shareholders are eligible to receive contingent consideration of up to $125.0 million, which had an initial estimated fair value of $79.8 million, relating to commercialization milestones. The Company acquired ForSight for its lead development program, a peri-ocular ring designed for extended drug delivery and reducing elevated intraocular pressure ("IOP") in glaucoma patients.

Assets Acquired and Liabilities Assumed at Fair Value

The transaction has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date ($ in millions):

	December 31, 2016 Preliminary Valuation	Measurement Period Adjustments	December 31, 2017 Final Valuation
	$	$	$
Cash and cash equivalents	1.0	-	1.0
IPR&D intangible assets	158.0	-	158.0
Goodwill	51.6	(1.1)	50.5
Current liabilities	(14.8)	-	(14.8)
Contingent consideration	(79.8)	-	(79.8)
Deferred tax liabilities, net	(38.3)	1.1	(37.2)
Other assets and liabilities	(3.2)	-	(3.2)
Net assets acquired	**74.5**	**-**	**74.5**

IPR&D and Intangible Assets

The fair value of the IPR&D intangible assets was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value for IPR&D intangible assets was 13.0% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. The discount rate of the acquisition was driven by the early stage of the product and the therapeutic indication. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results.

Goodwill

Among the reasons the Company acquired ForSight and the factors that contributed to the recognition of goodwill was the expansion of the Company's pipeline of eye care products. Goodwill from the ForSight Acquisition of $50.5 million was assigned to the US Specialized Therapeutics segment and is non-deductible for tax purposes.

Contingent Consideration

As part of the acquisition, the Company is required to pay the former shareholders of ForSight up to $125.0 million based on the timing of the first commercial sale, if any. The Company estimated the fair value of the contingent consideration to be $79.8 million using a probability weighted average approach that considered the possible outcomes of scenarios related to the specified product. In the year ended December 31, 2016, the Company recognized approximately $33.0 million in impairments of the acquired ForSight IPR&D asset as the Company anticipates a delay in potential launch timing, if any. Offsetting this impairment was a corresponding reduction of acquired contingent consideration of $15.0 million, which reduced overall R&D expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

Deferred Tax Liabilities

Deferred tax liabilities result from identifiable intangible assets' fair value adjustments. These adjustments create excess book basis over tax basis which is tax-effected by the statutory tax rates of applicable jurisdictions.

Licenses and Asset Acquisitions

Motus Therapeutics, Inc.

On December 15, 2016, the Company acquired Motus Therapeutics, Inc. ("Motus") for an upfront payment of approximately $200.0 million (the "Motus Transaction"). Motus has the worldwide rights to RM-131 (relamorelin), a peptide ghrelin agonist being developed for the treatment of diabetic gastroparesis. Under the terms of the Motus Transaction, Motus shareholders are eligible to receive contingent consideration in connection with the commercial launch of the product. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the transaction did not qualify as a business. The total upfront net payment of $199.5 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestone will be recorded if the corresponding event becomes probable.

Chase Pharmaceuticals Corporation

On November 22, 2016, the Company acquired Chase Pharmaceuticals Corporation ("Chase"), a clinical-stage biopharmaceutical company focused on the development of improved treatments for neurodegenerative disorders including Alzheimer's disease, for an upfront payment of approximately $125.0 million plus potential regulatory and commercial milestones of up to $875.0 million related to Chase's lead compound, CPC-201, and certain backup compounds (the "Chase Transaction"). The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the Chase transaction did not qualify as a business. The total upfront net payment of $122.9 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

AstraZeneca plc License

On October 2, 2016, the Company entered into a licensing agreement with MedImmune, AstraZeneca plc's ("AstraZeneca") global biologics research and development arm, for the global rights to brazikumab (the "AstraZeneca Transaction"). Brazikumab is an anti-IL-23 monoclonal antibody for the treatment of patients with moderate-to-severe Crohn's disease and is Phase II ready for ulcerative colitis and other conditions treated with anti-IL23 monoclonal antibodies. Under the terms of the agreement, AstraZeneca received $250.0 million for the exclusive, worldwide license to develop and commercialize brazikumab and is eligible to receive contingent consideration of up to $1.27 billion, as well as tiered royalties on sales of the product. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing as well as certain other inputs and processes that the transaction did not qualify as a business. The total upfront payment of $250.0 million was expensed as a component of R&D

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

Licenses and Asset Acquisitions – continued

expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

RetroSense Therapeutics, LLC

On September 6, 2016, the Company acquired certain assets of RetroSense Therapeutics LLC ("RetroSense"), a private, clinical-stage biotechnology company focused on novel gene therapy approaches to restore vision in patients suffering from blindness (the "RetroSense Transaction"). Under the terms of the RetroSense Transaction, RetroSense received approximately $60.0 million upfront, and is eligible to receive up to $495.0 million in contingent regulatory and commercialization milestone payments related to its lead development program, RST-001, a novel gene therapy for the treatment of retinitis pigmentosa. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the RetroSense Transaction did not qualify as a business. The total upfront net payment of $59.7 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

Akarna Therapeutics, Ltd

On August 26, 2016, the Company acquired Akarna Therapeutics, Ltd ("Akarna"), a biopharmaceutical company developing novel small molecule therapeutics that target inflammatory and fibrotic diseases (the "Akarna Transaction"). Under the terms of the Akarna Transaction, Akarna shareholders received approximately $50.0 million upfront and were eligible to receive contingent development and commercialization milestones of up to $1,015.0 million. The Company concluded based on the stage of development of the assets as well as a lack of certain other inputs and processes that the Akarna Transaction did not qualify as a business. The total upfront net payment of $48.2 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable. In the year ended December 31, 2017, a milestone of $39.6 million, related to the initiation of a clinical study, was expensed as a component of R&D expense.

Topokine Therapeutics, Inc.

On April 21, 2016, the Company acquired Topokine Therapeutics, Inc. ("Topokine"), a privately held, clinical-stage biotechnology company focused on development stage topical medicines for fat reduction (the "Topokine Transaction"). Under the terms of the Topokine Transaction, Topokine shareholders received an upfront payment of $85.8 million and are eligible to receive contingent development and commercialization milestones of up to $260.0 million for XAF5, a first-in-class topical agent in development for the treatment of steatoblepharon, also known as undereye bags. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the Topokine Transaction did not qualify as a business. The total upfront net payment of approximately $85.0 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

Heptares Therapeutics Ltd

On April 6, 2016, the Company entered into an agreement with Heptares Therapeutics Ltd. ("Heptares"), under which the Company licensed exclusive global rights to a portfolio of novel subtype-selective

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

Licenses and Asset Acquisitions – continued

muscarinic receptor agonists in development for the treatment of major neurological disorders, including Alzheimer's disease (the "Heptares Transaction"). Under the terms of the Heptares Transaction, Heptares received an upfront payment of $125.0 million and is eligible to receive contingent milestone payments of up to approximately $665.0 million upon the successful Phase I, II and III clinical development and launch of the first three licensed compounds for multiple indications and up to approximately $2.575 billion associated with achieving certain annual sales thresholds during the several years following launch. In addition, Heptares was eligible to receive contingent tiered royalties on net sales of all products resulting from the partnership. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the Heptares Transaction did not qualify as a business. The total upfront payment of $125.0 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the events become probable. In the year ended December 31, 2017, a milestone of $15.0 million, related to the initiation of a clinical study, was achieved and expensed as a component of R&D expense.

Anterios, Inc.

On January 6, 2016, the Company acquired Anterios, Inc. ("Anterios"), a clinical stage biopharmaceutical company developing a next generation delivery system and botulinum toxin-based prescription products ("the Anterios Transaction"). Under the terms of the Anterios Transaction, Anterios shareholders received an upfront net payment of approximately $90.0 million and are eligible to receive contingent development and commercialization milestone payments up to $387.5 million related to an investigational topical formulation of botulinum toxin type A in development for the potential treatment of hyperhidrosis, acne, and crow's feet lines and the related NDS™, Anterios' proprietary platform delivery technology that enables local, targeted delivery of neurotoxins through the skin without the need for injections. The Company concluded based on the stage of development of the assets, the lack of acquired employees as well as certain other inputs and processes that the Anterios Transaction did not qualify as a business. The total upfront net payment of $89.2 million was expensed as a component of R&D expense in the year ended December 31, 2016 and the future milestones will be recorded if the corresponding events become probable.

5 Collaborations

The Company has ongoing transactions with other entities through collaboration agreements. The following represent the material collaboration agreements impacting the years ended December 31, 2017 and 2016.

Acquired agreements from the Allergan acquisition

Apollo EndoSurgery, Inc.

On December 2, 2013, Legacy Allergan completed the sale of the obesity intervention business to Apollo Endosurgery, Inc. ("Apollo") for cash consideration of $75.0 million, subject to certain adjustments, and certain additional consideration, including a minority equity interest in Apollo with an estimated fair value of $15.0 million as of the date of the Allergan acquisition. In the year ended December 31, 2017, the Company recorded an other-than-temporary impairment in the investment in Apollo of $15.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5 Collaborations - continued

LiRIS

On August 13, 2014, Legacy Allergan completed the acquisition of LiRIS Biomedical, Inc. ("LiRIS"), a clinical-stage specialty pharmaceutical company based in the United States focused on developing a pipeline of innovative treatments for bladder diseases, for an upfront payment of $67.5 million, plus up to an aggregate of $295.0 million in payments contingent upon achieving certain future development milestones and up to an aggregate of $225.0 million in payments contingent upon achieving certain commercial milestones. The Company accounted for the contingent consideration in the Allergan acquisition with an initial acquisition date fair value of $169.6 million. In the year ended December 31, 2016, the Company recognized approximately $210.0 million of impairments due to clinical data not supporting continuation of the R&D study offset, in part, by a reduction of contingent liability of $186.0 million recorded in R&D. In the year ended December 31, 2017, the Company terminated its collaboration with LiRIS.

Acquired agreements from the Forest Acquisition

Trevena

On May 9, 2013, in connection with entering into an agreement with Trevena, Inc. to acquire the option to license one of Trevena, Inc.'s products (which option has since lapsed), the Company purchased $30.0 million of Trevena preferred stock in a round of private placement financing. Trevena filed an initial public offering ("IPO"), at which time the Company's preferred stock was converted to common stock traded on the NASDAQ stock market. In conjunction with the IPO, the Company purchased an additional $3.0 million of common stock of Trevena. In the year ended December 31, 2017, the Company recorded an other-than-temporary impairment of the Trevena investment of $11.2 million. At December 31, 2017 and 2016, the fair value of the Trevena common stock held by the Company was $5.4 million and $20.0 million, respectively and is included as a component of "investments".

Ironwood collaboration agreement

In September 2007, Forest entered into a collaboration agreement with Ironwood Pharmaceuticals ("Ironwood") to jointly develop and commercialize Linzess® (linaclotide) for the treatment of irritable bowel syndrome with constipation (IBS-C) and chronic idiopathic constipation (CIC). Under the terms of the agreement, the Company shares equally with Ironwood all profits and losses (as defined) from the development and commercialization of Linzess in the U.S. In addition, the Company expanded this agreement to cover the acquired Constella rights internationally.

The agreement included contingent milestone payments as well as a contingent equity investment based on the achievement of specific clinical and commercial milestones. The Company may be obligated to pay up to an additional $100.0 million if certain sales milestones are achieved.

Based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable guidance, the Company records receipts from and payments to Ironwood in two pools: the "Development pool" which consists of R&D expenses, and the "Commercialization pool," which consists of revenue, cost of sales and other operating expenses. The net payment to or receipt from Ironwood for the Development pool is recorded in R&D expense and the net payment to or receipt from Ironwood for the Commercialization pool is recorded in cost of goods sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5 Collaborations - continued

Amgen Collaboration

In December 2011, we entered into a collaboration agreement with Amgen Inc. ("Amgen") to develop and commercialize, on a worldwide basis, biosimilar versions of Herceptin®, Avastin®, Rituxan/Mab Thera®, and Erbitux® (the "Amgen Collaboration Agreement"). Amgen has assumed primary responsibility for developing, manufacturing and initially commercializing the oncology antibody products. As of December 31, 2017, the Company will contribute up to $107.2 million in co-development costs over the remaining course of development, including the provision of development support, and will share product development risks. In addition, we will contribute our significant expertise in the commercialization and marketing of products in highly competitive specialty markets, including helping effectively manage the lifecycle of the biosimilar products. The collaboration products are expected to be sold under a joint Amgen/ Allergan label. We will initially receive royalties and sales milestones from product revenues. The collaboration will not pursue biosimilars of Amgen's proprietary products. In the year ended December 31, 2017, the FDA approved MVASI ™, a biosimilar of Avastin, for the treatment of five types of cancer. As a result of the approval, the Company can achieve certain commercial and sales based milestones and receive royalties based on the net sales of the product.

6 Discontinued Operations

Global Generics Business

On July 27, 2015, the Company announced that it entered into the Teva Transaction, which closed on August 2, 2016. On October 3, 2016, the Company completed the divestiture of the Anda Distribution business to Teva for $500.0 million. The Company recognized a combined gain on the sale of the Anda Distribution business and the sale of the global generics business of $15,932.2 million.

The Company notes the following reconciliation of the proceeds received in the combined transaction to the gain recognized in income from discontinued operations in 2016 ($ in millions):

	$
Net cash proceeds received	33,804.2
August 2, 2016 fair value of Teva shares	5,038.6
Total Proceeds	**38,842.8**
Net assets sold to Teva, excluding cash	(12,487.7)
Other comprehensive income disposed	(1,544.8)
Deferral of proceeds relating to additional elements of agreements with Teva	(299.2)
Pre-tax gain on sale of generics business and Anda Distribution business	**24,511.1**
Income taxes	(8,578.9)
Net gain on sale of generics business and Anda Distribution business	**15,932.2**

In October 2016, pursuant to our agreement with Teva, Teva provided the Company with its proposed estimated adjustment to the closing date working capital balance. The Company disagreed with Teva's proposed adjustment, and, pursuant to our agreement with Teva, each of the Company's and Teva's proposed adjustments were submitted to arbitration to determine the working capital amount in accordance with GAAP as applied by the Company consistent with past practice. Teva initially proposed an adjustment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6 Discontinued Operations - continued

of approximately $1.4 billion and subsequently submitted a revised adjustment of approximately $1.5 billion to the arbitrator. In addition, on October 30, 2017, Teva submitted a Notice of Direct and Third Party Claims seeking indemnification for virtually all of the same items for which Teva sought a proposed adjustment in the Working Capital Arbitration as well as several new items as to which no quantity of damages had been asserted.

On January 31, 2018, Allergan plc and Teva entered into a Settlement Agreement and Mutual Releases (the "Agreement"). The Agreement provides that the Company will make a one-time payment of $700.0 million to Teva; the Company and Teva will jointly dismiss their working capital dispute arbitration, and the Company and Teva will release all actual or potential claims under the Master Purchase Agreement, dated July 26, 2015, by and between the Company and Teva, that are known as of the date of the Agreement. The Company recorded a pre-tax charge of $466.0 million as a component of other (expense) / income, net from discontinued operations relating to the settlement in the year ended December 31, 2017.

The fair value of Teva Shares owned are recorded within "Marketable securities" on the Company's Consolidated Balance Sheet. The closing August 2, 2016 Teva stock price discounted at a rate of 5.9 percent due to the lack of marketability was used to initially value the shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6 Discontinued Operations - continued

During the year ended December 31, 2017, the Company recorded the following movements in its investment in Teva securities (defined herein as "Teva Share Activity") as follows ($ in millions except per share information):

in millions except per share amounts	Shares	Cost Basis	Market Price	Discount	Movement in the Value of Marketable Securities	Unrealized Gain / (Loss) as a Component of Other Comprehensive Income	Gain / (Loss) Recognized in Other Income (Expense), Net
	Number	$	$	%	$	$	$
Teva securities as of December 31, 2016	**100.3**	**53.39**	**36.25**	**5.4**	**3,439.2**	**(1,599.4)**	**-**
Other-than-temporary impairment recognized at March 31, 2017	100.3	32.09	32.09	4.9	(378.6)	1,599.4	(1,978.0)
Other-than-temporary impairment recognized at September 30, 2017	100.3	17.60	17.60	0.0	(1,295.5)	-	(1,295.5)
Sales during the twelve months ended December 31, 2017	(4.4)	n.a.	n.a.	0.0	(76.7)	-	4.2
Other fair value movements in the twelve months ended December 31, 2017	95.9	17.60	18.95	0.0	129.3	129.3	-
Teva securities as of and for the twelve months ended December 31, 2017	**95.9**	**17.60**	**18.95**	**0.0**	**1,817.7**	**129.3**	**(3,269.3)**

Financial results of the global generics business and the Anda Distribution business are presented as "(Loss) / income from discontinued operations, net of tax" on the Consolidated Profit and Loss Accounts for the years ended December 31, 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6 Discontinued Operations - continued

The following table presents key financial results of the global generics business and the Anda Distribution business included in "(Loss) / income from discontinued operations, net of tax" for the years ended December 31, 2017 and 2016 ($ in millions):

	For the Years Ended December 31,	
	2017	2016
	$	$
Revenue	**-**	**4,504.3**
Cost of sales	-	(2,798.3)
Gross profit	**-**	**1,706.0**
Selling, general and administrative expenses	(20.0)	(783.5)
Research and development	-	(269.4)
Other (expense) / income	(470.4)	15,932.2
(Loss) / income before taxes	**(490.4)**	**16,585.3**
Benefit / (provision) for income taxes	87.5	(670.8)
(Loss) / income	**(402.9)**	**15,914.5**

The operating income reflects approximately seven months of operating activity of the Company's former generics business in the year ended December 31, 2016 and approximately nine months of operating activity of the Anda Distribution business in the year ended December 31, 2016. "Other (expense) / income, net" included the gain on sale of the businesses to Teva.

For the year ended December 31, 2016, the Company recorded a deferred tax expense of $462.2 million to adjust its deferred tax asset related to investments in certain subsidiaries. The recognition of this expense has been reflected in "Income from discontinued operations, net of tax". Upon the closing of the Teva Transaction, the Company recorded the reversal of the corresponding deferred tax asset of $5,276.6 million against the current income taxes payable in continuing operations.

Depreciation and amortization was ceased upon the determination that the held for sale criteria were met, which were the announcement dates of the Teva Transaction and the divestiture of the Anda Distribution business. The depreciation, amortization and significant operating and investing non-cash items of the discontinued operations were as follows ($ in millions):

	Years Ended December 31,	
	2017	2016
	$	$
Depreciation from discontinued operations	-	2.1
Amortization from discontinued operations	-	4.8
Capital expenditures	-	85.3
Deferred income tax expense	-	6,038.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7 Share-Based Compensation

The Company recognizes compensation expense for all share-based compensation awards made to employees and directors based on the fair value of the awards on the date of grant. A summary of the Company's share-based compensation plans is presented below.

Equity Award Plans

The Company has adopted several equity award plans which authorize the granting of options, restricted shares, restricted stock units and other forms of equity awards of the Company's ordinary shares, subject to certain conditions.

The Company grants awards with the following features:

- Time-based vesting restricted stock and restricted stock units awards;
- Performance-based restricted stock unit awards measured to performance-based targets defined by the Company, including, but not limited to, total shareholder return metrics, R&D milestones and EBITDA, as defined by the Company;
- Non-qualified options to purchase outstanding shares; and
- Cash-settled awards recorded as a liability. These cash settled awards are based on pre-established total shareholder returns metrics.

Option award plans require options to be granted at the fair market value of the shares underlying the options at the date of the grant and generally become exercisable over periods ranging from three to five years. Each option granted expires ten years from the date of the grant. Restricted stock awards are grants that entitle the holder to ordinary shares, subject to certain terms. Restricted stock unit awards are grants that entitle the holder the right to receive an ordinary share, subject to certain terms. Restricted stock and restricted stock unit awards (both time-based vesting and performance-based vesting) generally have restrictions that lapse over a one to four year vesting period. Restrictions generally lapse for non-employee directors after one year. Certain restricted stock units are performance-based awards issued at a target number with the actual number of ordinary shares issued ranging based on achievement of the performance criteria. All restricted stock and restricted stock units which remain active under the Company's equity award plans are eligible to receive cash dividend equivalent payments upon vesting.

Fair Value Assumptions

All restricted stock and restricted stock units (whether time-based vesting or performance-based vesting), are granted and expensed, using the fair value per share on the applicable grant date, over the applicable vesting period. Non-qualified options to purchase ordinary shares are granted to employees at exercise prices per share equal to the closing market price per share on the date of grant. The fair value of non-qualified options is determined on the applicable grant dates using the Black-Scholes method of valuation and that amount is recognized as an expense over the vesting period. Using the Black-Scholes valuation model, the fair value of options is based on the following assumptions:

	2017 Grants	2016 Grants
Dividend yield	1.2%	0%
Expected volatility	27.0%	27.0%
Risk-free interest rate	2.0 - 2.3%	1.3 - 2.4%
Expected term (years)	7.0	7.0-7.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7 Share-Based Compensation - continued

Share-Based Compensation Expense

Share-based compensation expense recognized in the Company's results of operations, including discontinued operations, for the years ended December 31, 2017 and 2016 was as follows ($ in millions):

	Years Ended December 31,	
	2017	**2016**
	$	**$**
Equity-based compensation awards	293.3	334.5
Cash-settled awards in connection with the Zeltiq Acquisition	31.5	-
Cash-settled awards in connection with the Tobira Acquisition	-	27.0
Cash-settled awards in connection with the Vitae Acquisition	-	18.6
Cash-settled awards in connection with the ForSight Acquisition	-	3.1
Non equity-settled awards other	(16.8)	-
Total stock-based compensation expense	308.0	383.2

In the year ended December 31, 2016, share-based compensation expense included as discontinued operations was $12.9 million.

In the years ended December 31, 2017 and 2016, the related tax benefits were $105.0 million and $131.8 million, respectively, relating to share-based compensation.

The "non-equity settled awards other" are cash-settled awards which are fair valued based on a pre-determined total shareholder return metric. The income in "non-equity settled awards other" was due to an actuarial reversal based on the total shareholder return metrics declining in the year ended December 31, 2017 of $16.8 million.

Included in the stock-based compensation awards for the years ended December 31, 2017 and 2016 is the impact of accelerations and step-ups relating to the acquisition accounting treatment of outstanding awards acquired in the Zeltiq, Allergan and Forest acquisitions ($ in millions)

	Years Ended December 31,	
	2017	**2016**
	$	**$**
Zeltiq Acquisition	47.8	-
Allergan acquisition	47.1	108.9
Forest acquisition	10.1	45.2
Total	105.0	154.1

Unrecognized future share-based compensation expense was $404.7 million as of December 31, 2017, including $25.2 million from the Zeltiq Acquisition and $28.7 million from the Allergan acquisition. This amount will be recognized as an expense over a remaining weighted average period of 1.5 years. Share-based compensation is being amortized and charged to operations over the same period as the restrictions are eliminated for the participants, which is generally on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7 Share-Based Compensation - continued

Share Activity

The following is a summary of equity award activity for unvested restricted stock and stock units in the period from December 31, 2016 through December 31, 2017:

(in millions, except per share data)	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Grant Date Fair Value
	Number	$	Number	$
Restricted shares / units outstanding at December 31, 2016	1.5	251.88	1.6	388.0
Granted	1.2	232.18		278.6
Assumed as part of the Zeltiq Acquisition	0.2	213.15		41.8
Vested	(0.5)	(238.39)		(127.0)
Forfeited	(0.4)	(265.26)		(97.3)
Restricted shares / units outstanding at December 31, 2017	**2.0**	**237.72**	**1.8**	**484.1**

The following is a summary of equity award activity for non-qualified options to purchase ordinary shares in the period from December 31, 2016 through December 31, 2017:

(in millions, except per share data)	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
	Number	$	Number	$
Outstanding, December 31, 2016	9.0	113.77	5.9	861.7
Granted	0.3	239.33		
Exercised	(1.8)	(92.71)		
Cancelled	(0.2)	(137.80)		
Outstanding, vested and expected to vest at December 31, 2017	**7.3**	**120.94**	**5.2**	**312.7**

8 Pension and Other Postretirement Benefit Plans

Defined Benefit Plan Obligations

The Company has numerous defined benefit plans offered to employees around the world. For these plans, retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. As of December 31, 2017, a majority of the Company's plans were frozen for future enrollment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

The net periodic benefit (income) cost of the defined benefit plans for continuing operations for the years ended December 31, 2017 and 2016 was as follows ($ in millions):

	Year Ended December 31,	
	2017	2016
	$	$
Service cost	5.5	5.0
Interest cost	40.7	44.5
Expected Return on plan assets	(54.5)	(53.0)
Settlement	(0.1)	(1.8)
Net periodic benefit (income) cost	**(8.4)**	**(5.3)**

Obligations and Funded Status

Pension obligations are assessed in accordance with the advice of professionally qualified actuaries. The valuations below are as of December 31, 2017 and 2016.

Benefit obligation and asset data for the defined benefit plans for continuing operations, were as follows ($ in millions):

	Year Ended December 31,	
	2017	2016
Change in Plan Assets	$	$
Fair value of plan assets at beginning of year	1,093.9	1,051.1
Employer contribution	15.2	37.4
Return on plan assets	117.2	116.8
Benefits paid	(36.0)	(32.5)
Settlements	(5.3)	(47.7)
Effects of exchange rate changes and other	50.2	(31.2)
Fair value of plan assets at end of year	**1,235.2**	**1,093.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

	Year Ended December 31,	
	2017	2016
Change in Benefit Obligation	$	$
Benefit obligation at beginning of the year	1,234.1	1,188.5
Service cost	5.5	5.0
Interest cost	40.7	44.5
Actuarial loss / (gain)	36.9	108.0
Curtailments	(8.1)	-
Settlements and other	(5.3)	(46.9)
Benefits paid	(36.0)	(32.5)
Effects of exchange rate changes and other	62.2	(32.5)
Benefit obligation at end of year	**1,330.0**	**1,234.1**
Funded status at end of year	**(94.8)**	**(140.2)**

The underfunding of pension benefits is primarily a function of the different funding incentives that exist outside of the United States. In certain countries, there are no legal requirements or financial incentives provided to companies to pre-fund pension obligations. In these instances, benefit payments are typically paid directly by the Company as they become due.

Plan Assets

Companies are required to use a fair value hierarchy as defined in ASC Topic 820 "Fair Value Measurement," ("ASC 820") which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value ("Fair Value Leveling"). There are three levels of inputs used to measure fair value with Level 1 having the highest priority and Level 3 having the lowest:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity. The Level 3 assets are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as instruments for which the determination of fair value requires significant judgment or estimation.

If the inputs used to measure the financial assets fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

The fair values of the Company's pension plan assets at December 31, 2017 by asset category are as follows ($ in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Assets				
Investment funds				
U.S. equities	33.5	-	-	33.5
International equities	265.5	-	-	265.5
Other equity securities	70.5	-	-	70.5
Equity securities	**369.5**	**-**	**-**	**369.5**
U.S. Treasury bonds	-	96.9	-	96.9
Bonds and bond funds	-	745.7	-	745.7
Other debt securities	-	21.2	-	21.2
Debt securities	**-**	**863.8**	**-**	**863.8**
Other investments				
Other	-	1.9	-	1.9
Total assets	**369.5**	**865.7**	**-**	**1,235.2**

The fair values of the Company's pension plan assets at December 31, 2016 by asset category are as follows ($ in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Assets				
Investment funds				
U.S. equities	41.5	-	-	41.5
International equities	244.4	-	-	244.4
Other equity securities	87.4	-	-	87.4
Equity securities	**373.3**	**-**	**-**	**373.3**
U.S. Treasury bonds	-	23.6	-	23.6
Bonds and bond funds	-	684.8	-	684.8
Other debt securities	-	8.3	-	8.3
Debt securities	**-**	**716.7**	**-**	**716.7**
Other investments				
Other	-	3.9	-	3.9
Total assets	**373.3**	**720.6**	**-**	**1,093.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

The assets of the pension plan are held in separately administered trusts. The investment guidelines for the Company's pension plans is to create an asset allocation that is expected to deliver a rate of return sufficient to meet the long-term obligation of the plan, given an acceptable level of risk. The target investment portfolio of the Company's continuing operations pension plans is allocated as follows:

	Target Allocation as of December 31,	
	2017	2016
Bonds	68.8%	68.3%
Equity securities	31.2%	31.5%
Other investments	0.0%	0.2%

Expected Contributions

Employer contributions to the pension plan during the year ending December 31, 2018 are expected to be $11.7 million.

Expected Benefit Payments

Total expected benefit payments for the Company's pension plans are as follows ($ in millions):

	Expected Benefit Payments
	$
2018	34.6
2019	36.7
2020	38.9
2021	41.3
2022	43.4
Thereafter	1,135.1
Total liability	**1,330.0**

Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service. The majority of the payments will be paid from plan assets and not Company assets.

Information for defined benefit plans with an accumulated benefit obligation in excess of plan assets is presented below ($ in millions):

	Defined Benefit as of December 31,	
	2017	2016
	$	$
Projected benefit obligations	1,330.0	1,234.1
Accumulated benefit obligations	1,324.7	1,220.1
Plan assets	1,235.2	1,093.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

Amounts Recognized in Other Comprehensive Income / (Loss)

Net (loss) / gain amounts reflect experience differentials primarily relating to differences between expected and actual returns on plan assets as well as the effects of changes in actuarial assumptions. Net loss amounts in excess of certain thresholds are amortized into net pension cost over the average remaining service life of employees. Balances recognized within accumulated other comprehensive income/(loss) excluding the impact of taxes that have not been recognized as components of net periodic benefit costs are as follows ($ in millions):

	Defined Benefit
	$
Balance as of December 31, 2015	70.4
Net actuarial loss	(46.0)
Balance as of December 31, 2016	24.4
Net actuarial gain	33.8
Balance as of December 31, 2017	**58.2**

Actuarial Assumptions

The weighted average assumptions used to calculate the projected benefit obligations of the Company's defined benefit plans, including assets and liabilities held for sale, are as follows:

	As of December 31,	
	2017	2016
Discount rate	2.9%	3.3%
Salary growth rate	3.0%	3.0%

The weighted average assumptions used to calculate the net periodic benefit cost of the Company's defined benefit plans, including assets and liabilities held for sale, are as follows:

	As of December 31,	
	2017	2016
Discount rate	3.3%	3.8%
Expected rate of return on plan assets	5.0%	5.1%
Salary growth rate	3.0%	3.0%

In order to select a discount rate for purposes of valuing the plan obligations the Company uses market returns and adjusts them as needed to fit the estimated duration of the plan liabilities.

The expected rate of return represents the average rate of return to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, long-term historical returns data are considered as well as actual returns on the plan assets and other capital markets experience. Using this reference information, the long-term return expectations for each asset category and a weighted average expected return was developed, according to the allocation among those investment categories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

Other Post-Employment Benefit Plans

The Company has post-employment benefit plans. Accumulated benefit obligation for the defined benefit plans, were as follows ($ in millions):

	Accumulated Benefit Obligation $
Accumulated benefit obligation as of December 31, 2015	**50.1**
Service cost	0.3
Interest cost	2.1
Actuarial charge	3.6
Benefits paid	(3.4)
Accumulated benefit obligation as of December 31, 2016	**52.7**
Service cost	-
Interest cost	2.0
Actuarial charge	(5.0)
Benefits paid	(2.9)
Accumulated benefit obligation as of December 31, 2017	**46.8**

Savings Plans

The Company also maintains certain defined contribution savings plans covering substantially all U.S.-based employees. The Company contributes to the plans based upon the employee contributions. The Company's expense for contributions to these retirement plans for amounts included in continuing operations was $89.1 million and $75.6 million in the years ended December 31, 2017 and 2016, respectively.

9 Inventories

Inventories consist of finished goods held for sale and distribution, raw materials and work-in-process. Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). The Company writes down inventories to net realizable value based on forecasted demand, market conditions or other factors, which may differ from actual results.

Inventories consisted of the following ($ in millions):

	December 31, 2017	December 31, 2016
	$	$
Raw materials	326.9	297.1
Work-in-process	158.1	145.4
Finished goods	527.8	357.7
	1,012.8	800.2
Less: inventory reserves	108.3	82.2
Total Inventories	**904.5**	**718.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

10 Accounts payable, accrued expenses and other

Accounts payable and accrued expenses consisted of the following ($ in millions):

	December 31, 2017	December 31, 2016
	$	$
Accrued expenses:		
Accrued payroll and related benefits	635.6	581.1
Interest payable	245.9	294.2
Royalties payable	189.2	146.6
Accrued pharmaceutical fees	186.4	221.3
Accrued R&D expenditures	165.9	154.0
Accrued non-provision taxes	76.5	55.0
Accrued selling and marketing expenditures	53.0	95.9
Dividends payable	24.6	23.2
Legal fees	23.3	31.1
Other accrued expenses	482.5	366.0
Total accrued expenses	2,082.9	1,968.4
Accounts payable	324.5	224.9
Total Accounts Payable and Accrued Expenses	**2,407.4**	**2,193.3**

Creditors for tax and social welfare at the balance sheet dates amounted to:

($ in millions)	December 31, 2017	December 31, 2016
	$	$
Income taxes payable	74.9	57.8
Accrued other taxes	36.7	23.2
Social welfare taxes	4.2	12.1
Total	**115.8**	**93.1**

Contractual commitments consisted of the following for the year ended December 31, 2017 ($ in millions):

Balance as of December 31, 2016	Net Additions	Payments	Balance as of December 31, 2017
$	$	$	$
264.9	483.5	(43.0)	705.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11 Property, plant and equipment

Property, plant and equipment, net consisted of the following as of December 31, 2017 and 2016 ($ in millions):

	Machinery and equipment	Research and laboratory equipment	Transportation/ Other	Land, buildings, and leasehold improvements	Construction in progress	Total
	$	$	$	$	$	$
At December 31, 2016	**437.1**	**48.8**	**381.4**	**705.3**	**446.1**	**2,018.7**
Additions	20.7	8.3	34.1	14.6	280.6	358.3
Additions due to acquisitions	14.3	0.7	18.6	31.2	1.3	66.1
Disposals/transfers/other	64.8	(1.2)	38.1	104.1	(224.3)	(18.5)
Assets held for sale	-	-	-	(49.7)	-	(49.7)
Currency translation	8.4	2.4	3.1	9.4	3.3	26.6
At December 31, 2017	**545.3**	**59.0**	**475.3**	**814.9**	**507.0**	**2,401.5**
Accumulated Depreciation						
At December 31, 2016	**148.4**	**24.0**	**164.5**	**70.5**	**-**	**407.4**
Additions	61.5	7.8	65.0	37.2	-	171.5
Disposals/transfers/impairments/ other	7.2	5.3	-	18.0	-	30.5
Assets held for sale	-	-	-	(0.7)	-	(0.7)
Currency translation	2.2	1.4	2.9	0.9	-	7.4
At December 31, 2017	**219.3**	**38.5**	**232.4**	**125.9**	**-**	**616.1**
Property, plant and equipment, net At December 31, 2017	**326.0**	**20.5**	**242.9**	**689.0**	**507.0**	**1,785.4**

Depreciation expense for continuing operations was $171.5 million and $153.7 million in the years ended December 31, 2017 and 2016, respectively.

12 Other assets

Prepaid expenses and other current assets consisted of the following ($ in millions):

	December 31, 2017	December 31, 2016
	$	$
Prepaid taxes	690.9	957.4
Prepaid insurance	20.9	25.7
Royalty receivables	80.1	94.3
Sales and Marketing	31.9	42.5
Other	300.1	263.5
Total prepaid expenses and other current assets	**1,123.9**	**1,383.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12 Other assets - continued

Other assets consisted of the following ($ in millions):

	December 31, 2017	December 31, 2016
	$	$
Legacy Allergan Deferred executive compensation investments	112.4	111.7
Taxes receivable	32.1	36.0
Other assets	30.0	30.7
Total other assets	**174.5**	**178.4**

Other Assets

Other assets include security and equipment deposits and long-term receivables.

Investments

Investments in marketable securities and other investments consisted of the following ($ in millions):

	December 31, 2017	December 31, 2016
	$	$
Investments – marketable securities:		
Short-term investments	2,814.4	8,062.3
Teva shares	1,817.7	3,439.2
Total investments – marketable securities	4,632.1	11,501.5
Investments and other assets:		
Equity method investments	11.5	12.8
Cost method investments	-	15.0
Other long-term investments	60.8	67.2
Total investments	72.3	95.0

As of December 31, 2017, the Company owned 95.9 million Teva ordinary shares, which are subject to changes in value based on the price of Teva shares. Subsequent to December 31, 2017, the Company has sold an additional 11.5 million Teva ordinary shares for $230.3 million. As of April 4, 2018, the Company owned approximately 34.4 million Teva ordinary shares.

The Company's marketable securities and other long-term investments are classified as available-for-sale and are recorded at fair value based on quoted market prices using the specific identification method. These investments are classified as either current or non-current, as appropriate, in the Company's consolidated balance sheets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12 Other assets - continued

Investments in securities as of December 31, 2017 included the following ($ in millions):

	Investments in Securities as of December 31, 2017:					
Level 1	**Carrying amount**	**Unrecognized gain**	**Unrecognized loss**	**Estimated fair value**	**Cash & cash equivalents**	**Marketable securities**
	$	**$**	**$**	**$**	**$**	**$**
Money market funds	1,328.1	-	-	1,328.1	1,328.1	-
Investment in Teva ordinary shares	1,688.4	129.3	-	1,817.7	-	1,817.7
Total	**3,016.5**	**129.3**	**-**	**3,145.8**	**1,328.1**	**1,817.7**
Level 2	**Carrying amount**	**Unrecognized gain**	**Unrecognized loss**	**Estimated fair value**	**Cash & cash equivalents**	**Marketable securities**
Commercial paper and other	1,248.9	-	(0.7)	1,248.2	-	1,248.2
Certificates of deposit	1,566.2	-	-	1,566.2	-	1,566.2
Total	**2,815.1**	**-**	**(0.7)**	**2,814.4**	**-**	**2,814.4**

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants. Fair values are determined based on Fair Value Leveling.

During the year ended December 31, 2017, the Company transferred the Investment in Teva ordinary shares from Level 2 to Level 1 as the lock-up period on these shares expired.

Marketable securities and investments consist of available-for-sale investments in money market securities, U.S. treasury and agency securities, and equity and debt securities of publicly traded companies for which market prices are readily available. Unrealized gains or losses on marketable securities and investments are recorded in accumulated other comprehensive (loss) / income as of December 31, 2017. Realized gains or losses on marketable securities and investments are recorded in interest income. The Company's marketable securities and other long-term investments are classified as available-for-sale and are recorded at fair value based on quoted market prices using the specific identification method. These investments are classified as either current or non-current, as appropriate, in the Company's consolidated balance sheets. The Company may sell certain of its marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and maturity management.

Excluding the Company's investment in Teva securities, the Company generally considers the declines in market value of its marketable securities investment portfolio to be temporary in nature. The Company typically invests in highly-rated securities, and its investment policy generally limits the amount of credit exposure to any one issuer. The Company's policy requires investments to be investment grade with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12 Other assets - continued

The movements in long-term investments were as follows ($ in millions):

	Equity Method Investments	Cost Method and Other Long-Term Investments
	$	$
Balance at December 31, 2016	**12.8**	**82.2**
Additions	-	-
Other-than-temporary impairments	-	(26.1)
Other	(1.3)	4.7
Balance at December 31, 2017	**11.5**	**60.8**

13 Goodwill, Product Rights and Other Intangible Assets

Goodwill

Goodwill for the Company's reporting segments consisted of the following ($ in millions):

	US Specialized Therapeutics	US General Medicine	International	Total
	$	$	$	$
Balance as of December 31, 2016	**18,433.2**	**21,426.6**	**6,496.3**	**46,356.1**
Additions through acquisitions	2,456.0	-	245.9	2,701.9
Measurement period adjustments	(29.6)	(14.1)	-	(43.7)
Held for sale	-	(12.8)	-	(12.8)
Foreign exchange and other adjustments	-	-	861.4	861.4
Balance as of December 31, 2017	**20,859.6**	**21,399.7**	**7,603.6**	**49,862.9**

As of December 31, 2017 and 2016, the gross balance of goodwill, pre-impairments, was $49,880.2 million and $46,373.4 million, respectively.

The following items had a significant impact on goodwill in the year ended December 31, 2017:

- An increase in goodwill of $1,449.1 million, including measurement period adjustments, resulting from the LifeCell Acquisition; and
- An increase in goodwill of $1,200.6 million, including measurement period adjustments, resulting from the Zeltiq Acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

Product Rights and Other Intangible Assets

Product rights and other intangible assets consisted of the following for the year ended December 31, 2017 ($ in millions):

Cost Basis	Balance as of December 31, 2016	Acquisitions	Impairments	IPR&D to CMP Transfers	Disposals/ Held for Sale/ Other	Foreign Currency Translation	Balance as of December 31, 2017
	$	$	$	$	$	$	$
Intangibles with definite lives:							
Product rights and other intangibles	67,801.4	3,876.9	-	1,444.0	(34.0)	804.2	**73,892.5**
Trade name	690.0	-	-	-	-	-	**690.0**
Total definite-lived intangible assets	68,491.4	3,876.9	-	1,444.0	(34.0)	804.2	**74.582.5**
Intangibles with indefinite lives:							
IPR&D	8,758.3	10.0	(1,452.3)	(1,444.0)	(6.6)	8.7	**5,874.1**
Total indefinite- lived intangible assets	8,758.3	10.0	(1,452.3)	(1,444.0)	(6.6)	8.7	**5,874.1**
Total product rights and other intangibles	77,249.7	3,886.9	(1,452.3)	-	(40.6)	812.9	**80,456.6**

Accumulated Amortization	Balance as of December 31, 2016	Amortization	Impairments	Disposals/ Held for Sale/ Other	Foreign Currency Translation	Balance as of December 31, 2017
	$	$	$	$	$	$
Intangibles with definite lives:						
Product rights and other intangibles	(14,493.9)	(7,119.6)	(3,879.1)	24.8	(125.8)	**(25,593.6)**
Trade name	(137.2)	(77.5)	-	-	-	**(214.7)**
Total definite-lived intangible assets	(14,631.1)	(7,197.1)	(3,879.1)	24.8	(125.8)	**(25,808.3)**
Total product rights and other intangibles	(14,631.1)	(7,197.1)	(3,879.1)	24.8	(125.8)	**(25,808.3)**
Net Product Rights and Other Intangibles	62,618.6					54,648.3

The following items had a significant impact on net product rights and other intangibles in the year ended December 31, 2017:

- The Company acquired $2,020.0 million of intangible assets in connection with the LifeCell Acquisition;
- The Company acquired $1,185.0 million of intangible assets in connection with the Zeltiq Acquisition;
- The Company reacquired rights on select licensed products promoted in the Company's US General Medicine segment in an aggregate value of $574.0 million. As part of the rights reacquired, the Company is no longer obligated to pay royalties on the specific products, which increases the Company's segment gross margin percentage;
- The U.S. District Court for the Eastern District of Texas issued an adverse trial decision finding that the four asserted patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05% are invalid. As a result of our review of all potential scenarios relating to these assets and our assessment of the decreased likelihood of revenue extending through the full patent term of 2024, the Company recognized an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

impairment of $3,230.0 million related to Restasis® as well as $170.0 million related to other Dry Eye IPR&D assets obtained in the Allergan acquisition;

- The Company impaired the intangible asset, including amounts that were acquired IPR&D as part of the Allergan acquisition, related to Aczone® by $646.0 million as a result of recent market dynamics, including erosion in the brand acne market, an anticipated decline in the market outlook, and recent generic entrants;
- The Company impaired a CNS IPR&D project obtained as part of the Allergan acquisition by $486.0 million related to an anticipated approval delay due to certain product specifications;
- The Company impaired an IPR&D asset acquired as part of the Warner Chilcott acquisition by $278.0 million, due to a termination of a launch of a women's healthcare project due to a decrease in product demand;
- The Company impaired an IPR&D eye care project obtained as part of the Allergan acquisition by $209.0 million due to an anticipated delay in launch;
- The Company terminated its License, Transfer and Development Agreement for SER-120 (nocturia) with Serenity Pharmaceuticals, LLC. As a result of this termination, the Company recorded an impairment of $140.0 million on the IPR&D intangible asset obtained as part of the Allergan acquisition;
- The Company impaired a women's healthcare IPR&D project by $91.3 million based on the Company's intention to divest the non-strategic asset;
- The Company impaired an IPR&D medical aesthetics project obtained as part of the Allergan acquisition by $29.0 million; and
- The Company reclassified certain intangible assets from IPR&D to CMP primarily related to Juvederm®, Rhofade®, Botox® for forehead lines and TrueTear™ upon approval of the products.

Product rights and other intangible assets consisted of the following for the year ended December 31, 2016 ($ in millions):

Cost Basis	Balance as of December 31, 2015	Acquisitions	Impairments	IPR&D to CMP Transfers	Disposals/ Held for Sale/ Other	Foreign Currency Translation	Balance as of December 31, 2016
	$	$	$	$	$	$	$
Intangibles with definite lives:							
Product rights and other intangibles	64,366.0	43.6	-	3,809.9	(194.6)	(223.5)	**67,801.4**
Trade name	690.0	-	-	-	-	-	**690.0**
Total definite-lived intangible assets	65,056.0	43.6	-	3,809.9	(194.6)	(223.5)	**68,491.4**
Intangibles with indefinite lives:							
IPR&D	11,128.2	2,223.5	(743.9)	(3,809.9)	(22.5)	(17.1)	**8,758.3**
Total indefinite- lived intangible assets	11,128.2	2,223.5	(743.9)	(3,809.9)	(22.5)	(17.1)	**8,758.3**
Total product rights and other intangibles	76,184.2	2,267.1	(743.9)	-	(217.1)	(240.6)	**77,249.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

Accumulated Amortization	Balance as of December 31, 2015	Amortization	Impairments	Disposals/ Held for Sale/ Other	Foreign Currency Translation	Balance as of December 31, 2016
	$	$	$	$	$	$
Intangibles with definite lives:						
Product rights and other intangibles	(8,288.5)	(6,392.7)	(28.9)	176.8	39.4	**(14,493.9)**
Trade name	(59.5)	(77.7)	-	-	-	**(137.2)**
Total definite-lived intangible assets	(8,348.0)	(6,470.4)	(28.9)	176.8	39.4	**(14,631.1)**
Total product rights and other intangibles	(8,348.0)	(6,470.4)	(28.9)	176.8	39.4	**(14,631.1)**
Net Product Rights and Other Intangibles	67,836.2					62,618.6

The following items had a significant impact on net product rights and other intangibles in the year ended December 31, 2016:

- The Company acquired $1,357.0 million in IPR&D assets in connection with the Tobira Acquisition;
- The Company acquired $686.0 million in IPR&D assets in connection with the Vitae Acquisition;
- The Company acquired $158.0 million in IPR&D assets in connection with the ForSight Acquisition;
- The Company recognized approximately $210.0 million in impairments relating to a urology product acquired in the Allergan acquisition due to clinical data not supporting continuation of the R&D study. This impairment was offset, in part, by a reduction of the contingent liability of $186.0 million which reduced overall R&D expenses;
- The Company recognized approximately $106 million in impairments relating to a migraine treatment acquired in the Allergan acquisition based on a decrease in projected cash flows due to a delay in potential launch;
- The Company recognized approximately $46.0 million in impairments relating to the atopic dermatitis pipeline candidate acquired in the Vitae Acquisition;
- The Company recognized approximately $33.0 million in impairments of the acquired ForSight IPR&D asset as the Company anticipates a delay in potential launch timing. Offsetting this impairment was a corresponding reduction of acquired contingent consideration of $15.0 million, which reduced overall R&D expenses;
- The Company recognized approximately $42.0 million in IPR&D impairments on a gastroenterology project based on the lack of future availability of active pharmaceutical ingredients;
- The Company recognized approximately $190.0 million in IPR&D impairments due to the termination of an osteoarthritis R&D project due to clinical results;
- The Company impaired IPR&D assets relating to an international eye care pipeline project of $35.0 million based on a decrease in projected cash flows due to market conditions;
- The Company impaired IPR&D assets of $40.0 million for a Botox® premature ejaculation product based on a decrease in projected cash flows;
- The Company recognized $24.0 million in IPR&D impairments relating to the termination of a women's healthcare R&D project due to clinical results; and
- The Company reclassified certain intangible assets from IPR&D to CMP primarily related to Restasis®, Belkyra® (Kybella®), XEN45, Optive®, Taytulla™, Aczone®, Juvederm®, Dalvance® and Botox®.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

Assuming no additions, disposals or adjustments are made to the carrying values and/or useful lives of the intangible assets, continuing operations related to annual amortization expense on product rights and other related intangibles as of December 31, 2017 over each of the next five years is estimated to be as follows ($ in millions):

	Amortization Expense
	$
2018	6,438.3
2019	6,039.4
2020	5,717.4
2021	4,778.2
2022	4,414.8

The above amortization expense is an estimate. Actual amounts may change from such estimated amounts due to fluctuations in foreign currency exchange rates, additional intangible asset acquisitions, finalization of preliminary fair value estimates, potential impairments, accelerated amortization or other events. In addition, the Company has certain currently marketed products for which operating contribution performance has been below that which was originally assumed in the products' initial valuations and IPR&D projects which are subject to delays in timing or other events which may negatively impact the asset's value. The Company, on a quarterly basis, monitors the related intangible assets for these products for potential impairments. It is reasonably possible that impairments may occur in future periods, which may have a material adverse effect on the Company's results of operations and financial position.

14 Long-Term Debt and Leases

Debt consisted of the following ($ in millions):

	Issuance Date / Acquisition Date	Interest Payments	Balance As of		Fair Market Value As of	
			December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
			$	$	$	$
Senior Notes:						
Floating Rate Notes						
$500.0 million floating rate notes due March 12, 2018*	March 4, 2015	Quarterly	500.0	500.0	500.6	502.5
$500.0 million floating rate notes due March 12, 2020**	March 4, 2015	Quarterly	500.0	500.0	508.1	509.4
			1,000.0	1,000.0	1,008.7	1,011.9
Fixed Rate Notes						
$1,000.0 million 1.850% notes due March 1, 2017	March 4, 2015	Semi-Annually	-	1,000.0	-	1,001.1
$500.0 million 1.300% notes due June 15, 2017	June 10, 2014	Semi-Annually	-	500.0	-	499.7
$1,200.0 million 1.875% notes due October 1, 2017	October 2, 2012	Semi-Annually	-	1,200.0	-	1,202.5
$3,000.0 million 2.350% notes due March 12, 2018	March 4, 2015	Semi-Annually	3,000.0	3,000.0	3,001.9	3,018.0
$250.0 million 1.350% notes due March 15, 2018	March 17, 2015	Semi-Annually	250.0	250.0	249.7	248.4
$1,050.0 million 4.375% notes due February 1, 2019	July 1, 2014	Semi-Annually	-	1,050.0	-	1,090.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

	Issuance Date / Acquisition Date	Interest Payments	Balance As of December 31, 2017	Balance As of December 31, 2016	Fair Market Value As of December 31, 2017	Fair Market Value As of December 31, 2016
			$	$	$	$
$500.0 million 2.450% notes due June 15, 2019	June 10, 2014	Semi-Annually	500.0	500.0	499.7	501.2
$400.0 million 6.125% notes due August 15, 2019	August 24, 2009	Semi-Annually	-	400.0	-	437.7
$3,500.0 million 3.000% notes due March 12, 2020	March 4, 2015	Semi-Annually	3,500.0	3,500.0	3,528.4	3,541.8
$650.0 million 3.375% notes due September 15, 2020	March 17, 2015	Semi-Annually	650.0	650.0	661.3	663.6
$750.0 million 4.875% notes due February 15, 2021	July 1, 2014	Semi-Annually	450.0	750.0	474.3	803.3
$1,200.0 million 5.000% notes due December 15, 2021	July 1, 2014	Semi-Annually	1,200.0	1,200.0	1,282.6	1,297.7
$3,000.0 million 3.450% notes due March 15, 2022	March 4, 2015	Semi-Annually	3,000.0	3,000.0	3,044.5	3,030.7
$1,700.0 million 3.250% notes due October 1, 2022	October 2, 2012	Semi-Annually	1,700.0	1,700.0	1,703.0	1,693.1
$350.0 million 2.800% notes due March 15, 2023	March 17, 2015	Semi-Annually	350.0	350.0	341.6	335.6
$1,200.0 million 3.850% notes due June 15, 2024	June 10, 2014	Semi-Annually	1,200.0	1,200.0	1,232.3	1,211.7
$4,000.0 million 3.800% notes due March 15, 2025	March 4, 2015	Semi-Annually	4,000.0	4,000.0	4,067.1	3,995.6
$2,500.0 million 4.550% notes due March 15, 2035	March 4, 2015	Semi-Annually	2,500.0	2,500.0	2,631.9	2,458.5
$1,000.0 million 4.625% notes due October 1, 2042	October 2, 2012	Semi-Annually	456.7	1,000.0	471.2	967.6
$1,500.0 million 4.850% notes due June 15, 2044	June 10, 2014	Semi-Annually	1,500.0	1,500.0	1,606.2	1,496.4
$2,500.0 million 4.750% notes due March 15, 2045	March 4, 2015	Semi-Annually	1,200.0	2,500.0	1,277.3	2,466.9
			25,456.7	31,750.0	26,073.0	31,961.1
Euro Denominated Notes						
€750.0 million 0.500% notes due June 1, 2021	May 26, 2017	Annually	900.4	-	895.8	-
€700.0 million 1.250% notes due June 1, 2024	May 26, 2017	Annually	840.4	-	831.1	-
€550.0 million 2.125% notes due June 1, 2029	May 26, 2017	Annually	660.3	-	657.8	-
€700.0 million floating rate notes due June 1, 2019***	May 26, 2017	Quarterly	840.4	-	837.2	-
			3,241.5	-	3,221.9	-
Total Senior Notes Gross			**29,698.2**	**32,750.0**	**30,303.6**	**32,973.0**
Unamortized premium			88.9	171.2	-	-
Unamortized discount			(81.7)	(95.8)	-	-
Total Senior Notes Net			**29,705.4**	**32,825.4**	**30,303.6**	**32,973.0**
Other Indebtedness						
Debt Issuance Costs			(121.5)	(144.6)		
Margin Loan			459.0	-		
Other			29.7	85.5		
Total Other Borrowings			**367.2**	**(59.1)**		
Capital Leases			**2.7**	**2.4**		
Total Indebtedness			**30,075.3**	**32,768.7**		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

* Interest on the 2018 floating rate note is three month USD LIBOR plus 1.080% per annum
** Interest on the 2020 floating rate note is three month USD LIBOR plus 1.255% per annum
*** Interest on the €700.0 million floating rate notes is the three month EURIBOR plus 0.350% per annum

Fair market value in the table above is determined in accordance with ASC 820 under Level 2 based upon quoted prices for similar items in active markets.

Senior Notes

Borrowings

Euro Denominated Notes

On May 26, 2017, Allergan Funding SCS, a limited partnership (société en commandite simple) organized under the laws of the Grand Duchy of Luxembourg and an indirect wholly-owned subsidiary of Allergan plc, issued the euro denominated notes. The notes are fully and unconditionally guaranteed by Allergan Funding SCS's indirect parents, Warner Chilcott Limited and Allergan Capital S.a.r.l. ("Allergan Capital"), and by Allergan Finance, LLC, a subsidiary of Allergan Capital, on an unsecured and unsubordinated basis.

These notes were issued to fund, in part, the payment of the tender offers described below.

Floating Rate Notes

On March 4, 2015, Allergan Funding SCS, issued floating rate notes which are fully and unconditionally guaranteed by Allergan Funding SCS's indirect parents, Warner Chilcott Limited and Allergan Capital, and by Allergan Finance LLC on an unsecured and unsubordinated basis. Allergan plc has not guaranteed the notes.

The previously outstanding 2016 floating rate notes were paid in full at maturity on September 1, 2016 and bore interest at the three-month LIBOR plus 0.875%.

Fixed Rate Notes

Acquired Allergan Notes

On March 17, 2015 in connection with the Allergan acquisition, the Company acquired, and subsequently guaranteed, along with Warner Chilcott Limited, the indebtedness of Allergan, Inc., including $800.0 million 5.750% senior notes due and redeemed in 2016 not shown in the table above. The fair value of the acquired senior notes was determined to be $2,087.5 million as of March 17, 2015. As such, as part of acquisition accounting, the Company recorded a premium of $37.5 million to be amortized as contra interest over the life of the notes.

The notes acquired in the Allergan acquisition are redeemable at any time at the Company's option, subject to a make-whole provision based on the present value of remaining interest payments at the time of the redemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Fixed Rate Notes – continued

2015 Notes Issuance

On March 4, 2015, Allergan Funding SCS, issued indebtedness, in part, to fund the Allergan acquisition. The notes are fully and unconditionally guaranteed by Allergan Funding SCS's indirect parents, Warner Chilcott Limited and Allergan Capital, and by Allergan Finance LLC on an unsecured and unsubordinated basis. Allergan plc has not guaranteed the notes.

Acquired Forest Notes

On July 1, 2014 in connection with the Forest acquisition, the Company acquired the indebtedness of Forest. As a result of acquisition accounting, the notes were fair valued with a premium of $260.3 million as of July 1, 2014, which will be amortized as contra-interest over the life of the notes. The guarantor of the debt is Allergan plc.

2014 Notes Issuance

On June 10, 2014, Allergan Funding SCS issued indebtedness, in part, to fund the Forest Acquisition. The guarantors of the debt are Warner Chilcott Limited, Allergan Capital, and Allergan Finance, LLC.

2012 Notes Issuance

On October 2, 2012, Allergan Finance, LLC issued indebtedness which were used for the acquisition of the Actavis Group. The guarantors of the debt are Warner Chilcott Limited and Allergan plc.

2009 Notes Issuance

On August 24, 2009, Allergan Finance, LLC issued senior notes which were used to repay certain debt with the remaining net proceeds being used to fund a portion of the cash consideration for the Arrow Group acquisition. The guarantors of the debt are Warner Chilcott Limited and Allergan plc.

Credit Facility Indebtedness

On August 2, 2016, the Company repaid the remaining balances of all outstanding term-loan indebtedness and terminated its then existing revolving credit facility with proceeds from the Teva Transaction. The interest expense on the then-outstanding indebtedness in the years ended December 31, 2016 and 2015 was $116.2 million and $147.3 million, respectively.

Margin Loan

On November 10, 2017, Allergan W.C. Holding Inc., Allergan Finance, LLC and Allergan Holding B1 Inc. and JP Morgan Chase Bank executed a margin loan agreement for an aggregate principal amount not exceeding $550.0 million which was available as a single draw from the signing date to December 22, 2017 (the "Loan" or "Margin Loan Agreement"). In Q4 2017, the Company drew down $525.0 million and repaid $66.0 million. The outstanding indebtedness under this facility at any time is collateralized by the Company's investment in Teva securities. As of April 4, 2018, the margin loan balance remaining was $87.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Credit Facility Indebtedness – continued

Revolving Credit Facility

On June 14, 2017, Allergan plc and certain of its subsidiaries entered into a revolving credit and guaranty agreement (the "Revolver Agreement") among Allergan Capital, as borrower, Allergan plc, as Ultimate Parent; Warner Chilcott Limited, Allergan Finance LLC, and Allergan Funding SCS, as guarantors; the lenders from time to time party thereto (the "Revolving Lenders"); J.P. Morgan Chase Bank as Administrative Agent; J.P. Morgan Europe Limited, as London Agent; and the other financial institutions party thereto. Under the Revolver Agreement, the Revolving Lenders have committed to provide an unsecured five-year revolving credit facility in an aggregate principal amount of up to $1.5 billion, with the ability to increase the revolving credit facility by $500.0 million to an aggregate principal amount of up to $2.0 billion.

The Revolver Agreement provides that loans thereunder would bear interest, at our choice, of a per annum rate equal to either (a) a base rate, plus an applicable margin per annum varying from 0.00% per annum to 1.00% per annum depending on the Debt Rating or (b) a Eurodollar rate, plus an applicable margin varying from 0.875% per annum to 2.00% per annum depending on the Debt Rating. Additionally, to maintain availability of funds, the Company pays an unused commitment fee varying from 0.070% to 0.250% per annum, depending on the Debt Rating, of the unused portion of the revolver.

The obligations under the Revolver Agreement are guaranteed by Warner Chilcott Limited, Allergan Finance, LLC and Allergan Funding SCS.

The Revolver Agreement contains customary affirmative covenants for facilities of this type, including, among others, covenants pertaining to the delivery of financial statements, notices of default, maintenance of corporate existence and compliance with laws, as well as customary negative covenants for facilities of this type, including, among others, limitations on secured indebtedness, non-guarantor subsidiary indebtedness, mergers and certain other fundamental changes and passive holding company status. The Revolver Agreement also contains a financial covenant requiring maintenance of a maximum consolidated leverage ratio.

In addition, the Revolver Agreement also contains customary events of default (with customary grace periods and materiality thresholds).

The Company was subject to, and as of December 31, 2017 was in compliance with all, financial and operational covenants under the terms of the Revolver Agreement. At December 31, 2017, there were $28.6 million of outstanding borrowings or letters of credit outstanding under the Revolver Agreement.

2017 Repayments

The Company redeemed all senior notes during the year ended December 31, 2017 that matured within that period.

Tender Offer

On May 30, 2017, the Company's wholly owned subsidiaries Allergan Funding SCS, Allergan Finance LLC, Forest Laboratories, LLC and Allergan, Inc., each as co-offeror with Warner Chilcott Limited,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

2017 Repayments – continued

completed the repurchase of certain debt securities issued by the entities for cash under a previously announced tender offer. As a result of the offering, the Company repurchased $300.0 million of the $750.0 million 4.875% notes due February 15, 2021, $543.3 million of the $1,000.0 million 4.625% notes due October 1, 2042, $700.0 million of the $1,050.0 million 4.375% notes due February 1, 2019, and $1,300.0 million of the $2,500.0 million 4.750% notes due March 15, 2045. The Company paid a total of $3,013.8 million, which included an early tender penalty to repurchase the notes of $170.5 million in cash. The Company recognized a net expense of $161.6 million within "Interest Expense" for the early tender payment and non-cash write-off of premiums and debt fees related to the repurchased notes.

Other Prepayments

On November 30, 2017, the Company repaid its $400.0 million 6.125% notes due August 15, 2019 in full. The Company paid a total of $426.8 million, which included an early tender payment, to repurchase the notes of $26.8 million in cash, which was recognized as a component of "Interest Expense".

On December 13, 2017, the Company repaid its remaining $350.0 million obligation under its 4.375% notes due February 1, 2019. The Company recognized a deminimis net P&L charge as a result of the debt termination.

Annual Debt Maturities

As of December 31, 2017, annual debt maturities were as follows ($ in millions):

	Total Payments
	$
2018	3,750.0
2019	1,340.4
2020	4,650.0
2021	2,550.4
2022	4,700.0
2023 and after	12,707.4
Total Senior Notes Gross	29,698.2
Capital leases	2.7
Debt issuance costs	(121.5)
Other short-term borrowings	488.7
Unamortized premium	88.9
Unamortized discount	(81.7)
Total Indebtedness	**30,075.3**

Amounts represent total anticipated cash payments assuming scheduled repayments.

Total interest expense in the years ended December 31, 2017 and 2016 was $1,284.8 million and $1,295.6 million, respectively. Interest on indebtedness which had a maturity in excess of five years from

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

2017 Repayments – continued

December 31, 2017 was approximately $527.2 million ($12.0 million relating to the 2023 notes, $54.2 million relating to the 2024 notes, $156.2 million relating to the 2025 notes, $115.4 million relating to the 2035 notes, $32.0 million relating to the 2042 notes, $73.8 million relating to the 2044 notes and $83.6 million relating to the 2045 notes). Interest on indebtedness which had a maturity in excess of five years from December 31, 2016 was approximately $736.6 million ($165.0 million relating to the 2022 notes, $12.0 million relating to the 2023 notes, $47.5 million relating to the 2024 notes, $156.2 million relating to the 2025 notes, $115.4 million relating to the 2035 notes, $46.7 million relating to the 2042 notes, $73.8 million relating to the 2044 notes and $120.0 million relating to the 2045 notes).

During the years ended December 31, 2017 and 2016, the following components were included within interest expense:

	Years Ended December 31,	
($ in millions)	**2017**	**2016**
	$	**$**
Fixed Rate Notes	1,030.5	1,140.0
Floating Rate Notes	25.9	21.7
Euro Denominated Notes	19.8	-
Term Loan Indebtedness	-	116.2
Revolving Credit Facility	-	2.6
Debt extinguishment costs as part of the debt tender offer	161.6	-
Debt extinguishment other	27.6	-
Other	19.4	15.1
Interest expense and similar items	**1,284.8**	**1,295.6**

Interest Expense on Indebtedness

Interest expense in the year ended December 31, 2017 decreased versus the year ended December 31, 2016 due to the pay down of term loan indebtedness with use of proceeds received in the Teva Transaction as well as scheduled maturities and early debt extinguishment of senior secured notes.

Debt Extinguishment Costs as Part of the Debt Tender Offer

In the year ended December 31, 2017, the Company repaid $2,843.3 million of senior notes. As a result of the extinguishment, the Company recognized a loss of $161.6 million, within "Other (expense) / income" for the early tender payment and non-cash write-off of premiums and debt fees related to the repurchased notes, including $170.5 million of a make-whole premium.

Debt Extinguishment Other

In the year ended December 31, 2017, the Company repaid $750.0 million of senior notes due in the year ending December 31, 2019. As a result of the extinguishment, the Company recognized a loss of $27.6 million, within "Other (expense) / income" for the early payment and non-cash write-off of premiums and debt fees related to the repaid notes, including $35.1 million of a make-whole premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

2017 Repayments – *continued*

Lease Commitments

The Company has operating leases for certain facilities and equipment. The terms of the operating leases for the Company's facility leases may require the Company to pay property taxes, normal maintenance expense and maintain minimum insurance coverage. Total rental expense for operating leases for the years ended December 31, 2017 and 2016 was $72.0 million and $47.7 million, respectively. The Company also has deminimis capital leases for certain facilities and equipment. The future minimum lease payments under both capital and operating leases that have remaining terms in excess of one year are ($ in millions):

	Total Payments
	$
2018	53.5
2019	59.1
2020	46.5
2021	44.9
2022	42.9
Thereafter	206.1
Total minimum lease payments	453.0

The Company has entered into certain sub-lease agreements which will offset future lease commitments.

15 Other Long-Term Liabilities

Other long-term liabilities consisted of the following ($ in millions):

	December 31, 2017	December 31, 2016
	$	$
Legacy Allergan deferred executive compensation	113.8	111.7
Long-term contractual obligations	45.2	25.3
Deferred revenue	37.9	15.7
Other long-term liabilities	24.8	19.5
Total other long-term liabilities	**221.7**	**172.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15 Other Long-Term Liabilities - continued

The Company has the following select provisions as of December 31, 2017 and 2016 considered long-term in nature ($ in millions):

	December 31, 2017	December 31, 2016
	$	$
Acquisition related contingent consideration liabilities	420.7	661.1
Long-term pension and post retirement liability	162.7	201.6
Long-term severance and restructuring liabilities	53.1	22.0
Product warranties	28.7	28.1
Total	**665.2**	**912.8**

16 Income Taxes

The TCJA makes significant changes to the U.S. taxation of our domestic and international operations. Our 2017 consolidated financial statements reflect a provisional estimate of the impacts of the TCJA, as changes in tax law should be accounted for in the period of enactment. The TCJA enacted many significant changes including, but not limited to:

- A mandatory deemed repatriation tax on the accumulated, untaxed post-1986 earnings and profits of certain non-U.S. subsidiaries ("toll charge"), payable over eight years;
- A decrease in the U.S. Federal Corporate income tax rate from 35% to 21% beginning in years after December 31, 2017;
- An additional U.S. tax on the earnings of certain non-U.S. subsidiaries which are considered Global Intangible Low Taxed Income ("GILTI") at a tax rate of 10.5% for tax years beginning after December 31, 2017 (increasing to 13.125% for tax years beginning after December 31, 2025) with a partial offset for foreign tax credits;
- A limitation on the deduction of interest expense to 30% of adjusted taxable income (EBITDA equivalent) for our U.S. subsidiaries for years beginning after December 31, 2017; and
- The introduction of a 5% (10% post 2018) minimum tax referred to as the "Base Erosion Anti-Abuse Tax" which requires our U.S. subsidiaries to determine taxable income without regard to tax deductions for payments to affiliates beginning in years after December 31, 2017.

As part of the enactment of the TCJA, the Company recorded in the fourth quarter of 2017 a provisional deferred tax benefit of $2,340.4 million related to the change in Federal Corporate tax rates applicable to our deferred tax liabilities, and $1,260.0 million related to the net reversal of prior amounts accrued for taxes on unremitted earnings of certain subsidiaries. The Company also recorded a provisional income tax expense of $728.1 million related to the tax on the deemed repatriation of the deferred foreign earnings of certain non-U.S. subsidiaries (toll charge). The toll charge is payable over eight years and therefore we recorded $58.2 million in current and $669.8 million in non-current tax liabilities.

The provisional estimates recorded in the 2017 consolidated financial statements are based on all available information and the Company's initial analysis and current interpretation of the legislation under the TCJA as of the time of the filing of the Company's Form 10-K. These estimates represent amounts for which our accounting is incomplete, but a reasonable estimate could be determined. Given the complexity of the TCJA, the proximity of the enactment date to the Company's year end, anticipated guidance from the U.S.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

Treasury, and the potential for additional guidance from the Securities and Exchange Commission or the Financial Accounting Standards Board, the amounts recorded in the December 31, 2017 consolidated financial statements related to the TCJA are provisional in nature and may be adjusted during 2018. Recent Securities and Exchange Commission ("SEC") guidance provides for a measurement period for up to one year from the enactment date of the TCJA for which adjustments to provisional amounts may be recorded as a component of tax expense or benefit in the period the adjustment is determined.

The Company recorded a provisional tax expense for its toll charge based on a reasonable estimate of the tax due on the mandatory deemed repatriation of untaxed post-1986 Earnings and Profits ("E&P") of certain non-U.S. subsidiaries. Calculating this liability involved the consideration of multiple impacting factors. Those factors include estimating the December 31, 2017 ending E&P balances of certain of the Company's non-U.S. subsidiaries, determining which portion of that E&P was held in cash and non-cash equivalents or other assets at different prescribed measurement dates, reviewing and confirming non- U.S. taxes that would have been previously paid on those earnings, estimating other U.S. income inclusions to be considered in the E&P balances and assessing the potential impact of currently recorded uncertain tax positions. The estimated nature of these factors and their potentially significant impact on the toll charge led to the liability being recorded as a provisional amount. The final toll charge liability amount cannot be determined until the 2018 financial results of certain non-U.S. subsidiaries are finalized, the review of historical E&P and related tax data is complete and all current and future guidance from the IRS, U.S. Treasury, SEC or FASB is issued and evaluated.

The Company recorded a provisional deferred tax benefit related to the net reversal of prior amounts accrued for taxes on unremitted earnings of certain non-U.S. subsidiaries. The Company had a previously recorded deferred tax liability balance for non-U.S. earnings that were not permanently reinvested. As a result of the TCJA and specifically the accrual of mandatory tax on the deemed repatriation of the same non-U.S. earnings (toll charge), the previously recorded deferred tax liability was no longer necessary and was reversed in the fourth quarter of 2017. Additionally, a deferred tax liability was recorded for the estimated taxes that would become due on the repatriation of those earnings. The calculation of this deferred tax liability is dependent on the finalization of the December 31, 2017 ending E&P balances of certain subsidiaries.

The Company recorded a provisional deferred tax benefit related to the change in Federal Corporate income tax rate applicable to our deferred tax liabilities. We remeasured the net deferred tax liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, we are still analyzing certain aspects of the TCJA and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The Company also recognizes that some of these balances are based on reasonable estimates and assumptions and could be adjusted as a result of refining our estimates upon the filing of the 2017 U.S. Federal income tax return.

Due to the complexity of the new GILTI tax rules, we are continuing to evaluate this provision of the TCJA and the application of ASC 740 and are considering if deferred tax amounts should be recorded for this provision. Our accounting policies depend, in part, on analyzing our global income to determine whether we expect material tax liabilities resulting from the application of this provision, and, if so, whether and when to record related current and deferred income taxes and whether such amounts can be reasonably estimated. Anticipated further guidance from the IRS will also clarify the manner in which the GILTI tax is computed. For these reasons, we have not recorded a deferred tax expense or benefit relating to potential GILTI tax in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

our 2017 consolidated financial statements and have not made a policy election regarding whether to record deferred taxes on GILTI or account for the GILTI entirely as a period cost.

On April 2, 2018, the IRS issued two notices related to the TCJA enacted on December 22, 2017. The Company evaluated the guidance and determined it has no material impact on the financial statements.

For the years ended December 31, 2017 and 2016, foreign losses before taxes were $9,247.4 million and $1,502.8, respectively.

The Company's (benefit)/provision for income taxes consisted of the following ($ in millions):

	Years Ended December 31,	
	2017	2016
	$	$
Current (benefit) / provision:		
U.S. federal	763.1	(17.5)
U.S. state	(54.8)	-
Non-U.S.	410.0	166.2
Total current (benefit) / provision	1,118.3	148.7
Deferred (benefit) / provision:		
U.S. federal	(6,911.9)	(1,218.5)
U.S. state	(252.3)	(132.1)
Non-U.S.	(624.5)	(695.1)
Total deferred (benefit) / provision	(7,788.7)	(2,045.7)
Total (benefit) / provision for income taxes	**(6,670.4)**	**(1,897.0)**

The reconciliations for the years ended December 31, 2017 and 2016 between the statutory Irish income tax rate for Allergan plc and the effective income tax rates were as follows:

	Allergan plc	
	Years Ended December 31,	
	2017	2016
Statutory rate	(12.5)%	(12.5)%
Earnings subject to the U.S.[1] [2]	(17.8)%	(37.5)%
Earnings subject to rates different than the statutory rate[1][2]	2.5%	(18.3)%
Impact of tax reform[3]	(27.2)%	0.0%
Tax reserves and audit outcomes	0.4%	(0.7)%
Non-deductible expenses	0.2%	3.1%
Impact of acquisitions and reorganizations[4]	(9.3)%	3.1%
Tax credits and U.S. manufacturing deduction	(1.5)%	(3.1)%
Rate changes[5]	(1.2)%	(7.4)%
Valuation allowances[6]	2.2%	6.5%
Other	0.0%	(0.2)%
Effective income tax rate	**(64.2)%**	**(67.0)%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

(1) The benefit to the 2017 effective tax rate was lower as compared to 2016 due to proportionately fewer losses in jurisdictions with tax rates higher than the Irish statutory rate.
(2) In 2017, the Company recorded amortization expense of $7.20 billion and impairment charges of $8.65 billion, including Teva Share Activity. A significant portion of these amounts were incurred in jurisdictions with tax rates higher than the Irish statutory rate resulting in a net $1,262.2 million favorable impact on the 2017 effective tax rate.
(3) As part of the enactment of the TCJA, the Company recorded a provisional net deferred tax benefit of $2.8 billion related to the change in tax rates applicable to our deferred tax liabilities, the net reversal of amounts previously accrued for taxes on unremitted earnings of certain non-U.S. subsidiaries and the tax on the deemed repatriation of the Deferred Foreign Earnings of certain non-U.S. subsidiaries (toll charge). These provisional amounts will be finalized in 2018 or upon the finalization of the 2018 financial results.
(4) In 2017, the Company recorded a tax benefit of $895.3 million for deferred taxes related to basis differences in investments expected to reverse at tax rates different than were initially recorded. This resulted in a more favorable impact on the effective tax rate as compared to 2016.
(5) As a result of changes in tax rates applied to the Company's deferred tax liabilities in France and U.S. states, the Company recorded a benefit of $128.1 million.
(6) In 2017, the Company recorded a valuation allowance of $230.1 million related to capital losses and foreign tax credit carryforwards not expected to be realized. The amount was mostly offset by benefits recorded in 2017 for these capital losses and foreign tax credits.

Deferred tax assets and liabilities are measured based on the difference between the financial statement and tax basis of assets and liabilities at the applicable tax rates. The significant components of the Company's net deferred tax assets and liabilities consisted of the following (in millions):

	Years Ended December 31,	
	2017	2016
	$	$
Benefits from net operating and capital losses and tax credit carryforwards	1,005.3	702.0
Differences in financial statement and tax accounting for:		
Inventories, receivables and accruals	263.5	433.6
Basis differences in investments	1,088.7	-
Share-based and other compensation	315.4	530.1
Other	20.4	64.0
Total deferred tax asset, gross	2,693.3	1,729.7
Less: Valuation allowance	(403.8)	(183.9)
Total deferred tax asset, net	2,289.5	1,545.8
Differences in financial statement and tax accounting for:		
Property, equipment and intangible assets	(7,519.1)	(12,419.6)
Outside basis differences	(731.4)	(1,793.7)
Other	(72.3)	(68.3)
Total deferred tax liabilities	(8,322.8)	(14,281.6)
Total deferred taxes	**(6,033.3)**	**(12,735.8)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

During the years ended December 31, 2017 and 2016, respectively, the Company recorded deferred tax liabilities of approximately $799.4 million and $604.9 million related to acquired entities.

During the year ended December 31, 2017, the Company's net deferred tax liability decreased by $6,702.5 million. This was predominately the result of intangible amortization and impairments and the provisional impact of the TCJA.

The Company had the following carryforward tax attributes at December 31, 2017:

- $824.4 million of U.S. federal net operating losses ("NOL") and other tax attributes which begin to expire in 2019;
- $368.3 million of U.S. tax credits which begin to expire in 2018;
- $3,205.0 million of U.S. state NOLs which begin to expire in 2018;
- $27.4 million non-U.S. NOLs which begin to expire in 2018 and $1,910.4 million non-U.S. NOLs which are not subject to expiration.

Net operating loss and tax credit carryforwards of $824.4 million and $253.4 million, respectively, are subject to an annual limitation under Internal Revenue Code Section 382. The U.S. state NOLs increased by $2,146.0 million due to the expected utilization of previously unrecognized state loss carryforwards as a result of the TCJA. This was fully offset by a corresponding increase in the deferred tax liabilities for unremitted earnings.

During the year ended December 31, 2017, the Company established a valuation allowance of $230.1 million related to U.S. foreign tax credit carryforwards and capital losses. As of December 31, 2017, a valuation allowance balance of $403.8 million is recorded due to the uncertainty of realizing tax credits ($223.3 million), net operating losses ($118.7 million), capital loss carryforwards ($58.2 million) and other deferred tax assets ($3.6 million).

At December 31, 2017, Allergan plc (the Irish parent) is permanently reinvested in $9,358.1 million of earnings of its non-Irish subsidiaries and therefore has not provided deferred income taxes on these undistributed earnings. These amounts are intended to be indefinitely reinvested in non-Irish operations and would not be subject to significant taxes if amounts were distributed to Allergan plc.

The Company has previously recorded deferred tax liabilities for specific pre-acquisition earnings of certain subsidiaries owned by entities incorporated in the U.S. As a result of the TCJA, these previously recorded deferred tax liabilities were no longer necessary and were reversed in the fourth quarter of 2017. Provisionally, the Company has recorded deferred tax liabilities of $345.5 million related to earnings of subsidiaries owned by entities incorporated in the U.S. This deferred tax liability represents the provisional estimated tax cost of a full repatriation of these earnings. The U.S. subsidiaries of Allergan plc are no longer permanently reinvested in the earnings of their non-U.S. subsidiaries as the provisions of the TCJA will allow these earnings to be remitted to the U.S. without any significant incremental tax cost. The calculation of the deferred tax liability is dependent on the finalization of the E&P balances of certain subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

The deferred tax provisions movement for the years ended December 31, 2017 and 2016 is analyzed as follows:

($ in millions)	$
Balance December 31, 2016	**(12,969.1)**
Provisions	7,428.3
Other	(811.6)
Balance December 31, 2017	**(6,352.4)**

Accounting for Uncertainty in Income Taxes

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	Years Ended December 31,	
	2017	2016
	$	$
Balance at the beginning of the year	811.2	781.7
Increases for current year tax positions	10.1	100.7
Increases for prior year tax positions	69.2	40.5
Increases due to acquisitions	19.8	0.0
Decreases for prior year tax positions	(38.7)	(77.9)
Settlements	(21.7)	(30.8)
Lapse of applicable statute of limitations	(2.9)	(2.9)
Foreign exchange	3.3	(0.1)
Balance at the end of the year	**850.3**	**811.2**

If these benefits were subsequently recognized, $754.0 million would favorably impact the Company's effective tax rate.

The Company's continuing policy is to recognize interest and penalties related to uncertain tax positions in tax expense. During the years ended December 31, 2017 and 2016, the company recognized approximately $45.8 million and $2.0 million in interest and penalties, respectively. At December 31, 2017 and 2016, the Company had accrued $113.7 million (net of tax benefit of $25.9 million) and $65.3 million (net of tax benefit of $35.4 million) of interest and penalties related to uncertain tax positions, respectively. Although the company cannot determine the impact with certainty based on specific factors, it is reasonably possible that the unrecognized tax benefits may change by up to approximately $150.0 million within the next twelve months due to the resolution of certain tax examinations.

The Company conducts business globally and, as a result, it files federal, state and foreign tax returns. The Company strives to resolve open matters with each tax authority at the examination level and could reach agreement with a tax authority at any time. While the Company has accrued for amounts it believes are in accordance with the accounting standard, the final outcome with a tax authority may result in a tax liability

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

Accounting for Uncertainty in Income Taxes – continued

that is more or less than that reflected in the consolidated financial statements. Furthermore, the Company may later decide to challenge any assessments, if made, and may exercise its right to appeal. The uncertain tax positions are reviewed quarterly and adjusted as events occur that affect potential liabilities for additional taxes, such as lapsing of applicable statutes of limitations, proposed assessments by tax authorities, negotiations with tax authorities, identification of new issues and issuance of new legislation, regulations or case law.

The Company has several concurrent audits open and pending with the Internal Revenue Service ("IRS") as set forth below:

IRS Audits	Taxable Years
Allergan W.C. Holding Inc. f/k/a Actavis W.C. Holding Inc.	2013 and 2014
Warner Chilcott Corporation	2010, 2011, 2012 and 2013
Forest Laboratories, Inc.	2010, 2011, 2012, 2013 and 2014
Allergan, Inc.	2009, 2010, 2011, 2012, 2013, 2014 and 3/7/2015
LifeCell Corporation	2014

17 Equity

Share Repurchases

On September 25, 2017, the Company's Board of Directors approved a $2.0 billion share repurchase program. As of December 31, 2017, the Company has repurchased $450.0 million, or 2.6 million ordinary shares under the program. As of April 4, 2018, the Company has repurchased an additional $1,540.0 million, or 9.6 million ordinary shares under the program, funded in part with net borrowings under the Company's revolving credit facility of $500.0 million in the three months ended March 31, 2018.

During the year ended December 31, 2016, the Company's Board of Directors approved a $5.0 billion share repurchase program which was completed in October 2016. Additionally, the Company's Board of Directors approved a $10.0 billion accelerated share repurchase ("ASR") program, which was initiated in November 2016. In the year ended December 31, 2017, the Company completed the ASR. As a result of the ASR, the Company repurchased 4.2 million and 61.6 million ordinary shares in the years ended December 31, 2017 and 2016, respectively.

Quarterly Dividend

During the year ended December 31, 2017 the Company paid a quarterly cash dividend of $0.70 per share for holders of the Company's ordinary shares in March, June, September and December of 2017. The total amount paid in the year ended December 31, 2017 was $939.8 million. The Company also announced an increase to its quarterly cash dividend for 2018 to $0.72 per ordinary share.

Preferred Shares

On February 24, 2015, the Company completed an offering of 5,060,000 of our 5.500% mandatorily convertible preferred shares, Series A, par value $0.0001 per share (the "Mandatory Convertible Preferred Shares"). Dividends on the Mandatory Convertible Preferred Shares were payable on a cumulative basis

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17 Equity - continued

when, as and if declared by our board of directors, or an authorized committee thereof, at an annual rate of 5.500% on the liquidation preference of $1,000.00 per Mandatory Convertible Preferred Share. The Company declared dividends in cash on March 1, June 1, September 1 and December 1 of each year commencing June 1, 2015, to and including March 1, 2018. The net proceeds from the Mandatory Convertible Preferred Share issuance of $4,929.7 million were used to fund the Allergan acquisition.

Each Mandatory Convertible Preferred Share converted on March 1, 2018 into 3.533 ordinary shares, or 17,876,930 ordinary shares.

In the year ended December 31, 2017 and 2016, the Company paid $278.4 million and $278.4 million of dividends, respectively, on the Mandatory Convertible Preferred shares, which reduced the liability and was recorded through profit and loss.

Accumulated Other Comprehensive Income / (Loss)

For most of the Company's international operations, the local currency has been determined to be the functional currency. The results of its non-U.S. dollar based operations are translated to U.S. dollars at the average exchange rates during the period. Assets and liabilities are translated at the rate of exchange prevailing on the balance sheet date. Equity is translated at the prevailing rate of exchange at the date of the equity transaction. Translation adjustments are reflected in shareholders' equity and are included as a component of other comprehensive income / (loss). The effects of converting non-functional currency assets and liabilities into the functional currency are recorded as transaction gains / (losses) in general and administrative expenses in the consolidated statements of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17 Equity - continued

Unrealized gain / (losses) net of tax primarily represent experience differentials and other actuarial charges related to the Company's defined benefit plans as well as the mark-to-market impact of our holdings in Teva securities. The movements in accumulated other comprehensive income / (loss) for the years ended December, 2017 and 2016 were as follows ($ in millions):

	Foreign Currency Translation Items	Unrealized gain / (loss) net of tax	Total Accumulated Other Comprehensive Income / (Loss)
	$	$	$
Balance as of December 31, 2015	**(564.3)**	**70.2**	**(494.1)**
Other comprehensive gain / (loss) before reclassifications into general and administrative	(441.6)	(48.1)	(489.7)
Impact of Teva Transaction	1,540.6	4.2	1,544.8
Investment in Teva ordinary shares fair value movement	-	(1,599.4)	(1,599.4)
Total other comprehensive income / (loss)	1,099.0	(1,643.3)	(544.3)
Balance as of December 31, 2016	**534.7**	**(1,573.1)**	**(1,038.4)**
Other comprehensive gain / (loss) before reclassifications into general and administrative	1,248.0	111.7	1,359.7
Net impact of other-than-temporary loss on investment in Teva securities	-	1,599.4	1,599.4
Total other comprehensive income / (loss)	1,248.0	1,711.1	2,959.1
Balance as of December 31, 2017	**1,782.7**	**138.0**	**1,920.7**

As of December 31, 2017, amounts included $75.0 million related to the Company's pension and other post retirement plans, which was included in unrealized gain / (loss) net of tax. The remaining $63.0 million will be subject to the implementation of ASU No. 2016-01 and reclassified into Profit and Loss Account as a result of the implementation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17 Equity - continued

Called Up Share Capital ($ amount in thousands)

	Year Ended December 31,	
	2017	2016
	$	$
Authorised		
40,000 deferred ordinary shares of €1.00 par value	55.0	55.0
10,000,000 serial preferred shares of $0.0001 par value	1.0	1.0
1,000,000,000 ordinary shares of $0.0001 par value	100.0	100.0
Total authorised share capital	156.0	156.0
Allotted, called up and fully paid		
40,000 deferred ordinary shares of €1.00 par value	55.0	55.0
330.2 million and 334.9 million ordinary shares of $0.0001 par value	33.1	33.6
	88.1	**88.6**

18 Segments

The Company's businesses are organized into the following segments: US Specialized Therapeutics, US General Medicine and International. In addition, certain revenues and shared costs, and the results of corporate initiatives, are managed outside of the three segments.

The operating segments are organized as follows:

- The US Specialized Therapeutics segment includes sales and expenses relating to branded products within the U.S., including Medical Aesthetics, Medical Dermatology, Eye Care and Neuroscience and Urology therapeutic products.
- The US General Medicine segment includes sales and expenses relating to branded products within the U.S. that do not fall into the US Specialized Therapeutics business units, including Central Nervous System, Gastrointestinal, Women's Health, Anti-Infectives and Diversified Brands.
- The International segment includes sales and expenses relating to products sold outside the U.S.

The Company evaluates segment performance based on segment contribution. Segment contribution for our segments represents net revenues less cost of sales (defined below), selling and marketing expenses, and select general and administrative expenses. Included in segment revenues for 2015 and 2016 are product sales that were sold through the Anda Distribution business once the Anda Distribution business had sold the product to a third-party customer. These sales are included in segment results and are reclassified into revenues from discontinued operations through a reduction of Corporate revenues which eliminates the sales made by the Anda Distribution business through October 3, 2016 from results of continuing operations. Cost of sales for these products in discontinued operations is equal to our average third party cost of sales for third party branded products distributed by Anda Distribution. The Company does not evaluate the following items at the segment level:

- Revenues and operating expenses within cost of sales, selling and marketing expenses, and general and administrative expenses that result from the impact of corporate initiatives. Corporate initiatives primarily include integration, restructuring, acquisition and other shared costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

- General and administrative expenses that result from shared infrastructure, including certain expenses located within the United States.
- Total assets including capital expenditures.
- Other select revenues and operating expenses including R&D expenses, amortization, In-process Research and Development ("IPR&D") impairments and asset sales and impairments, net as not all such information has been accounted for at the segment level, or such information has not been used by all segments.

The Company defines segment net revenues as product sales and other revenue derived from branded products or licensing agreements.

Cost of sales within segment contribution includes standard production and packaging costs for the products we manufacture, third party acquisition costs for products manufactured by others, profit-sharing or royalty payments for products sold pursuant to licensing agreements and finished goods inventory reserve charges. Cost of sales included within segment contribution does not include non-standard production costs, such as non-finished goods inventory obsolescence charges, manufacturing variances and excess capacity utilization charges, where applicable. Cost of sales does not include amortization or impairment costs for acquired product rights or other acquired intangibles.

Selling and marketing expenses consist mainly of personnel-related costs, product promotion costs, distribution costs, professional service costs, insurance, depreciation and travel costs.

General and administrative expenses consist mainly of personnel-related costs, facilities costs, transaction costs, insurance, depreciation, litigation and settlement costs and professional services costs which are general in nature and attributable to the segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

Segment net revenues, segment operating expenses and segment contribution information consisted of the following for the years ended December 31, 2017 and 2016 ($ in millions):

	Year Ended December 31, 2017			
	US Specialized Therapeutics	**US General Medicine**	**International**	**Total**
	$	**$**	**$**	**$**
Net revenues	6,803.6	5,796.2	3,319.5	15,919.3
Operating expenses:				
Cost of sales[1]	495.4	843.9	478.7	1,818.0
Selling and marketing	1,369.5	1,084.1	913.8	3,367.4
General and administrative	208.2	177.3	120.6	506.1
Segment Contribution	**4,730.5**	**3,690.9**	**1,806.4**	**10,227.8**
Contribution margin	***69.5%***	***63.7%***	***54.4%***	***64.2%***
Corporate				1,471.8
Research and development				2,100.1
Selling, general and administrative excluded from segments and corporate designation				12,577.1
Other expense				3,248.1
Interest (income)				(67.7)
Interest expense and similar items				1,284.8
(Loss) before taxes				(10,386.4)

(1) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

	Year Ended December 31, 2016			
	US Specialized Therapeutics	US General Medicine	International	Total
	$	$	$	$
Net revenues	5,811.7	5,923.9	2,881.3	14,616.9
Operating expenses:				
Cost of sales[1]	290.9	879.8	418.2	1,588.9
Selling and marketing	1,137.0	1,185.7	788.2	3,110.9
General and administrative	174.2	174.9	117.2	466.3
Segment Contribution	**4,209.6**	**3,683.5**	**1,557.7**	**9,450.8**
Contribution margin	***72.4%***	***62.2%***	***54.1%***	***64.7%***
Corporate				1,481.3
Research and development				2,575.7
Selling, general and administrative excluded from segments and corporate designation				7,219.3
Other (income)				(219.2)
Interest (income)				(69.9)
Interest expense and similar items				1,295.6
(Loss) before taxes				(2,832.0)

(1) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.

The following is a reconciliation of net revenues for the operating segments to the Company's net revenues for the years ended December 31, 2017 and 2016 ($ in millions):

	Years Ended December 31,		Change	
	2017	2016	Dollars	Percentage
	$	$	$	%
Segment net revenues	15,919.3	14,616.9	1,302.4	8.9%
Corporate revenues	21.4	(46.3)	67.7	(146.2)%
Net revenues	15,940.7	14,570.6	1,370.1	9.4%

No country outside of the United States represents ten percent or more of net revenues. The US Specialized Therapeutics and US General Medicine segments are comprised solely of sales within the United States.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

The following tables present global net revenues for the top products of the Company for the years ended December 31, 2017 and 2016 ($ in millions):

	Year Ended December 31, 2017				
	US Specialized Therapeutics	US General Medicine	International	Corporate	Total
	$	$	$	$	$
Botox®	2,254.4	-	914.5	-	3,168.9
Restasis®	1,412.3	-	61.3	-	1,473.6
Juvederm® Collection **	501.1	-	540.7	-	1,041.8
Linzess®/Constella®	-	701.1	21.9	-	723.0
Lumigan®/Ganfort®	317.5	-	371.5	-	689.0
Bystolic® / Byvalson®	-	612.2	2.2	-	614.4
Alphagan®/Combigan®	377.3	-	175.1	-	552.4
Eye Drops	199.5	-	281.0	-	480.5
Lo Loestrin®	-	459.3	-	-	459.3
Namenda XR®	-	452.8	-	-	452.8
Breast Implants	242.6	-	156.9	-	399.5
Estrace® Cream	-	366.6	-	-	366.6
Viibryd®/Fetzima®	-	333.2	3.1	-	336.3
Alloderm®	321.2	-	7.5	-	328.7
Ozurdex ®	98.4	-	213.4	-	311.8
Vraylar™	-	287.8	-	-	287.8
Asacol®/Delzicol®	-	195.5	50.2	-	245.7
Carafate ® / Sulcrate ®	-	235.8	2.9	-	238.7
Zenpep®	-	212.3	-	-	212.3
Coolsculpting® Consumables	150.1	-	41.6	-	191.7
Canasa®/Salofalk®	-	162.7	18.3	-	181.0
Armour Thyroid	-	169.1	-	-	169.1
Aczone®	166.3	-	0.5	-	166.8
Viberzi®	-	156.6	0.5	-	157.1
Saphris®	-	155.2	-	-	155.2
Coolsculpting® Systems & Add On Applicators	106.6	-	32.1	-	138.7
Namzaric®	-	130.8	-	-	130.8
Teflaro®	-	121.9	-	-	121.9
Rapaflo®	108.1	-	7.3	-	115.4
SkinMedica®	96.8	-	3.7	-	100.5
Savella®	-	98.2	-	-	98.2
Tazorac®	65.4	-	0.7	-	66.1
Latisse®	56.4	-	8.3	-	64.7
Minastrin® 24	-	61.4	-	-	61.4
Avycaz®	-	61.2	-	-	61.2
Kybella® / Belkyra®	49.5	-	6.8	-	56.3
Dalvance®	-	53.9	2.4	-	56.3
Lexapro®	-	51.8	-	-	51.8
Liletta®	-	37.6	-	-	37.6
Enablex®	-	3.6	-	-	3.6
Namenda® IR	-	0.1	-	-	0.1
Other	280.1	675.5	395.1	21.4	1,372.1
Total net revenues	**6,803.6**	**5,796.2**	**3,319.5**	**21.4**	**15,940.7**

** Sales of fillers including Juvederm, Voluma and other fillers are referred to herein as the "Juvederm® Collection".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

	Year Ended December 31, 2016				
	US Specialized Therapeutics	US General Medicine	International	Corporate	Total
	$	$	$	$	$
Botox®	1,983.2	-	803.0	-	2,786.2
Restasis®	1,419.5	-	68.0	-	1,487.5
Juvederm® Collection **	446.9	-	420.4	-	867.3
Lumigan®/Ganfort®	326.4	-	361.7	-	688.1
Linzess®/Constella®	-	625.6	17.3	-	642.9
Bystolic® / Byvalson®	-	638.8	1.7	-	640.5
Namenda XR®	-	627.6	-	-	627.6
Alphagan®/Combigan®	376.6	-	169.3	-	545.9
Eye Drops	186.5	-	276.2	-	462.7
Asacol®/Delzicol®	-	360.8	53.7	-	414.5
Lo Loestrin®	-	403.5	-	-	403.5
Estrace® Cream	-	379.4	-	-	379.4
Breast Implants	206.0	-	149.9	-	355.9
Viibryd®/Fetzima®	-	342.3	-	-	342.3
Minastrin® 24	-	325.9	1.4	-	327.3
Ozurdex ®	84.4	-	179.0	-	263.4
Carafate ® / Sulcrate ®	-	229.0	2.4	-	231.4
Aczone®	217.3	-	-	-	217.3
Zenpep®	-	200.7	-	-	200.7
Canasa®/Salofalk®	-	178.7	17.7	-	196.4
Saphris®	-	166.8	-	-	166.8
Armour Thyroid	-	166.5	-	-	166.5
Teflaro®	-	133.6	-	-	133.6
Rapaflo®	116.6	-	5.8	-	122.4
SkinMedica®	108.3	-	-	-	108.3
Savella®	-	103.2	-	-	103.2
Tazorac®	95.5	-	0.8	-	96.3
Vraylar™	-	94.3	-	-	94.3
Viberzi®	-	93.3	-	-	93.3
Latisse®	77.9	-	8.5	-	86.4
Lexapro®	-	66.6	-	-	66.6
Namzaric®	-	57.5	-	-	57.5
Kybella® / Belkyra®	50.2	-	2.3	-	52.5
Dalvance®	-	39.3	-	-	39.3
Avycaz®	-	36.1	-	-	36.1
Liletta®	-	23.3	-	-	23.3
Enablex®	-	17.1	-	-	17.1
Namenda® IR	-	15.1	-	-	15.1
Other	116.4	598.9	342.2	33.7	1,091.2
Less product sold through our former Anda Distribution business	n.a.	n.a.	n.a.	(80.0)	(80.0)
Total net revenues	**5,811.7**	**5,923.9**	**2,881.3**	**(46.3)**	**14,570.6**

** Sales of fillers including Juvederm, Voluma and other fillers are referred to herein as the "Juvederm® Collection".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19 Business Restructuring Charges

Restructuring activities for the year ended December 31, 2017 is as follows ($ in millions):

	Severance and Retention	Share-Based Compensation	Other	Total
	$	$	$	$
Reserve balance at December 31, 2016	68.5	-	39.7	108.2
Charged to expense:				
Cost of sales	50.4	-	-	50.4
Research and development	37.1	-	-	37.1
Selling and marketing	92.5	-	-	92.5
General and administrative	37.5	38.8	16.3	92.6
Total expense	217.5	38.8	16.3	272.6
Cash payments	(110.4)	(31.5)	(36.1)	(178.0)
Other reserve impact	(9.6)	(7.3)	-	(16.9)
Reserve balance at December 31, 2017	**166.0**	**-**	**19.9**	**185.9**

In December 2017, the Company approved a new restructuring program intended to optimize and restructure its operations, while reducing costs and global headcount in anticipation of loss of exclusivity of several key revenue-generating products in 2018. As a result of this program, the Company intends to eliminate over 1,000 currently filled positions, impacting employees in commercial and other functions. Commercial reductions will primarily focus on products and categories subject to loss of exclusivity. In addition, the Company eliminated approximately 400 open positions. In the year ended December 31, 2017, the Company recorded severance and other employee related charges of $91.3 million, which includes $4.0 million of share based compensation related to this program. The Company expects that the majority of the severance costs will be paid during the 2018 fiscal year. During the year ended December 31, 2017 the Company also recorded $14.6 million of other charges relating to the program and impairments of $17.7 million primarily related to fixed assets and facilities which the Company intends to exit during the 2018 fiscal year.

During the year ended December 31, 2017, the Company also initiated other restructuring programs which impacted the commercial, research and development, and global operations organizations. As a result of the commercial organization restructuring program, the Company recorded severance and other employee related charges of $16.9 million and eliminated approximately 200 filled positions and approximately 150 open positions. This initiative reduced costs in the commercial organization and primarily impacted the General Medicine sales force. As a result of the research and development restructuring program, the Company recorded severance and other employee related charges of $12.4 million and eliminated approximately 100 filled positions. This initiative intended to reduce costs as a result of prioritizing the Company's pipeline. The majority of these severance costs were paid during the year ended December 31, 2017 and the Company does not anticipate any additional costs under these programs. As a result of the global operations restructuring program, the Company will close a manufacturing facility in December 2018 and reduce the Company's headcount by approximately 250 employees. This program resulted in the Company recording $41.5 million of severance employee related charges and $4.2 million of accelerated depreciation. The majority of the severance costs will be paid during the year ended December 31, 2019. The Company also recorded other restructuring charges $91.7 million related to various other initiatives and the integration of acquired businesses during the year ended December 31, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19 Business Restructuring Charges - continued

During 2016, activity related to our business restructuring and facility rationalization activities primarily related to the cost optimization initiatives in conjunction with the Allergan acquisition. Restructuring activities for the year ended December 31, 2016 is as follows ($ in millions):

	Severance and Retention	Share-Based Compensation	Other	Total
	$	$	$	$
Reserve balance at December 31, 2015	94.8	-	48.6	143.4
Charged to expense:				
Cost of sales	3.9	0.5	4.9	9.3
Research and development	11.1	1.0	0.7	12.8
Selling and marketing	19.8	9.7	1.7	31.2
General and administrative	27.9	9.8	15.1	52.8
Total expense	62.7	21.0	22.4	106.1
Cash payments	(81.9)	-	(33.3)	(115.2)
Other reserve impact	(7.1)	(21.0)	2.0	(26.1)
Reserve balance at December 31, 2016	**68.5**	**-**	**39.7**	**108.2**

During the years ended December 31, 2017 and 2016, the Company recognized restructuring charges related to continuing operations of $272.6 million and $106.1 million, respectively.

20 Derivative Instruments and Hedging Activities

The Company's revenue, earnings, cash flows and fair value of its assets and liabilities can be impacted by fluctuations in foreign exchange risks and interest rates, as applicable. The Company manages the impact of foreign exchange risk and interest rate movements through operational means and through the use of various financial instruments, including derivative instruments such as foreign currency derivatives. As of December 31, 2017 and December 31, 2016, there were no material outstanding foreign currency instruments.

Overall, the Company is a net recipient of currencies other than the U.S. dollar and, as such, benefits from a weaker dollar and is adversely affected by a stronger dollar relative to major currencies worldwide. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, may negatively affect the Company's consolidated revenues and favorably impact operating expenses in U.S. dollars.

Net Investment Hedge

In the normal course of business, we manage certain foreign exchange risks through a variety of strategies, including hedging. Our hedging strategies include the use of derivatives, including net investment hedges.

For net investment hedges, the effective portion of the gains and losses on the instruments arising from the effects of foreign exchange are recorded in the currency translation adjustment component of accumulated other comprehensive income / (loss), consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our hedging instruments would be substantially offset by an opposite change in the value of the underlying hedged items. We do not use derivative instruments for trading or speculative purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20 Derivative Instruments and Hedging Activities - continued

The Company is exposed to foreign exchange risk in its international operations from foreign currency purchases, net investments in foreign subsidiaries, and foreign currency assets and liabilities created in the normal course of business, including the Euro Denominated Notes. In the year ended December 31, 2017, we used effective net investment hedges to partially offset the effects of foreign currency on our investments in certain of our foreign subsidiaries. The total notional amount of our instruments designated as net investment hedges was $3.6 billion as of December 31, 2017. During the year ended December 31, 2017, the impact of the net investment hedges on other comprehensive income was a loss of $208.2 million.

Forward Sale of Teva Shares

On November 10, 2017, the Company entered into forward sale transactions for the purpose of selling approximately 25.0 million Teva shares into the market over time, which settled on January 12, 2018 for $413.3 million. The value of the shares were based on the volume-weighted average price of Teva shares plus a premium. The movement in these shares were marked to market for a loss of $62.9 million in the year ended December 31, 2017.

On February 13, 2018, the Company entered into additional forward sale transactions under which we sold approximately 25.0 million Teva shares. The value of the shares will be based on the volume weighted average price of Teva shares plus a premium and is expected to settle during the second quarter of 2018. As a result of the transaction, the Company received 80% of the proceeds, or approximately $372.0 million, with the remainder of the proceeds being delivered upon settlement.

21 Fair Value Measurement

Assets and liabilities measured at fair value using Fair Value Leveling or disclosed at fair value on a recurring basis as of December 31, 2017 and 2016 consisted of the following ($ in millions):

	Fair Value Measurements as of December 31, 2017 Using:			
	Total	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
Assets:				
Cash equivalents*	1,328.1	1,328.1	-	-
Short-term investments	2,814.4	-	2,814.4	-
Deferred executive compensation investments	112.4	92.9	19.5	-
Foreign currency derivatives	-	-	-	-
Investment in Teva ordinary shares	1,817.7	1,817.7	-	-
Investments and other	72.3	72.3	-	-
Total assets	**6,144.9**	**3,311.0**	**2,833.9**	**-**
Liabilities:				
Deferred executive compensation liabilities	113.8	94.3	19.5	-
Contingent consideration obligations	476.9	-	-	476.9
Total liabilities	**590.7**	**94.3**	**19.5**	**476.9**

* Marketable securities with less than 90 days remaining until maturity are classified as cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 Fair Value Measurement - continued

	Fair Value Measurements as of December 31, 2016 Using:			
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Assets:				
Cash equivalents*	1,238.9	1,238.9	-	-
Short-term investments	8,062.3	-	8,062.3	-
Deferred executive compensation investments	111.7	90.5	21.2	-
Foreign currency derivatives	0.1	-	0.1	-
Investment in Teva ordinary shares	3,439.2	-	3,439.2	-
Investments and other	95.0	95.0	-	-
Total assets	**12,947.2**	**1,424.4**	**11,522.8**	**-**
Liabilities:				
Deferred executive compensation liabilities	111.7	90.5	21.2	-
Contingent consideration obligations	1,172.1	-	-	1,172.1
Total liabilities	**1,283.8**	**90.5**	**21.2**	**1,172.1**

* Marketable securities with less than 90 days remaining until maturity are classified as cash equivalents.

Marketable securities and investments consist of available-for-sale investments in U.S. treasury and agency securities and publicly traded equity securities for which market prices are readily available. Unrealized gains or losses on marketable securities and investments are recorded in accumulated other comprehensive (loss) / income as of December 31, 2017. Realized gains or losses on marketable securities and investments are recorded in interest income. The Company's marketable securities and other long-term investments are classified as available-for-sale and are recorded at fair value based on quoted market prices using the specific identification method. These investments are classified as either current or non-current, as appropriate, in the Company's consolidated balance sheets. The Company may sell certain of its marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and maturity management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 Fair Value Measurement - continued

Contingent Consideration Obligations

The fair value measurement of the contingent consideration obligations is determined using Level 3 inputs and is based on a probability-weighted income approach. The measurement is based upon unobservable inputs supported by little or no market activity based on our own assumptions. Changes in the fair value of the contingent consideration obligations, including accretion, are recorded in our consolidated statements of operations as follows ($ in millions):

	Years ended December 31,	
Expense / (income)	**2017**	**2016**
	$	**$**
Cost of sales	(183.2)	(17.4)
Research and development	50.0	(71.1)
General and administrative	-	24.3
Total	**(133.2)**	**(64.2)**

During the year ended December 31, 2017, the Company had net contingent consideration income in cost of sales of $183.2 million due to declines in forecasted revenues for select products. The Company had net contingent consideration expense in R&D of $50.0 million due to the advancement of the Company's pipeline.

During the year ended December 31, 2016, the Company had net contingent consideration income of $64.2 million primarily driven by ongoing R&D projects that were terminated based on clinical data acquired in the Allergan acquisition, which was offset by additional contingent consideration expense relating to milestones achieved in connection with the AqueSys and Allergan Acquisitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 Fair Value Measurement - continued

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2017 and 2016 ($ in millions):

	Balance as of December 31, 2016	Net transfers in to (out of) Level 3	Purchases, settlements, and other net	Net accretion and fair value adjustments	Balance as of December 31, 2017
	$	$	$	$	$
Liabilities:					
Contingent consideration obligations	1,172.1	-	(562.0)	(133.2)	476.9

	Balance at December 31, 2015 $	Net transfers in to (out of) Level 3 $	Purchases, settlements, and other net $	Net accretion and fair value adjustments $	Balance at December 31, 2016 $
Liabilities:					
Contingent consideration obligations	868.0	-	368.3	(64.2)	1,172.1

The Company determines the acquisition date fair value of contingent consideration obligations based on a probability-weighted income approach derived from revenue estimates and a probability assessment with respect to the likelihood of achieving contingent obligations including contingent payments such as milestone obligations, royalty obligations and contract earn-out criteria, where applicable. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. The resultant probability-weighted cash flows are discounted using an appropriate effective annual interest rate to reflect the internal rate of return and incremental commercial uncertainty, major risks and uncertainties associated with the successful completion of the events triggering the contingent obligation. At each reporting date, the Company revalues the contingent consideration obligation to estimated fair value and records changes in fair value as income or expense in our consolidated statement of operations. Changes in the fair value of the contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of revenue estimates and changes in probability assumptions with respect to the likelihood of achieving the various contingent consideration obligations. Accretion expense related to the increase in the net present value of the contingent liability is included in operating income for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 Fair Value Measurement - continued

During the year ended December 31, 2017, the following activity in contingent consideration obligations by acquisition was incurred ($ in millions):

Business Acquisition	Balance as of December 31, 2016	Fair Value Adjustments and Accretion	Payments and Other	Balance as of December 31, 2017
	$	$	$	$
Tobira Acquisition	514.4	14.6	(301.2)	227.8
Allergan acquisition	199.6	(70.9)	(110.0)	18.7
Medicines 360 acquisition	127.5	(67.0)	(16.1)	44.4
AqueSys Acquisition	103.9	(50.4)	(25.0)	28.5
Oculeve Acquisition	99.5	90.6	(100.0)	90.1
ForSight Acquisition	65.4	(19.1)	-	46.3
Metrogel acquisition	15.0	-	(7.5)	7.5
Forest acquisition	11.0	3.7	(2.0)	12.7
Uteron acquisition	8.2	(8.2)	-	-
Other	27.6	(26.5)	(0.2)	0.9
Total	**1,172.1**	**(133.2)**	**(562.0)**	**476.9**

22 Commitments and Contingencies

The Company and its affiliates are involved in various disputes, governmental and/or regulatory inspections, inquires, investigations and proceedings, and litigation matters that arise from time to time in the ordinary course of business. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the Company, its results of operations, financial condition and cash flows. The Company's general practice is to expense legal fees as services are rendered in connection with legal matters, and to accrue for liabilities when losses are probable and reasonably estimable.

The Company evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that is accrued. As of December 31, 2017, the Company's consolidated balance sheet includes accrued loss contingencies of approximately $55.0 million.

The Company's legal proceedings range from cases brought by a single plaintiff to mass tort actions and class actions with thousands of putative class members. These legal proceedings, as well as other matters, involve various aspects of our business and a variety of claims (including, but not limited to, *qui tam* actions, antitrust, product liability, breach of contract, securities, patent infringement and trade practices), some of which present novel factual allegations and/or unique legal theories. In addition, a number of the matters pending against us are at very early stages of the legal process (which in complex proceedings of the sort faced by us often extend for several years). As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information and legal issues to enable us to estimate a range of possible loss. In those proceedings in which plaintiffs do request publicly quantified amounts of relief, the Company does not believe that the quantified amounts are meaningful because they are merely stated jurisdictional limits, exaggerated and/or unsupported by the evidence or applicable burdens of proof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

In matters involving the assertion or defense of the Company's intellectual property, the Company believes it has meritorious claims and intends to vigorously assert or defend the patents or other intellectual property at issue in such litigation. Similarly, in matters where the Company is a defendant, the Company believes it has meritorious defenses and intends to defend itself vigorously. However, the Company can offer no assurances that it will be successful in a litigation or, in the case of patent enforcement matters, that a generic version of the product at issue will not be launched or enjoined. Failing to prevail in a litigation could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Antitrust Litigation

Asacol® Litigation. Two class action complaints were filed on June 22, 2015, and three more on September 21, 2015, in federal court in Massachusetts on behalf of a putative class of indirect purchasers. In each complaint plaintiffs allege that they paid higher prices for Warner Chilcott's Asacol® HD and Delzicol® products as a result of Warner Chilcott's alleged actions preventing or delaying generic competition in the market for Warner Chilcott's older Asacol® product in violation of U.S. federal antitrust laws and/or state laws. Plaintiffs seek unspecified injunctive relief, treble damages and/or attorneys' fees. Defendants moved to dismiss the indirect purchasers' complaint. A hearing was held on the motion to dismiss on May 11, 2016. On July 20, 2016, the court issued a decision granting the motion in part, dismissing the indirect purchaser plaintiffs' claims based on purported reverse payments and dismissing several of indirect purchaser plaintiffs' claims based on state laws. On August 15, 2016, the indirect purchaser plaintiffs filed a second amended complaint. The Company filed an answer to the second amended complaint on October 4, 2016. Complaints were also filed on behalf of a putative class of direct purchasers of Asacol® in federal court in New York on April 26, 2016, and on June 29, 2016, in each case making similar allegations to the complaints filed by the indirect purchaser plaintiffs. Those matters have been consolidated with the indirect purchaser cases in the federal court in Massachusetts. On October 11, 2016, the Company filed a motion to dismiss the direct purchasers' consolidated complaint and oral argument on the motion was held on December 16, 2016. On February 10, 2017, the court issued an order granting in part and denying in part the Company's motion to dismiss. The Company has reached a tentative agreement with the direct purchaser plaintiffs to settle their claims. The Company has filed a motion for summary judgment seeking dismissal of the indirect purchaser plaintiffs' claims. On November 9, 2017, the court issued a decision denying the Company's summary judgment motion and granting plaintiff's motion for class certification. Trial was set to being on January 22, 2018. However, on January 17, 2018, the Court of Appeals for the First Circuit issued an order granting the Company's motion under Fed.R.Civ.P. 23(f) to appeal the district court's decision to certify the proposed class. The appellate court thereafter issued a decision staying the trial in the district court. The appeal was fully briefed on March 26, 2018.

Botox® Litigation. A class action complaint was filed in federal court in California on February 24, 2015, and amended May 29, 2015, alleging unlawful market allocation in violation of Section 1 of the Sherman Act, 15 U.S.C. §1, agreement in restraint of trade in violation of 15 U.S.C. §1 of the Sherman Act, unlawful maintenance of monopoly market power in violation of Section 2 of the Sherman Act, 15 U.S.C. §2 of the Sherman Act, violations of California's Cartwright Act, Section 16700 et seq. of Calif. Bus. and Prof. Code, and violations of California's unfair competition law, Section 17200 et seq. of Calif. Bus. and Prof. Code. In the complaint, plaintiffs seek an unspecified amount of treble damages. On July 19, 2016, plaintiffs filed a motion for class certification. On October 14, 2016, the Company filed an opposition to plaintiffs' motion for class certification. Oral argument on the class certification motion was heard on January 13, 2017. On

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June 13, 2017, the court granted plaintiff's motion for class certification. In September 2017, the parties filed cross motions for summary judgement, which were heard by the court on October 27, 2017. On November 30, 2017, the parties reached a tentative settlement. On March 8, 2018, the court granted plaintiffs' motion for preliminary approval of class action settlement and set a final fairness hearing for August 24, 2018.

Loestrin® 24 Litigation. On April 5, 2013, two putative class actions were filed in the federal district court against Warner Chilcott and certain affiliates alleging that Warner Chilcott's 2009 patent lawsuit settlements with Watson Laboratories and Lupin related to Loestrin® 24 Fe were unlawful. The complaints, both asserted on behalf of putative classes of end-payors, generally allege that Watson and Lupin improperly delayed launching generic versions of Loestrin® 24 in exchange for substantial payments from Warner Chilcott in violation of federal and state antitrust and consumer protection laws. The complaints each seek declaratory and injunctive relief and damages. Additional complaints have been filed by different plaintiffs seeking to represent the same putative class of end-payors. In addition to the end-payor suits, two lawsuits have been filed on behalf of a class of direct payors and by direct purchasers in their individual capacities. After a hearing on September 26, 2013, the JPML issued an order transferring all related Loestrin® 24 cases to the federal court for the District of Rhode Island. On September 4, 2014, the court granted the defendants' motion to dismiss the complaint. The plaintiffs appealed the district court's decision to the First Circuit Court of Appeals and oral argument was held on December 7, 2015. On February 22, 2016, the First Circuit issued its decision vacating the decision of, and remanding the matter to, the district court. On June 11, 2016, defendants filed an omnibus motion to dismiss the claims of the direct purchaser class plaintiffs, end-payor class plaintiffs and individual direct purchaser plaintiffs. Oral argument on the motion to dismiss was held on January 13, 2017. On July 24, 2017, the court issued its decision denying the motion to dismiss.

Namenda® Litigation. On September 15, 2014, the State of New York, through the Office of the Attorney General of the State of New York, filed a lawsuit in the United States District Court for the Southern District of New York alleging that Forest was acting to prevent or delay generic competition to Forest's immediate-release product Namenda® in violation of federal and New York antitrust laws and committed other fraudulent acts in connection with its commercial plans for Namenda® XR. On December 11, 2014, the district court issued a ruling granting the state's preliminary injunction motion and issued an injunction on December 15, 2014 which the Court of Appeals for the Second Circuit affirmed on May 22, 2015. Forest and the New York Attorney General reached a settlement on November 24, 2015. On May 29, 2015, a putative class action was filed on behalf of a class of direct purchasers and on June 8, 2015 a similar putative class action was filed on behalf of a class of indirect purchasers. Since that time, additional complaints have been filed on behalf of putative classes of direct and indirect purchasers. The class action complaints make claims similar to those asserted by the New York Attorney General and also include claims that Namenda® patent litigation settlements between Forest and generic companies also violated the antitrust laws. On December 22, 2015, Forest and its co-defendants filed motions to dismiss the pending complaints. On September 13, 2016, the court issued a decision denying the Company's motion to dismiss. On September 27, 2016, the Company filed an answer to the amended complaint. On February 16, 2017 and February 23, 2017, plaintiffs filed motions for summary judgment on two of the counts of their complaint. On March 16, 2017, the Company filed oppositions to the plaintiffs' summary judgment motions and a cross motion for summary judgment on one count. The motions were argued before the court on May 5, 2017. On May 23, 2017, the Court issued its decision on the parties' summary judgment motions. The Court granted plaintiffs' motion in part as to the collateral estoppel effect of a prior finding of anti-competitive conduct, and denied the cross-motions on whether the Company's obtaining pediatric exclusivity was anti-competitive conduct.

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Restasis® Competitor Litigation. On October 2, 2017, Shire, which offers the dry-eye disease drug Xiidra®, sued Allergan in federal district court alleging that Allergan unlawfully harmed competition by foreclosing Xiidra® from sales to Medicare Part D plans (and the members of such plans) through the use of discounts (a) contingent on Restasis® receiving preferential formulary treatment; and/or (b) across a bundle of Allergan's products, including Restasis®, Lumigan®, Combigan®, and Alphagan P®. The complaint seeks injunctive relief under federal and New Jersey antitrust law and New Jersey common law. On December 5, 2017, Allergan filed a motion to dismiss the complaint. A date for oral argument has not been set.

Restasis® Class Action Litigation. Between November 7, 2017, and February 26, 2018, seventeen putative class actions were filed in federal district courts against Allergan alleging that the company unlawfully harmed competition by engaging in conduct to delay the market entry of generic versions of Restasis®. Twelve of the complaints were filed on behalf of putative classes of end-payors, and five were filed on behalf of putative classes of direct purchasers. One direct purchaser complaint and two end-payor complaints were later voluntarily dismissed. The complaints challenge Allergan's conduct in prosecuting and obtaining patents covering Restasis®, listing those patents in the FDA's Orange Book, asserting those patents against potential generic competitors in patent-infringement litigation, filing citizens petitions with the FDA concerning generic companies' drug applications for generic Restasis®, and transferring patents to the sovereign Native American Saint Regis Mohawk Tribe. Both the end-payors and the direct purchasers allege that these actions violated federal antitrust laws, and the end-payors further allege violations of state antitrust and consumer-protection laws and unjust enrichment. All plaintiffs seek damages, declaratory relief, and injunctive relief. After a hearing on January 25, 2018, the Judicial Panel on Multidistrict Litigation (JPML) transferred all related Restasis® cases to the federal court for the Eastern District of New York. After the JPML issued the transfer order, another plaintiff asserting the same allegations filed suit on behalf of a putative class of end-payors. Plaintiffs are to file consolidated amended complaints by April 4, 2018.

Zymar®/Zymaxid® Litigation. On February 16, 2012, Apotex Inc. and Apotex Corp. filed a complaint in the federal district court in Delaware against Senju Pharmaceuticals Co., Ltd. ("Senju"), Kyorin Pharmaceutical Co., Ltd. ("Kyorin"), and Allergan, Inc. alleging monopolization in violation of Section 2 of the Sherman Act, conspiracy to monopolize, and unreasonable restraint of trade in the market for gatifloxacin ophthalmic formulations, which includes Allergan, Inc.'s ZYMAR® gatifloxacin ophthalmic solution 0.3% and ZYMAXID® gatifloxacin ophthalmic solution 0.5% products. In the complaint, Plaintiffs seek an unspecified amount of treble damages and disgorgement of profits. Following the court's denial of Allergan Inc.'s motions to dismiss, Allergan Inc. filed an answer to Apotex's complaint on June 1, 2015. On March 27, 2017, the Company and Apotex settled this matter. On April 26, 2017, this matter was dismissed.

On June 6, 2014, a separate antitrust class action complaint was filed in the federal district court in Delaware against the same defendants as in the Apotex case. The complaint alleges that defendants unlawfully excluded or delayed generic competition in the gatifloxacin ophthalmic formulations market (generic versions of ZYMAR® and ZYMAXID®). On September 18, 2014, Allergan, Inc. filed a motion to dismiss for lack of subject matter jurisdiction and joined in co-defendants' motion to dismiss for failure to state a claim. On August 19, 2015, the court granted Allergan, Inc.'s motion to dismiss. On September 18, 2015, plaintiff filed a notice of appeal with the U.S. Court of Appeals for the Third Circuit. The Third Circuit oral argument was held on June 13, 2016. On September 7, 2016, the U.S. Court of Appeals for the Third Circuit vacated the District Court's granting of Allergan, Inc.'s motion to dismiss and

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remanded to the District Court for further proceedings. The Third Circuit denied the Company's petition for a rehearing on October 4, 2016. On October 18, 2017, the parties reached a tentative settlement. On February 27, 2018, the court granted plaintiffs' motion for preliminary approval of class settlement.

Commercial Litigation

Celexa®/Lexapro® Class Actions. Forest and certain of its affiliates have been named as defendants in multiple federal court actions relating to the promotion of Celexa® and/or Lexapro® all of which have been consolidated in the Celexa®/Lexapro® MDL proceeding in the federal district court in Massachusetts. On November 13, 2013, an action was filed in federal court in Minnesota which sought to certify a nationwide class of third-party payor entities that purchased Celexa® and Lexapro® for pediatric use. The complaint asserts claims under the federal Racketeer Influenced and Corrupt Organizations ("RICO") Act, alleging that Forest engaged in an off-label marketing scheme and paid illegal kickbacks to physicians to induce prescriptions of Celexa® and Lexapro®. Forest moved to dismiss the complaint on December 12, 2014, and the court thereafter issued a ruling dismissing plaintiff's claims under Minnesota's Deceptive Trade Practices Act, but denying the remaining portions of the motion. A motion for class certification was filed in February 2016, and denied on June 2, 2016. Thereafter, plaintiffs filed a 23(f) petition requesting leave to appeal the denial of class certification which the First Circuit denied on December 7, 2016. On January 19, 2017, plaintiff filed a motion for summary judgment on the Company's statute of limitation affirmative defense and the Company filed a cross motion for summary judgment on February 23, 2017. In addition, plaintiff in the action filed a second motion for class certification on February 28, 2017. Forest filed a motion for summary judgment on all counts of the complaint which was granted in full on January 30, 2018. On February 16, 2018, Plaintiff filed a Notice of Appeal of the summary judgment order and the order denying class certification.

On August 28, 2014, an action was filed in the federal district court in Washington seeking to certify a nationwide class of consumers and subclasses of Washington and Massachusetts consumers that purchased Celexa® and Lexapro® for pediatric use. The complaint asserts claims under the federal RICO statute, alleging that Forest engaged in an off-label marketing scheme and paid illegal kickbacks to physicians to induce prescriptions of Celexa® and Lexapro®. Forest moved to dismiss the complaint on December 19, 2014. On June 16, 2015, the court issued a ruling on the motion to dismiss, granting it in part and denying it in part. Plaintiffs thereafter filed an amended complaint. Forest moved to dismiss the amended complaint. On June 9, 2016, the court denied Forest's motion. On March 3, 2017, plaintiffs in this action filed a motion for class certification, which motion was denied by the court. On September 15, 2017, Forest filed a motion for summary judgment on all counts of the complaint which was granted in full on January 30, 2018. On February 16, 2018, Plaintiff filed a Notice of Appeal of the summary judgment order and the order denying class certification.

Generic Drug Pricing Securities and ERISA Litigation. On November 4, 2016, a class action was filed by a putative class of Allergan shareholders in federal court in California against the Company and certain of its current and former officers alleging that the Company and certain of its current and former officers made materially false and misleading statements. The complaint alleges generally that between February 2014 and November 2016, Allergan and certain of its officers made materially false and misleading statements regarding the Company's internal controls over its financial reporting and failed to disclose that its Actavis generics unit had engaged in illegal, anticompetitive price-fixing with its generic industry peers. The complaint seeks unspecified monetary damages. On February 2, 2017, the actions were consolidated in the federal district court in New Jersey. Plaintiffs filed a consolidated amended complaint on May 1, 2017. The

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Company filed a motion to dismiss plaintiffs' consolidated amended complaint on July 17, 2107. Plaintiffs filed their opposition on September 15 and the Company filed its reply on October 6, 2017. Plaintiffs filed a second amended consolidated complaint on November 28, 2017. The Company filed a motion to dismiss the second amended complaint on January 22, 2018. A complaint was filed in California state court, premised on the same alleged underlying allegations, by an individual opt-out plaintiff on February 2, 2018. The Company has not yet responded to the California state court complaint. On February 14, 2017, a separate complaint was filed in the federal district court in California that is premised on the same alleged underlying conduct that is at issue in the securities litigation but that asserts claims under the Employee Retirement Income Security Act of 1974 ("ERISA). A similar lawsuit was filed in the federal district court in New Jersey on March 7, 2017. The ERISA complaints assert claims on behalf of a putative class of individuals who participated in the Company's retirement plans and seek an unspecified amount of damages and other injunctive relief. On June 26, 2017, the Company filed a motion to stay or transfer venue in the California ERISA matter to the District of New Jersey, after which time plaintiffs agreed to stipulate to the transfer. The Company's motion to consolidate the matters was granted on August 21, 2017, and a consent discovery order entered. On October 23, 2017, Plaintiffs filed an amended consolidated complaint which the Company moved to dismiss on February 2, 2018.

Telephone Consumer Protection Act Litigation. In October 2012, Forest and certain of its affiliates were named as defendants in a putative class action in federal court in Missouri. This suit alleges that Forest and another defendant violated the Telephone Consumer Protection Act (the "TCPA") and was filed on behalf of a proposed class that includes all persons who, from four years prior to the filing of the action, were sent telephone facsimile messages of material advertising the commercial availability of any property, goods, or services by or on behalf of defendants, which did not display an opt-out notice compliant with a certain regulation promulgated by the FCC. On July 17, 2013, the district court granted Forest's motion to stay the action pending the administrative proceeding initiated by the pending FCC Petition and a separate petition Forest filed. On October 31, 2015, another class action complaint was filed in Missouri state court against Allergan USA, Inc., Warner Chilcott Corporation and Actavis, Inc., now known as Allergan Finance LLC, alleging violations of the Telephone Consumer Protection Act, the Missouri Consumer Fraud and Protection Act and conversion on behalf of a putative nationwide class of plaintiffs to who defendant Warner Chilcott Corporation sent unsolicited facsimile advertisements. Defendants removed this action to the federal district court for the Western District of Missouri on December 10, 2015 and responded to the complaint on February 8, 2016. On February 17, 2016, plaintiffs voluntarily dismissed defendants Allergan USA, Inc. and Actavis, Inc. from the litigation. In the wake of the Court of Appeals decision on the Petition discussed below, the parties reached an agreement to settle the action against Warner Chilcott.

In a related matter, on June 27, 2013, Forest filed a Petition for Declaratory Ruling with the FCC requesting that the FCC find that (1) the faxes at issue in the action complied, or substantially complied with the FCC regulation, and thus did not violate it, or (2) the FCC regulation was not properly promulgated under the TCPA. Warner Chilcott filed a similar petition with the FCC. On January 31, 2014, the FCC issued a Public Notice seeking comment on Forest's and several other similar petitions. On October 30, 2014, the FCC issued a final order on the FCC Petition granting Forest and several other petitioners a retroactive waiver of the opt-out notice requirement for all faxes sent with express consent. The litigation plaintiffs, who had filed comments on the January 2014 Public Notice, have appealed the final order to the Court of Appeals for the District of Columbia. Forest and other petitioners intervened in the appeal seeking review of that portion of the FCC final order addressing the statutory basis for the opt out/express consent portion of the regulation. Oral argument before the appellate court took place on November 8, 2016. On March 31, 2017, the Court of

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Appeals issued a decision which held that the FCC regulation at issue was not properly promulgated under the TCPA. Plaintiffs have filed a petition for certiorari with the United States Supreme Court.

Prescription Opioid Drug Abuse Litigation. The Company has been named as a defendant in approximately 470 matters relating to the promotion and sale of prescription opioid pain relievers and additional suits may be filed.

On May 21, 2014, the California counties Santa Clara and Orange filed a lawsuit in California state court on behalf of the State of California against several pharmaceutical manufacturers. Plaintiffs named Actavis plc (now known as Allergan plc) in the suit. The California plaintiffs filed an amended complaint on June 9, 2014. The California complaint alleges that the manufacturer defendants engaged in a deceptive campaign to promote their products in violation of state laws. The complaint seeks an unspecified amount of monetary damages, penalties and injunctive relief. On August 27, 2015, the court stayed the action based on primary jurisdiction arguments raised in the motions to dismiss. On June 3, 2016, the California plaintiffs filed a motion to lift the stay and a motion for leave to file a third amended complaint. On July 1, 2016, the Company and co-defendants filed joint oppositions to the California plaintiffs' motion to lift the stay and motion for leave to file a third amended complaint. On July 27, 2016, the court ordered the California plaintiffs to file another motion for leave to file an amended complaint along with a proposed amended complaint. On October 19, 2016, the court in the California litigation lifted the stay in part permitting defendants to challenge the third amended complaint and for the parties to discuss settlement and maintaining the stay in all other respects. On July 6, 2017, Santa Clara and Orange Counties filed a fourth amended complaint. On March 23, 2018, the court set a trial date of June 18, 2019.

On June 2, 2014, the City of Chicago also filed a complaint in Illinois state court against the same set of defendants, including Actavis plc, that were sued in the California Action. Co-defendants in the action removed the matter to the federal court in Illinois. The Chicago complaint contains similar allegations as the California complaint and also seeks unspecified monetary damages, penalties and injunctive relief. Defendants have moved to dismiss the complaints in each action. On May 8, 2015, the court granted the Company's motion to dismiss the complaint. On August 26, 2015, the City of Chicago filed a second amended complaint. On September 29, 2016, the court in the Chicago litigation granted in part and denied in part defendants' motion to dismiss the second amended complaint. On October 25, 2016, Chicago filed a third amended complaint. On December 15, 2016, the Company moved to dismiss the third amended complaint and filed an answer to the complaint.

On December 15, 2015, the State of Mississippi filed a lawsuit in Mississippi state court against several pharmaceutical manufacturers. The Mississippi action parallels the allegations in the California and Chicago matters and seeks monetary and equitable relief. In March and April 2016, the defendants filed motions to dismiss, stay, and transfer venue in the Mississippi action. On February 13, 2017, the defendants' motion to transfer venue was denied. On March 6, 2017, the defendants filed a petition for permission to appeal interlocutory order denying defendants' motion to transfer venue with the Mississippi Supreme Court.

On May 31, 2017, the State of Ohio filed a lawsuit in Ohio state court against several pharmaceutical manufacturers. The Ohio action parallels the allegations in the Chicago matter and seeks monetary and equitable relief. Since the filing of the complaint by the State of Ohio, additional cases have been filed, including cases filed by the States of Oklahoma and New Mexico, but mainly by political subdivisions of states (ie., counties and municipalities) in state and federal courts across the country. In addition, a putative class action was filed in the United States District Court for the Western District of Arkansas on behalf of Arkansas residents who were prescribed an opioid product or were prescribed an opioid product and were treated for an overdose or addiction against several pharmaceutical manufacturers. The claims in the

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additional cases largely parallel the claims in the California, Chicago, Mississippi and Ohio matters. The Company is aware that other states and political subdivisions are considering filing comparable actions against, among others, manufacturers and parties that promoted prescription opioid pain relievers.

Testosterone Replacement Therapy Class Action. On November 24, 2014, the Company was served with a putative class action complaint filed on behalf a class of third party payers in federal court in Illinois. The suit alleges that the Company and other named pharmaceutical defendants violated various laws including the federal RICO statute and state consumer protection laws in connection with the sale and marketing of certain testosterone replacement therapy pharmaceutical products ("TRT Products"), including the Company's Androderm® product. This matter was filed in the TRT Products Liability MDL, described in more detail below, notwithstanding that it is not a product liability matter. Plaintiff alleges that it reimbursed third parties for dispensing TRT Products to beneficiaries of its insurance policies. Plaintiff seeks to obtain certain equitable relief, including injunctive relief and an order requiring restitution and/or disgorgement, and to recover damages and multiple damages in an unspecified amount. Defendants filed a joint motion to dismiss the complaint, after which plaintiff amended its complaint. Defendants jointly filed a motion to dismiss the amended complaint, which was granted in part and denied in part on February 3, 2016. The Court dismissed plaintiff's substantive RICO claims against the Company for mail and wire fraud for failure to plead with particularity under Rule 9(b) but granted plaintiffs leave to replead. The court also dismissed plaintiff's state law statutory claims and common law claims for fraud and unjust enrichment. The Court declined to dismiss plaintiff's conspiracy claims pursuant to 18 U.S.C. § 1962(d) and its claims for negligent misrepresentation. Plaintiff filed a third amended complaint on April 7, 2016. Defendants jointly filed a motion to dismiss the third amended complaint on May 5, 2016. On August 2, 2016, the court dismissed all claims in the Third Amended Complaint against the Company except plaintiff's RICO conspiracy claim. On August 29, 2016, the Company filed a Motion for Reconsideration or, in the alternative, Motion to Certify for Interlocutory Appeal, which the court denied on September 8, 2016. Discovery is in the early stages. Plaintiffs filed a motion for class certification on November 6, 2017. On March 5, 2018, Defendants filed papers in opposition to Plaintiffs' class certification motion.

TNS Products Litigation. On March 19, 2014, a class action complaint was filed in the federal district court in California on behalf of a putative class of consumers. The complaint alleges violations of the California Unfair Competition Law, the Consumers Legal Remedies Act, and the False Advertising Law, and deceit. On June 2, 2014, plaintiff filed a first amended complaint. On June 23, 2014, Allergan filed a motion to dismiss the first amended complaint. On September 5, 2014, the court granted-in-part and denied-in-part Allergan's motion to dismiss. On September 8, 2014, the court set trial for September 1, 2015. On November 4, 2014, Allergan and SkinMedica filed a motion to dismiss. On January 7, 2015, Allergan and SkinMedica's motion to dismiss was denied. On February 19, 2015 plaintiff filed a third amended complaint. On May 27, 2015, the case was stayed pending the decision of the Ninth Circuit Court of Appeals in another matter involving similar legal issues. On January 12, 2018, the parties reached a settlement. On January 16, 2018, the matter was dismissed.

Xaleron Dispute. On February 5, 2016, Xaleron Pharmaceuticals, Inc. filed a lawsuit against Allergan, Inc. and Actavis, Inc., now known as Allergan Finance, LLC, in state court in New York. The complaint, filed on February 26, 2016, alleges the defendants misappropriated Xaleron's confidential business information and asserts claims for unfair competition, tortious interference with prospective economic advantage and unjust enrichment. The Company filed a motion to dismiss the complaint on April 15, 2016. On September 13, 2016, the court issued a decision denying the Company's motion. Defendants filed an answer

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to the complaint and the parties are now engaged in discovery. Summary judgment motions are due to be filed on April 4, 2018.

Zeltiq Shareholder Litigation. On March 14, 2017, a putative shareholder class action lawsuit was filed against Zeltiq Aesthetics, Inc. ("Zeltiq") and various directors as well as Allergan entities in Delaware federal court. Plaintiffs allege that the proxy statement filed in connection with the Company's acquisition of Zeltiq Aesthetics, Inc. misrepresented material information that prevented Zeltiq's shareholders from making a fully informed decision on the proposed sale to Allergan, including failure to disclose GAAP reconciliation of Zeltiq's non-GAAP projections. The Allergan entities were named under a supervisory role theory. On March 29, 2017, a similar putative shareholder class action lawsuit was filed in California federal court against Zeltiq Aesthetics, Inc. and various directors seeking a preliminary injunction. Allergan was not named as a defendant. Zeltiq filed an amendment to its Definitive Proxy Statement on April 11, 2017, which includes supplemental disclosures that address plaintiffs' claims. On the same date, plaintiffs in the California action withdrew their motion for a preliminary injunction. On May 23, 2017, plaintiffs in the California action voluntarily dismissed their complaint, with prejudice as to the named plaintiff and without prejudice as to the class members. The parties reached an agreement to settle this dispute and plaintiffs voluntarily dismissed this action.

Zeltiq Advertising Litigation. On April 26, 2017, a putative class action lawsuit was filed against Zeltiq in state court in California alleging that Zeltiq misled customers regarding the promotion of its CoolSculpting product and the product's premarket notification clearance status. On May 30, 2017, the case was removed to the United States District Court for the Central District of California. On July 20, 2017, Plaintiffs filed an amended complaint. In August 2017, Zeltiq filed a motion to dismiss the amended complaint.

Employment Litigation

In July 2012, Forest was named as defendants in an action brought by certain former Company sales representatives and specialty sales representatives in the federal district court in New York. The action is a putative class and collective action, and alleges class claims under Title VII for gender discrimination with respect to pay and promotions, as well as discrimination on the basis of pregnancy, and a collective action claim under the Equal Pay Act. The proposed Title VII gender class includes all current and former female sales representatives employed by the Company throughout the U.S. from 2008 to the date of judgment, and the proposed Title VII pregnancy sub-class includes all current and former female sales representatives who have been, are, or will become pregnant while employed by the Company throughout the U.S. from 2008 to the date of judgment. The proposed Equal Pay Act collective action class includes current, former, and future female sales representatives who were not compensated equally to similarly-situated male employees during the applicable liability period. The second amended complaint also includes non-class claims on behalf of certain of the named Plaintiffs for sexual harassment and retaliation under Title VII, and for violations of the Family and Medical Leave Act. On August 14, 2014, the court issued a decision on the Company's motion to dismiss, granting it in part and denying it in part, striking the plaintiffs' proposed class definition and instead limiting the proposed class to a smaller set of potential class members and dismissing certain of the individual plaintiffs' claims. Plaintiffs filed a motion for conditional certification of an Equal Pay Act collective action on May 22, 2015 which the Company has opposed. On September 2, 2015, the court granted plaintiffs motion to conditionally certify a collective action. On April 3, 2017, the parties agreed to settle this matter. On February 1, 2018, the court granted preliminary approval of the settlement and set a fairness hearing for May 4, 2018.

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Patent Litigation

Patent Enforcement Matters

Aczone® Gel, 7.5%. In June and July 2017, Allergan, Inc. brought actions for infringement of U.S. Patent No. 9,517,219 (the "'219 patent") in the U.S. District Court for the District of Delaware against Taro Pharmaceutical Industries Ltd. and Taro Pharmaceuticals, Inc. (collectively, "Taro"). Taro had notified Allergan in April and July 2017, that it filed an ANDA with the FDA seeking to obtain approval to market a generic version of Aczone® Gel, 7.5% before the '219 patent expires in November 2033. These lawsuits triggered automatic stays of approval of Taro's ANDA that expire no earlier than October 2019 and January 2020, respectively (unless there is a final court decision adverse to Plaintiff sooner). Trial has been tentatively scheduled for February 4, 2019.

Amrix®. In August 2014, Aptalis Pharmatech, Inc. ("Aptalis") and Ivax International GmbH ("Ivax"), Aptalis's licensee for Amrix, brought an action for infringement of U.S. Patent No. 7,790,199 (the "'199 patent"), and 7,829,121 (the "'121 patent") in the U.S. District Court for the District of Delaware against Apotex Inc. and Apotex Corp. (collectively "Apotex"). Apotex has notified Aptalis that it has filed an ANDA with the FDA seeking to obtain approval to market a generic version of Amrix before these patents expire. (The '199 and '121 patents expire in November 2023.) This lawsuit triggered an automatic stay of approval of Apotex's ANDA until no earlier than December 27, 2016 (unless there is a final court decision adverse to Plaintiffs sooner, and subject to any other exclusivities, such as a first filer 180 day market exclusivity). A bench trial concluded on November 17, 2015. On December 8, 2016, the court entered an order, opinion and judgment in favor of Plaintiffs and against Apotex, that Apotex infringes the asserted claims of the '199 and '121 patents. On December 8, 2016, Apotex filed a notice of appeal. The Federal Circuit heard oral arguments on December 5, 2017. On January 4, 2018, the Federal Circuit issued a decision reversing the district court's claim construction, vacating the district court's infringement finding, and remanding for further proceedings. Aptalis and Ivax filed a combined petition for panel rehearing or rehearing *en banc* on February 26, 2018. On March 23, 2018, the Federal Circuit invited Apotex to submit by April 6, 2018 a response to the petitions for rehearing. The petitions are currently pending.

On September 29, 2016, Adare Pharmaceuticals, Inc., and Ivax filed suit in U.S. District Court for the District of Delaware against Apotex asserting that Apotex's generic product will infringe U.S. Patent No. 9,399,025 (the "'025 patent"). (The '025 patent expires in November 2023.). On March 17, 2017, the district court granted the parties' joint stipulation to stay the action concerning the '025 patent.

Bystolic®. On January 19, 2018, Allergan Sales, LLC, Allergan USA, Inc., and Forest Laboratories Holdings, Ltd. (collectively, "Allergan") brought an action for infringement of U.S. Patent No. 6,545,040 in the United States District Court for the District of Delaware against Aurobindo Pharma USA, Inc. and Aurobindo Pharma Ltd. (collectively, "Aurobindo"). Aurobindo had notified Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity) that Aurobindo had filed an ANDA with FDA seeking to obtain approval to market generic versions of Bystolic® 2.5 mg, 5 mg, 10 mg, and 20 mg nebivolol hydrochloride tablet products before the '040 Patent expires in December 17, 2021. This lawsuit triggered an automatic stay of approval of Aurobindo's ANDA that expires no earlier than June 2020 (unless there is a final court decision adverse to Plaintiffs sooner). No trial date or case schedule has been set.

Previously, the Company had asserted the '040 patent in actions against Actavis, Alkem, Amerigen, Glenmark, Hetero, Indchemie and Torrent, and related subsidiaries and affiliates thereof (collectively, "the Original

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Defendants"), and reached settlements terminating those actions. As previously announced, under the terms of the settlement agreements, the Company will provide licenses to each of the Original Defendants that will permit them to launch their generic versions of Bystolic as of the date that is the later of (a) three calendar months prior to the expiration of the '040 patent, including any extensions and/or pediatric exclusivities, or (b) the date each company receives final FDA approval of its ANDA, or earlier in certain circumstances.

Byvalson®. On September 18, 2017, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity) and Forest Laboratories Holdings, Ltd. (collectively, "Forest") brought an action for infringement of U.S. Patent Nos. 7,803,838 (the "'838 patent") and 7,838,552 (the "'552 patent") in the U.S. District Court for the District of New Jersey against Prinston Pharmaceutical Inc., Zhejiang Huahai Pharmaceutical Co., Ltd., Huahai US Inc. and Solco Healthcare US, LLC (collectively, "Prinston"). Prinston notified Forest that it filed an ANDA with the FDA seeking to obtain approval to market a generic version of Byvalson® before the '838 and '552 patents expire. The '838 patent expires in August 2026, and the '552 patent expires in October 2027. This lawsuit triggered an automatic stay of approval of the Prinston ANDA until February 2020 (unless a court issues a decision adverse to Forest sooner). On February 5, 2018, Prinston Pharmaceutical Inc. filed its answer and counterclaims. No trial date or schedule has been set.

Combigan® II-III. In 2012, Allergan filed a complaint against Sandoz, Alcon, Apotex and Watson in the U.S. District Court for the Eastern District of Texas, Marshall Division, alleging that their proposed products infringe U.S. Patent Number 8,133,890 (the "890 Patent"), and subsequently amended their complaint to assert infringement of U.S. Patent Number 8,354,409. In March 2013, Allergan received a Paragraph IV certification from Sandoz, contending that the '890 Patent is invalid and not infringed by the proposed generic product. In October 2013, Allergan filed a motion to stay and administratively close the Combigan II matter, which was granted. In April 2015, Allergan filed a stipulation of dismissal and the U.S. District Court granted the Order with respect to the Watson defendants. In October 2015, the U.S. District Court entered an order consolidating the *Combigan® III* matter *C.A. 2:15-cv-00347-JRG* into this matter *C.A. 2:12-cv-00207-JRG*, as lead case. A Markman Hearing was held on March 2, 2016.

On May 19, 2016, Sandoz filed an opposed motion for leave to amend its answer and counterclaim seeking to add a count for declaratory judgment of invalidity of the '149 Patent. On July 20, 2016, Alcon and Sandoz filed motions for summary judgment of invalidity and non-infringement of claim 4 of the '149 Patent, and Allergan filed a motion for summary judgment of infringement of claim 4 of the '149 Patent and to preclude Sandoz from re-challenging the validity of that claim. On September 30, 2016, the court denied the parties' motions for summary judgment. A bench trial concluded on October 27, 2016. On December 30, 2016, the court entered an opinion and final judgment in favor of Allergan and against Sandoz, that the asserted claims of the '149 Patent, and U.S. Patent Numbers 7,320,976 ("'976 Patent") and 8,748,425 (the "'425 Patent"), were not invalid, and that Sandoz infringes the asserted claims of the '425 Patent. The court also held in favor of Sandoz and against Allergan, that Sandoz does not infringe the asserted claims of the '149 and '976 Patents. Sandoz filed a notice of appeal to U.S. Court of Appeals for the Federal Circuit on January 17, 2017, and Allergan filed a notice of cross appeal on January 27, 2017. The Federal Circuit heard oral arguments on October 2, 2017. On December 22, 2017, the Federal Circuit issued a decision affirming the district court's finding of no invalidity of the asserted claims and non-infringement of the claims of the '149 and '976 Patents, and reversing the district court's finding of infringement of claim 1 of the '425 Patent. On January 22, 2018, Allergan filed a combined petition for panel rehearing or rehearing *en banc*. On March 12, 2018, Sandoz filed an opposition to Allergan's petitions. The petitions are currently pending.

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Combigan® IV. On October 30, 2017, Allergan Sales, LLC and Allergan, Inc. filed a complaint against Sandoz, Inc. and Alcon Laboratories, Inc. ("Sandoz") in the U.S. District Court for the District of New Jersey, alleging that their proposed generic versions of Combigan® infringe U.S. Patent Number 9,770,453 (the "'453 Patent"). On March 6, 2018, Allergan and Sandoz submitted a stipulation and proposed order to grant Allergan leave to file an amended complaint to assert additional claims of infringement of U.S. Patent Nos. 9,907,801 (the "'801 Patent") and 9,907,802 (the "'802 Patent"). The '453, '801 and '802 Patents are listed in the Orange Book for Combigan® and expire on April 19, 2022. Trial is scheduled for some time in November/December 2018.

Delzicol®. On August 28, 2015, Warner Chilcott Company, LLC, Warner Chilcott (US), LLC, and Qualicaps Co., Ltd. (collectively, "Plaintiffs") brought an action for infringement of U.S. Patent No. 6,649,180 (the "'180 patent") in the United States District Court for the Eastern District of Texas against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries Ltd. (collectively, "Teva"). Teva notified Plaintiffs that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Delzicol® before the '180 patent expires in April 2020. This lawsuit triggered an automatic stay of approval of Teva's ANDA that expires no earlier than January 2018 (unless there is a final court decision adverse to Plaintiffs sooner). Trial was scheduled for October 2017. On November 9, 2015, Plaintiffs also brought an action for infringement of '180 patent in the United States District Court for the Eastern District of Texas against Mylan Pharmaceuticals, Inc., Mylan Laboratories Limited and Mylan, Inc. (collectively, "Mylan"). Mylan notified Plaintiffs that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Delzicol® before the '180 patent expires in April 2020. This lawsuit triggered an automatic stay of approval of Mylan's ANDA that expires no earlier than March 2018 (unless a court issues a decision adverse to Plaintiffs sooner). Trial was scheduled for October 2017. In March 2016, the court entered an order consolidating the Mylan litigation (*C.A. 2:15-cv-01740*) with the Teva litigation (*C.A. 2:15-cv-01471*) matter as the lead case.

On April 1, 2016, Warner Chilcott Company, LLC, Warner Chilcott (US), LLC, Allergan Pharmaceuticals International Ltd., Allergan USA, LLC and Qualicaps Co., Ltd. (collectively, "Plaintiffs") brought an action for infringement of the '180 patent in the United States District Court for the Eastern District of Texas against Zydus International Pvt. Ltd., Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Ltd. (collectively, "Zydus"). Zydus notified the Company that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Delzicol® before the '180 patent expires. On November 28, 2016, Plaintiffs entered into a settlement agreement with Zydus. Under the terms of the settlement agreement, Zydus may launch its generic version of Delzicol® on March 1, 2020, or earlier under certain circumstances.

On March 31, 2017, Plaintiffs filed a motion to stay the litigation against Teva, and, on April 11, 2017, Plaintiffs filed a motion to dismiss the originally-filed action against Teva for lack of subject matter jurisdiction. On April 21, 2017, Plaintiffs brought an action for infringement of the '180 patent in the United States District Court for the Eastern District of Texas against Teva Pharmaceuticals USA, Inc., which had notified Plaintiffs that, on or before March 9, 2017, it had amended its ANDA seeking to obtain approval to market generic versions of Delzicol®. Teva also notified Plaintiffs that it had submitted to FDA a new paragraph IV certification for the '180 patent in connection with its ANDA. On July 25, 2017, the Magistrate Judge denied Plaintiffs' motion to stay the originally-filed action against Teva and also issued a Report and Recommendation denying Plaintiffs' motion to dismiss the same action. On August 7, 2017, Teva and Mylan filed motions for summary judgment of non-infringement, and Teva filed a motion for summary judgment for alleged improper Orange Book listing. On September 28, 2017, the Magistrate Judge

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issued a Report and Recommendation granting Teva's and Mylan's motions for summary on non-infringement and denying, as moot, Teva's summary judgment motion concerning Orange Book listing. On October 13, 2017, Plaintiffs and Defendants filed objections to the Magistrate Judge's Report and Recommendation on non-infringement. On October 24, 2017, the District Court adopted the Magistrate Judge's recommendation as to non-infringement and issued final judgment on that issue. The District Court also ruled that defendants' counterclaims be taken up after finality is achieved with respect to the non-infringement issue. On November 21, 2017, Plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit.

On December 18, 2017, Plaintiffs Allergan Sales, LLC and Qualicaps Co., Ltd. entered into a settlement agreement with Mylan and the actions with respect to Mylan were subsequently dismissed. Under the terms of the settlement agreement, Mylan may launch its generic version of Delzicol® on July 1, 2019, or earlier under certain circumstances. On March 1, 2018, plaintiffs filed their opening appeal brief with respect to Teva, the remaining defendant.

Delzicol® IPR. On November 4, 2016, Mylan Pharmaceuticals Inc. ("Mylan") filed a petition for *Inter Partes* Review ("IPR") with the USPTO regarding U.S. Patent No. 6,649,180 (the "'180 patent"). Qualicaps Co., Ltd.'s filed a patent owner preliminary response on February 17, 2017. On May 17, 2017, the USPTO granted Mylan's petition to institute an IPR on certain grounds with respect to claims 1 and 4 of the '180 patent. On July 21, 2017, Qualicaps filed a patent owner response. September 15, 2017, Mylan filed a reply. A hearing is scheduled for January 25, 2018. On December 18, 2017, Allergan Sales, LLC and Qualicaps Co., Ltd. entered into a settlement agreement with Mylan and certain Mylan affiliates. On December 19, 2017, the USPTO granted the parties' joint motion to terminate the IPR proceedings.

Fetzima®. In September and October 2017, certain Allergan subsidiaries and Pierre Fabre Medicament received Paragraph IV certification notice letters from Amneal Pharmaceuticals LLC, Aurobindo Pharma USA, Inc., MSN Laboratories Private Limited, Prinston Pharmaceutical Inc., Torrent Pharmaceuticals Limited, West-Ward Pharmaceuticals International Limited, and Zydus Pharmaceuticals (USA) Inc. indicating that they had submitted to FDA ANDAs seeking approval to manufacture and sell generic versions of FETZIMA® 20 mg, 40 mg, 80 mg, and 120 mg extended release capsules ("FETZIMA") before the expiration of the three patents listed in the Orange Book, including U.S. Patent Nos. RE43,879 (the "'879 Patent"); 8,481,598 (the "'598 Patent"); and 8,865,937 (the "'937 Patent"). The '879 Patent expires in June 2023 (not including a pending application for patent term extension ("PTE")), the '598 patent expires in March 2031, and the '937 Patent expires in May 2032. These generic ANDA filers claim in their respective notice letters that the '879 Patent, the '598 Patent and the '937 Patent are invalid and/or would not be infringed.

On October 30, 2017, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity) and Forest Laboratories Holdings Limited, Allergan USA, Inc., and Pierre Fabre Medicament S.A.S. (collectively, "Forest") brought an action for infringement of the '879 Patent, the '598 Patent and the '937 Patent against MSN Laboratories Private Limited and MSN Pharmaceuticals Inc. (collectively, "MSN"). On October 31, 2017, Forest brought actions for infringement of the '879 Patent, the '598 Patent, and the '937 Patent against Prinston Pharmaceutical Inc. and Solco Healthcare U.S., LLC (collectively, "Prinston"), Torrent Pharmaceuticals Limited and Torrent Pharma Inc. (collectively, "Torrent"), West-Ward Pharmaceuticals International Limited and West-Ward Pharmaceuticals Corp. (collectively, "West-Ward"), and Zydus Pharmaceuticals (USA) Inc. ("Zydus"). On November 15, 2017, Forest brought actions for infringement of the '879 Patent, the '598 Patent and the '937 Patent against Aurobindo Pharma USA, Inc. and Aurobindo Pharma Limited (collectively, "Aurobindo"), and Amneal

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Pharmaceuticals LLC and Amneal Pharmaceuticals Private Limited (collectively, "Amneal"). Each of these lawsuits were brought in the U.S. District Court for the District of New Jersey and triggered automatic stays of approval of the ANDAs until January 2021 (unless a court issues a decision adverse to Forest sooner).

In December 2017 and January 2018 MSN, Torrent, West-Ward, Zydus, and Amneal filed answers and counterclaims, and Prinston and Aurobindo filed answers, in their respective actions. In January 2018 Forest filed answers to MSN, Torrent, West-Ward and Zydus's counterclaims. On February 8, 2018, the district court consolidated the MSN, Prinson, Torrent, West-Ward, Zydus, Aurobindo and Amneal actions. No trial date has been set.

Juvéderm® XC IPRs. On August 2, 2017, Teoxane S.A. ("Teoxane") filed a petition for *Inter Partes* Review (Trial number IPR2017-01906) with the USPTO regarding U.S. Patent No. 8,357,795, which was accorded a filing date of September 13, 2017. And on August 24, 2017, Teoxane filed a petition for *Inter Partes* Review (Trial Number IPR2017-02002) with the USPTO regarding U.S. Patent Number 8,450,475, which was accorded a filing date of September 13, 2017. On December 13, 2017, Allergan filed Patent Owner Preliminary Responses. On January 9, 2018, the USPTO granted Teoxane's opposed request to file a reply brief and Allergan's request to file a sur-reply brief. Teoxane filed its reply on January 15, 2018, and Allergan filed its sur-reply on January 22, 2018. On March 9, 2018, the USPTO denied institution of both Teoxane IPRs.

Lastacaft®. In July 2017, the Company and Vistakon Pharmaceuticals, LLC received a Paragraph IV certification notice letter from Aurobindo Pharma USA Inc. ("Aurobindo") indicating that it had submitted to FDA an ANDA seeking approval to manufacture and sell a generic version of LASTACAFT® ("LASTACAFT") before the expiration of U.S. Patent No. 8,664,215 (the "'215 Patent) listed in the Orange Book. The '215 Patent expires December 2027. Aurobindo claims that the patent listed in its notice letter is invalid, unenforceable and/or would not be infringed. On September 8, 2017, Allergan, Inc. and Vistakon Pharmaceuticals, LLC (collectively, "Plaintiffs"), brought an action for infringement of the '215 Patent in the U.S. District Court for the District of Delaware against Aurobindo Pharma Ltd., Aurobindo Pharma USA, Inc. and Auromedics Pharma LLC (collectively, "Defendants"). This lawsuit triggered an automatic stay of approval of the applicable ANDA that expires no earlier than January 2020 (unless there is a final court decision adverse to Plaintiffs sooner). On October 10, 2017 Aurobindo filed an answer and counterclaims. On October 31, 2017 Plaintiffs filed an answer to Aurobindo's counterclaims. Trial has been scheduled for July 2019.

Latisse® IV. In December 2016, Sandoz announced the U.S. market launch of Defendants' generic copy of LATISSE®. In July 2017, Plaintiffs Allergan and Duke University (collectively, "Plaintiffs") filed a complaint for infringement of U.S. Patent Number 9,579,270 ("'270 Patent") against Defendants Sandoz Inc. ("Sandoz") and Alcon Laboratories, Inc. ("Alcon") in the U.S. District Court for the Eastern District of Texas (EDTX). (The '270 patent expires in January 2021.) In their complaint, Plaintiffs seek, among other things, a judgment that Defendants have infringed the '270 patent by making, selling, and offering to sell, and/or importing, their generic copy of LATISSE® within the United States. Plaintiffs seek injunctive relief and damages for Defendants' infringement. On September 14, 2017, Defendants filed a joint motion to transfer venue to the Middle District of North Carolina ("MDNC"). On September 14, 2017, Defendants also filed a complaint in the MDNC for declaratory judgment seeking, among other things, a declaration of invalidity, unenforceability and non-infringement of the '270 patent, a declaration precluding Allergan and Duke University from asserting the '270 based on collateral estoppel and a declaratory judgment that assertion of the '270 patent constitutes patent misuse, sham litigation and a violation of the Sherman Act. In the MDNC complaint Sandoz and Alcon seek an unspecified amount of treble damages.

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In the EDTX action: On October 31, 2017, Plaintiffs filed their opposition to Defendants' motion to transfer venue to the MDNC and filed an opposed motion to transfer venue to the District of New Jersey ("DNJ"). Briefing was completed on November 21, 2017. In November 2017, Plaintiffs filed a motion to dismiss Defendants' counterclaims, or alternatively, to bifurcate and stay Defendants' antitrust and misuse counterclaims. Briefing was completed on November 30, 2017. In November 2017, Defendants filed an opposed motion to stay all proceedings in the EDTX action pending the Court's resolution of the Parties' pending motions to transfer venue. Briefing was completed on December 13, 2017. In November 2017, Defendants filed an opposed motion to dismiss or transfer pursuant to 28 U.S.C. §1400(b) and §1406(a). Briefing was completed on December 14, 2017. Each of the above motions is currently pending, and jury selection in the EDTX action has been scheduled for December 2018.

In the MDNC action: On September 14, 2017, Sandoz and Alcon filed a joint motion for summary judgment based on collateral estoppel. In November 2017, Allergan filed an opposed motion to dismiss for lack of jurisdiction, which is still pending. In November 2017, Allergan filed an opposed motion to stay summary judgment proceedings, which was denied on December 12, 2017. On January 8, 2018, Allergan filed its response in opposition to Sandoz and Alcon's motion for summary judgment, and on January 22, 2018, Sandoz and Alcon filed their reply. On February 1, 2018, the MDNC court action was stayed pending resolution of the motions to transfer venue in the EDT action.

In addition, in August 2017, the Company and Duke University received a Paragraph IV certification notice letter from Alembic Pharmaceuticals, Ltd. ("Alembic") indicating that it had submitted to FDA an ANDA seeking approval to manufacture and sell a generic version of LATISSE® ("LATISSE") before the expiration of U.S. Patent Nos. 8,038,988 (the "'988 Patent"), 8,101,161 (the "'161 Patent"), 8,263,054 (the "'054 Patent"), 8,541,466 (the "'466 Patent"), 8,632,760 (the "'760 Patent"), 8,758,733 (the "'733 Patent"), 8,906,962 (the "'962 Patent"), 8,986,715 (the "'715 Patent"), 9,216,183 (the "'183" Patent), 9,226,931 (the "'931 Patent) and 9,579,270 (the "'270 Patent"). (The '466, '962 and '270 Patents expire in January 2021; the '054, '760, '733, '715, '183, and '931 Patents expire in January 2023; the '988 Patent expires in August 2023; and the '161 Patent expires in May 2024). Alembic claims that the patents listed in its notice letter are invalid, unenforceable and/or would not be infringed. On September 25, 2017, Allergan, Inc., Allergan Sales, LLC and Duke University (collectively, "Plaintiffs"), brought an action for infringement of the '270 Patent in the U.S. District Court for the District of New Jersey against Alembic Pharmaceuticals, Ltd., Alembic Global Holding SA, and Alembic Pharmaceuticals, Inc. (collectively, "Alembic"). This lawsuit triggered an automatic stay of approval of the applicable ANDA that expires no earlier than February 2020 (unless there is a final court decision adverse to Plaintiffs sooner). On December 26, 2017, Alembic filed its answer and counterclaims. On January 5, 2018, defendant Alembic Global Holding SA was dismissed without prejudice. No trial date has been set.

Linzess®. In October and November 2016, the Company and Ironwood received Paragraph IV certification notice letters from Teva Pharmaceuticals USA, Inc. ("Teva") , Aurobindo Pharma Ltd., Mylan Pharmaceuticals Inc. ("Mylan"), and Sandoz Inc. ("Sandoz") indicating that they had submitted to FDA ANDAs seeking approval to manufacture and sell generics version of LINZESS® 145 mcg and 290 mcg capsules ("LINZESS") before the expiration of some or all of the nine patents then listed in the Orange Book, including U.S. Patent Nos. 7,304,036 (the "'036 Patent"); 7,371,727 (the "'727 Patent"); 7,704,947 (the "'947 Patent"); 7,745,409 (the "'409 Patent"); 8,080,526 (the "'526 Patent"); 8,110,553 (the "'553 Patent"); 8,748,573 (the "'573 Patent"); 8,802,628 (the "'628 Patent"); and 8,933,030 (the "'030 Patent"). (The '727, '947, '409, '526 and '553 Patents expire in January 2024; the '036 Patent expires in August 2026; and the '573, '628 and '030 Patents expire in 2031.) Teva, Aurobindo Pharma Ltd., Mylan and

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Sandoz claim that the patents discussed in their respective notice letters are invalid, unenforceable and/or would not be infringed. On November 30, 2016, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity), Forest Laboratories Holdings, Ltd., Allergan USA, Inc. and Ironwood Pharmaceuticals, Inc. (collectively, "Plaintiffs"), brought an action for infringement of some or all of the '036, '727, '947, '409, '526, '553, '573, '628 and '030 Patents in the U.S. District Court for the District of Delaware against Aurobindo Pharma Ltd., Aurobindo Pharma USA, Inc. (collectively, "Aurobindo"), Teva, Mylan and Sandoz. This lawsuit triggered an automatic stay of approval of the applicable ANDAs that expires no earlier than February 2020 (unless there is a final court decision adverse to Plaintiffs sooner). Mylan filed its answer on December 22, 2016. Teva and Sandoz filed their respective answers and counterclaims on January 20 and January 30, 2017. Aurobindo filed its answer and counterclaims on April 6, 2017. On May 19, 2017, the district court entered a scheduling order. Trial is scheduled for June 2019. On July 13, 2017, Mylan filed a motion to dismiss for improper venue.

In May 2017, the Company and Ironwood also received a Paragraph IV certification notice letter from Sun Pharma Global FZE indicating that it had submitted to FDA an ANDA seeking approval to manufacture and sell a generic version of LINZESS before the expiration of the '573, '628 and '030 Patents. Sun Pharma Global FZE claims that the patents are invalid and/or would not be infringed. On June 30, 2017, Plaintiffs brought an action for infringement of the '573, '628 and '030 Patents in the U.S. District Court for the District of Delaware against Sun Pharma Global FZE and Sun Pharmaceutical Industries Inc. (collectively, "Sun"). This lawsuit triggered an automatic stay of approval of the applicable ANDAs that expires no earlier than February 2020 (unless there is a final court decision adverse to Plaintiffs sooner). In January 2018, Allergan and Ironwood entered into a settlement agreement with Sun and certain Sun affiliates. Under the terms of the settlement agreement, Plaintiffs will provide a license to Sun to market a generic version of LINZESS in the United States beginning on February 1, 2031 (subject to U.S. FDA approval), or earlier in certain circumstances. The Sun action was dismissed on January 18, 2018.

In July 2017, the Company and Ironwood received a second Notice Letter relating to the ANDA submitted to the FDA by Aurobindo. Aurobindo claims that the '036, '727, '947, '409, '526, '553 Patents, as well as the '573, '628 and '030 Patents, are invalid and/or would not be infringed. On August 25, 2017, Plaintiffs brought an action for infringement of these patents in the U.S. District Court for the District of Delaware against Aurobindo. On September 28, 2017, this action was consolidated with the first action filed against Aurobindo.

In September 2017, October 2017 and January 2018, the Company and Ironwood received second Notice Letters relating to the ANDAs submitted to the FDA by Teva, Mylan and Sandoz, respectively. Teva, Mylan and Sandoz claim that U.S. Patent No. 9,708,371 (the "'371 Patent") is invalid and/or would not be infringed by their respective ANDAs. (The '371 Patent expires in 2033.) On October 20, 2017, November 30, 2017 and January 20, 2018, Plaintiffs brought actions for infringement of the '371 patent in the U.S. District Court for the District of Delaware against Teva, Mylan and Sandoz, respectively. In November 2017, Teva filed an answer and counterclaims seeking a declaratory judgment of invalidity and non-infringement with respect to the '371 patent. In December 2017, Mylan filed an answer in the '371 patent action. The actions filed in October and November 2017 against Teva and Mylan have been consolidated with the lawsuit filed in November 2016.

In December 2017 and February 2018, the Company and Ironwood received Paragraph IV certification notice letters from Teva and Mylan, respectively indicating that they had submitted to FDA ANDAs seeking approval to manufacture and sell generic versions of LINZESS® 72 mcg capsules ("72 mcg ANDA") before the expiration of the '036, '727, '947, '409, '526, '553, '030 and '371 Patents. Teva and Mylan claim that

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these patents are invalid, unenforceable and/or would not be infringed. On February 2, 2018 and March 28, 2018, Forest Laboratories Holdings, Ltd., Allergan USA, Inc., Allergan Sales, LLC and Ironwood Pharmaceuticals, Inc. (collectively, "Plaintiffs"), brought actions for infringement of some or all of the '036, '727, '947, '409, '526, '553, '030 and '371 Patents in the U.S. District Court for the District of Delaware against Teva and Mylan, respectively. These lawsuits triggered automatic stays of approval of Teva's 72 mcg ANDA and Mylan's 72 mcg ANDA that expire no earlier than June 2020 and August 2020, respectively (unless there is a final court decision adverse to Plaintiffs sooner). On March 14, 2018, the district court consolidated the Teva 72 mcg ANDA matter with the lawsuit filed in November 2016.

Namenda XR®. Between January and October 2014, Forest Laboratories, Inc., Forest Laboratories Holdings, Ltd. (collectively, "Forest") and Merz Pharma and Adamas Pharmaceuticals, Forest's licensors for Namenda XR® (all collectively, "Plaintiffs"), brought actions for infringement of some or all of U.S. Patent Nos. 5,061,703 (the "'703 patent"), 8,039,009 (the "'009 patent"), 8,168,209 (the "'209 patent"), 8,173,708 (the "'708 patent"), 8,283,379 (the "'379 patent"), 8,329,752 (the "'752 patent"), 8,362,085 (the "'085 patent"), and 8,598,233 (the "'233 patent") in the U.S. District Court for the District of Delaware against Wockhardt, Teva, Sun, Apotex, Anchen, Zydus, Watson, Par, Mylan, Amneal, Ranbaxy, and Amerigen, and related subsidiaries and affiliates thereof. These companies have notified Plaintiffs that they have filed ANDAs with the FDA seeking to obtain approval to market generic versions of Namenda XR® before these certain patents expire. Including a 6-month pediatric extension of regulatory exclusivity, the '703 patent expires in October 2015, the '009 patent expires in September 2029, and the '209, '708, '379, '752, '085, and '233 patents expire in May 2026. These lawsuits triggered an automatic stay of approval of the applicable ANDAs that expires no earlier than June 2016 (unless there is a final court decision adverse to Plaintiffs sooner). On June 11, 2014, Mylan filed a motion to dismiss for lack of personal jurisdiction, which the district court denied on March 30, 2015. On December 18, 2014, Ranbaxy filed an IPR before the Patent Trial and Appeal Board, U.S. Patent and Trademark Office, with respect to the '085 patent. Adamas filed a preliminary response on April 14, 2015. On May 1, 2015, Forest entered into a settlement agreement with Ranbaxy. On May 15, 2015, the Patent Trial and Appeal Board granted Adamas and Ranbaxy's joint motion to terminate the case. On October 17, 2014, Forest and Actavis Laboratories FL, Inc. (f/k/a Watson Laboratories, Inc.—Florida) filed a stipulation dismissing their respective claims without prejudice. On November 3, 2014, Plaintiffs entered into a settlement agreement with Wockhardt. Under the terms of the settlement agreement, and subject to review of the settlement terms by the U.S. Federal Trade Commission, Plaintiffs will provide a license to Wockhardt that will permit it to launch its generic version of Namenda XR® as of the date that is the later of (a) two (2) calendar months prior to the expiration date of the last to expire of the '703 patent, the '209 patent, the '708 patent, the '379 patent, the '752 patent, the '085 patent, and the '233 patent, including any extensions and/or pediatric exclusivities; or (b) the date that Wockhardt obtains final FDA approval of its ANDA, or earlier in certain circumstances.

On January 13, 2015, Plaintiffs entered into settlement agreements with Anchen and Par. Under the terms of the settlement agreements, and subject to review of the settlement terms by the U.S. Federal Trade Commission, Plaintiffs will provide licenses to Anchen and Par that will permit them to launch their generic versions of Namenda XR® as of the date that is the later of (a) two (2) calendar months prior to the expiration date of the last to expire of the '209 patent, the '708 patent, the '379 patent, the '752 patent, the '085 patent, and the '233 patent, as well as the '009 patent for Par only, including any extensions and/or pediatric exclusivities; or (b) the dates that Anchen and Par obtain final FDA approval of their respective ANDAs, or earlier in certain circumstances. On May 11, 2015, Forest entered into a settlement agreement with Sun. On August 18, 2015, Forest entered into a settlement agreement with Zydus. On September 9, 2015, Forest entered into a settlement agreement with Amneal. Under the terms of the settlement agreement,

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and subject to review of the settlement terms by the U.S. Federal Trade Commission, Plaintiffs will provide a license to Amneal that will permit it to launch its generic version of Namenda XR® beginning January 31, 2020, following receipt by Amneal of final approval from the FDA on its ANDA for generic Namenda XR®; or (b) under certain circumstances, Amneal has an option to launch an authorized generic version of Namenda XR® beginning on January 31, 2021. The Company entered into a settlement agreement with Amerigen on October 20, 2015. The Company entered into a settlement agreement with Mylan on November 16, 2015. The Company entered into a settlement agreement with Lupin on December 22, 2015. On October 9, 2015, the Company also brought an action for infringement of the '009, '209, '708, '379, '752, '085, and '233 patents in the U.S. District Court for the District of Delaware against Accord Healthcare, Inc. and Intas Pharmaceuticals Limited (collectively, "Accord"). The Accord defendants have notified Plaintiffs that they have filed an ANDA with the FDA seeking to obtain approval to market generic versions of Namenda XR® before these patents expire. On January 14, 2016, Forest entered into a settlement agreement with Accord. On December 8, 2015, the Company also brought an action for infringement of the '209, '708, '379, '752, '085, and '233 patents in the U.S. District Court for the District of Delaware against Panacea Biotec, Ltd. ("Panacea"). Panacea has notified Plaintiffs that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Namenda XR® before these patents expire. On May 17, 2016, the Company entered into a settlement agreement with Panacea.

On January 5, 2016, the district court issued a claim construction ruling that included findings of indefiniteness as to certain claim terms in the asserted patents. On February 11, 2016, the Company settled with Apotex. Trial began on February 16, 2016 with the remaining defendant Teva with respect to the '009 patent. Post-trial briefing concluded on April 29, 2016. The Parties have reached agreement on settlement with Teva subject to Court approval.

In June 2016, after reaching an agreement to settle, the parties filed and the court entered a judgment of infringement in favor of Plaintiffs and against Teva regarding the '009 patent. On July 26, 2016, the court entered a final judgment of invalidity of claim 1 of the '209 patent, claims 1, 6, 10 and 15 of the '708 patent, claim 1 of the '379 patent, claims 1 and 9 of the '752 patent, claims 1 and 7 of the '085 patent and claim 1 of the '233 patent in favor of Teva. On August 23, 2016, the Company filed a Notice of Appeal to the U.S. Court of Appeals for the Federal Circuit in the actions involving Teva with respect to the district court's January 5, 2016 claim construction opinion and order, and the July 26, 2016 final judgment of invalidity. The Federal Circuit heard oral arguments on November 9, 2017. On December 11, 2017, the Federal Circuit issued a decision affirming the district court's judgment of invalidity with respect to certain claims of the '209, '708, '379, '752 and '085 patents. On January 10, 2018, Plaintiffs filed a petition for panel rehearing or rehearing *en banc*. On February 12, 2018, the Federal Circuit denied Plaintiffs petitions for panel rehearing and rehearing en banc.

Previously, on September 29, 2016, the Company issued a press release following announcement of ANDA approvals, including FDA final approval by Lupin which stated that if the district court ruling is upheld on appeal to the U.S. Court of Appeals for the Federal Circuit, there is a possibility that generic entry for Namenda XR could occur following an adverse decision.

The Federal Circuit issued the mandate of the court on February 20, 2018, and certain generics launched the generic products shortly thereafter.

In April 2017, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity) received a Paragraph IV certification notice letter from

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Macleods Pharmaceuticals, Ltd. indicating that it had submitted to FDA an ANDA seeking approval to manufacture and sell a generic version of Namenda XR® before the expiration of the '009, '209, '708, '379, '752, '085, and '233 patents. Macleods Pharmaceuticals, Ltd. claims that these patents are invalid, unenforceable and/or would not be infringed. On June 2, 2017, the Company and Adamas Pharma, LLC brought an action for infringement of the '009, '209, '708 and '379 patents in the U.S. District Court for the District of Delaware against Macleods Pharmaceuticals, Ltd. and Macleods Pharma USA, Inc. (collectively, "Macleods"). This lawsuit triggered an automatic stay of approval of the Macleods ANDA that expires no earlier than October 2019 (unless there is a final court decision adverse to Plaintiffs sooner). On September 6, 2017, Macleods filed an answer and counterclaims. On September 27, 2017, Plaintiffs filed an answer to Macleods' counterclaims. On January 24, 2018, the district court consolidated the actions filed against Macleods with respect to Macleods' ANDAs seeking approval to manufacture and sell a generic versions of Namenda XR® and Namzaric®. Trial is scheduled for May 2019.

Namzaric®. On August 27, 2015, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity), Forest Laboratories Holdings, Ltd. and Adamas Pharmaceuticals, Inc. (all collectively, "Plaintiffs"), brought an action for infringement of some or all of U.S. Patent Nos. 8,039,009 (the "'009 patent"), 8,058,291 (the "'291 patent"), 8,168,209 (the "'209 patent"), 8,173,708 (the "'708 patent"), 8,283,379 (the "'379 patent"), 8,293,794 (the "'794 patent"), 8,329,752 (the "'752 patent"), 8,338,485 (the "'485 patent"), 8,338,486 (the "'486 patent"), 8,362,085 (the "'085 patent"), 8,580,858 (the "'858 patent") and 8,598,233 (the "'233 patent") in the U.S. District Court for the District of Delaware against Amneal Pharmaceuticals LLC and Par Pharmaceutical, Inc., and related subsidiaries and affiliates thereof. These companies have notified Plaintiffs that they have filed ANDAs with the FDA seeking to obtain approval to market generic versions of Namzaric® before these certain patents expire. Including a 6-month pediatric extension of regulatory exclusivity, the '009 patent expires in September 2029, and the '209, '708, '379, '752, '085, and '233 patents expire in May 2026. The '291 patent expires in December 2029, and the '794, '485, '486, and '858 patents expire in November 2025. These lawsuits triggered an automatic stay of approval of the applicable ANDAs that expires no earlier than January 2018 (unless there is a final court decision adverse to Plaintiffs sooner). On October 23, 2015, the Company also brought an action for infringement of the '009, '291, '209, '708, '379, '794, '752, '485, '486, '085, '858 and '233 patents in the U.S. District Court for the District of Delaware against Amerigen Pharmaceuticals, Inc. and Amerigen Pharmaceuticals Ltd. (collectively, "Amerigen"). The Amerigen defendants have notified Plaintiffs that they have filed an ANDA with the FDA seeking to obtain approval to market generic versions of Namzaric® before these certain patents expire. On January 5, 2016, the district court in the Namenda XR® patent litigations issued a claim construction ruling that included findings of indefiniteness as to certain claim terms in certain of the patents also asserted in the pending Namzaric® patent litigations. The Company entered into a settlement agreement with Par on April 29, 2016. Under the terms of the settlement agreement, and subject to review of the settlement terms by the U.S. Federal Trade Commission, Plaintiffs will provide a license to Par that will permit it to launch its generic version of Namzaric® as of June 5, 2029, or earlier in certain circumstances. Trial is scheduled for October 2017. In June 2016, Forest filed a motion for leave to file an amended complaint to add the '009 patent against Amneal, which the District Court granted on July 19, 2016. On May 20, 2016, the Company also brought an action for infringement of the '009, '291, '209, '708, '379, '794, '752, '485, '486, '085, '858 and '233 patents in the U.S. District Court for the District of Delaware against Accord Healthcare Inc. USA and Intas Pharmaceuticals Limited (collectively, "Accord"). The Accord defendants have notified Plaintiffs that they have filed an ANDA with the FDA seeking to obtain approval to market generic versions of Namzaric® before these certain patents expire. The Company entered into a settlement agreement with

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Accord on July 20, 2016. On August 30, 2016, Plaintiffs entered into a settlement agreement with Amneal, who is believed to be a first applicant with respect to certain dosage strengths (memantine hydrochloride extended-release and donepezil hydrochloride, 14 mg/10 mg and 28 mg/10 mg) of Namzaric®. Under the terms of the agreement, and subject to review of the settlement terms by the U.S. Federal Trade Commission, Plaintiffs will provide a license to Amneal that will permit it to launch its generic version of Namzaric® as of January 1, 2025, or earlier in certain circumstances. Alternatively, under certain circumstances, Amneal has an option to launch an authorized generic version of Namzaric beginning on January 1, 2026. On October 21, 2016, Plaintiffs entered into a settlement agreement with Amerigen, and the case was dismissed.

On November 10, 2016, the Company also brought an action for infringement of the '009, '291, '485, '486, and '858 patents in the U.S. District Court for the District of Delaware against Apotex Corp and Apotex Inc. ("Apotex"). Apotex has notified Plaintiffs that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Namzaric® before these patents expire. This lawsuit triggered an automatic stay of approval of Apotex's ANDA that expires no earlier than March 2019 (unless there is a final court decision adverse to Plaintiffs sooner). On April 10, 2017, Plaintiffs entered into a settlement agreement with Apotex, and the case was dismissed.

In April 2017, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity) received a Paragraph IV certification notice letter from Macleods Pharmaceuticals, Ltd. ("Macleods") indicating that it had submitted to FDA an ANDA seeking approval to manufacture and sell generic versions of Namzaric® donepezil and memantine hydrochloride extended release capsules (10 mg/14 mg and 10 mg/28 mg) before the expiration of the '009, '291, '209, '708, '379, '794, '752, '485, '486, '085, '858 and '233 patents. Macleods claims that these patents are invalid, unenforceable and/or would not be infringed. On June 2, 2017, the Company and Adamas Pharma, LLC brought an action for infringement of the '009, '291, '485, '486, and '858 patents in the U.S. District Court for the District of Delaware against Macleods Pharmaceuticals, Ltd. and Macleods Pharma USA, Inc. (collectively, "Macleods"). This lawsuit triggered an automatic stay of approval of the Macleods ANDA that expires no earlier than October 2019 (unless there is a final court decision adverse to Plaintiffs sooner). ANDA that expires no earlier than October 2019 (unless there is a final court decision adverse to Plaintiffs sooner). On September 6, 2017, Macleods filed an answer and counterclaims. On September 27, 2017, Plaintiffs filed an answer to Macleods' counterclaims. On January 24, 2018, the district court consolidated the actions filed against Macleods with respect to Macleods' ANDAs seeking approval to manufacture and sell a generic versions of Namenda XR® and Namzaric®. Trial is scheduled for May 2019. On March 9, 2018, the Company entered into a settlement agreement with Macleods with respect to Macleods' proposed generic versions of Namzaric® and the case was dismissed.

Rapaflo®. On June 17, 2013, Actavis, Inc., now known as Allergan Finance, LLC., Watson Laboratories, Inc., (collectively, "Actavis") and Kissei Pharmaceutical Co., Ltd. ("Kissei") sued Hetero USA Inc., Hetero Labs Limited, and Hetero Labs Limited, Unit 3 (collectively, "Hetero") in the United States District Court for the District of Delaware, alleging that sales of silodosin tablets, a generic version of Actavis' Rapaflo® tablets, would infringe U.S. Patent No. 5,387,603 (the "'603 patent"). On June 17, 2013 Actavis and Kissei sued Sandoz Inc. ("Sandoz") in the United States District Court for the District of Delaware, alleging that sales of Sandoz's generic version of Rapaflo® would infringe the '603 patent. The complaint seeks injunctive relief. On December 22, 2014, the Parties completed a settlement agreement with Hetero. Actavis and Kissei's lawsuit against Sandoz have been consolidated. Pursuant to the provisions of the

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Hatch-Waxman Act, the FDA is precluded from granting final approval to the generic applicants prior to April 8, 2016. On April 13, 2017, the Sandoz action was dismissed pursuant to a settlement agreement.

In July 2017, the Company and Kissei received a notice letter from Aurobindo indicating that it had filed a Paragraph IV certification and had submitted to FDA an ANDA seeking approval to manufacture and sell a generic version of RAPAFLO® ("RAPAFLO") before the expiration of U.S. Patent No. 5,387,603 (the "'603 Patent") listed in the Orange Book. (The '603 Patent expires in December 2018). Alembic claims that the patent listed in its notice letter is invalid, unenforceable and/or would not be infringed. On August 18, 2017, Allergan, Finance, LLC, Allergan Sales, LLC and Kissei Pharmaceutical Co., Ltd. (collectively, "Plaintiffs"), brought an action for infringement of the '603 Patent in the U.S. District Court for the District of Delaware against Aurobindo Pharma Ltd., Aurobindo Pharma U.S.A., Inc., and Aurobindo Pharma USA LLC (collectively, "Aurobindo"). This lawsuit triggered an automatic stay of approval of the applicable ANDA through to patent expiration (unless there is a final court decision adverse to Plaintiffs sooner). On September 13, 2017, Aurobindo filed an answer, affirmative defenses and counterclaims. On October 4, 2017 Plaintiffs filed an answer to Aurobindo's counterclaims. Trial has been scheduled for September 2019.

Restasis®. Between August and September 2015, Allergan brought actions for infringement of U.S. Patent Nos. 8,629,111 (the "'111 patent"), 8,633,162 (the "'162 patent"), 8,642,556 (the "'556 patent"), 8,648,048 (the "'048 patent"), and 8,685,930 (the "'930 patent") in the U.S. District Court for the Eastern District of Texas against Akorn, Inc., Apotex, Inc., Mylan Pharmaceuticals, Inc., Teva Pharmaceuticals USA, Inc., InnoPharma, Inc., and Pfizer, Inc., and related subsidiaries and affiliates thereof. On September 14, 2015, Allergan brought an action for infringement of these patents in the U.S. District Court for the District of Delaware against InnoPharma, Inc. and Pfizer, Inc. These companies have notified Allergan that they have filed ANDAs with the FDA seeking to obtain approval to market generic versions of Restasis® before these patents expire in August 2024. In the Texas actions the District Court granted joint motions to dismiss without prejudice Teva Pharmaceutical Industries Ltd. and Pfizer, Inc., on October 12 and October 22, 2015, respectively. Teva Pharmaceuticals USA, Inc. ("Teva") and InnoPharma, Inc. ("InnoPharma") remain defendants in the respective actions. In October 2015, Mylan Pharmaceuticals, Inc. and Mylan, Inc. ("Mylan") filed a motion to dismiss for lack of personal jurisdiction and improper venue, and for failure to state a claim as to Mylan, Inc.; Teva filed a motion to dismiss for lack of personal jurisdiction and improper venue; Apotex, Inc. and Apotex Corp. ("Apotex") filed an answer, affirmative defenses and counterclaim; Akorn, Inc. ("Akorn") filed an answer and counterclaim; and Teva filed an answer, counterclaim and motion to dismiss. Allergan entered into a settlement agreement with Apotex on December 15, 2015. In December 2015, Allergan and Apotex filed a joint stipulation of dismissal and the U.S. District Court granted the Order with respect to the Apotex defendants. In January 2016, the court scheduled a bench trial for August 28, 2017.

In February 2016, Allergan filed an amended complaint to include U.S. Patent Number 9,248,191 (the "'191 patent"). In February and March 2016, Allergan received Paragraph IV letters from Apotex, Mylan and Teva notifying Allergan that they have filed ANDAs with the FDA seeking to obtain approval to market generic versions of Restasis® before the patents expire in August 2024, contending that the '191 patent is invalid and not infringed by their respective proposed generic products.

On March 1, 2016, Allergan received a Paragraph IV letter from Famy Care Limited ("Famy Care") notifying Allergan that they have filed an ANDA with the FDA seeking to obtain approval to market generic versions of Restasis® before the patents expire in August 2024, contending that the '111 patent, the '162 patent, the '556 patent, the '048 patent, the '930 patent, and the '191 patent are invalid and not infringed by

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their respective proposed generic products. In March 2016, the court entered an order requesting supplemental briefs on the effect of the Federal Circuit's *Acorda* decision (No. 2014-1456) on Teva's and Mylan's pending motions to dismiss. In their supplemental briefs, Teva acknowledged that, under the *Acorda* decision, it is subject to specific personal jurisdiction in the Eastern District of Texas and that venue is proper, and Mylan requested that the District Court refrain from taking action on its pending motion until after Mylan has sought panel and *en banc* rehearing in the *Acorda* action. In April 2016, the court issued a memorandum and opinion denying Mylan's and Teva's motions to dismiss. On April 12, 2016, Allergan filed a complaint for infringement of the '111 patent, '162 patent, '556 patent, '048 patent, '930 patent, and the '191 patent in the U.S. District Court for the Eastern District of Texas against Famy Care. In March and April 2016, Allergan filed answers to Teva, Akorn and InnoPharma's counterclaims. On June 6, 2016, Famy Care filed an answer, affirmative defenses and counterclaims. In June 2016, Allergan filed a motion for consolidation and the court entered an order consolidating the Famy Care matter, *C.A. 2:16-cv-00401-WCB*, into *C.A. 2:15-cv-01455-WCB,* (the "Lead" case).

On May 30, 2017, Defendants filed motions for summary judgment for noninfringement, lack of enablement, and for lack of standing, or in the alternative for invalidity under 35 U.S.C. § 102(f). Allergan opposed these summary judgment motions, and briefing was completed on June 27, 2017.

On August 1, 2017, the Court conducted a pre-trial conference and motion hearing. During the conference, (i) Mylan waived its venue objection; and (ii) the court issued oral rulings denying each of Defendants' three motions for summary judgment and stated that written opinions on those motions would follow. Trial began on August 28, 2017, in Marshall, Texas and concluded on September 1, 2017.

On July 20, 2016, Allergan filed a complaint for infringement of the '111 patent, '162 patent, '556 patent, '048 patent, '930 patent, and the '191 patent in the U.S. District Court for the District of Delaware and, on July 21, 2016, a complaint in the U.S. District Court for the Eastern District of Texas against TWi Pharmaceuticals, Inc. and TWi Pharmaceuticals USA, Inc. ("TWi"). TWi notified Allergan that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Restasis® before these certain patents expire. Allergan entered into a settlement agreement with TWi on January 11, 2017. Allergan entered into a settlement agreement with Famy Care on August 28, 2017. Under the terms of the settlement, Allergan will provide a license to Famy Care that will permit it to launch its generic version of Restasis beginning on February 27, 2024, or earlier in certain circumstances. Allergan entered into a settlement agreement with Innopharma on October 12, 2017. Under the terms of the settlement, Allergan will provide a license to Innopharma that will permit it to launch its generic version of Restasis® beginning on February 27, 2024, or earlier in certain circumstances. Additionally, under certain circumstances, Allergan will supply and authorize InnoPharma to launch an authorized generic version of Restasis® on August 28, 2024.

On September 8, 2017, Allergan assigned all Orange Book-listed patents for Restasis® to the Saint Regis Mohawk Tribe ("the Tribe"), a recognized sovereign tribal government, and concurrently was granted an exclusive field-of-use license to practice the patents in the United States for all FDA-approved uses of the products under the Restasis® NDAs. On October 13, 2017, Allergan filed an opposed motion to join the Tribe as a co-plaintiff in the pending action against Teva, Mylan and Akorn. On October 16, 2017, the District Court issued a decision and final judgment finding that the asserted claims of the '111 patent, the '048 patent, the '930 patent and the '191 patent were infringed, but invalid on the ground of obviousness. The District Court also held that the asserted claims were not invalid as anticipated, for lack of enablement, or for improper inventorship, and denied Akorn's counterclaims for attorney fees on the grounds that this

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was not an exceptional case. In a separate Order, the District Court joined the Tribe as a co-plaintiff under Federal Rule of Civil Procedure 25(c) and declined to rule on the validity of the patent assignment to the Tribe.

On October 27, 2017, Plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit. On December 1, 2017, Plaintiffs filed a motion seeking Defendants' production of FDA correspondence and notice of FDA approval, which the Federal Circuit denied on January 3, 2018. The parties' appeal briefing was completed on March 19, 2018. A date for oral argument has not been set.

On December 22, 2016, Allergan filed a complaint for infringement of the '111 patent, '162 patent, '556 patent, '048 patent, '930 patent, and the '191 patent in the U.S. District Court for the Eastern District of Texas against Deva Holding A.S. ("Deva"). Deva notified Allergan that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Restasis® before these certain patents expire. On February 20, 2017, Deva filed an answer, affirmative defenses and counterclaims. On March 28, 2017, Deva filed a motion to stay pending either the USPTO's final written decision in the pending IPR proceedings, or the district court's issuance of a trial opinion in the consolidated actions originally brought in 2015. On July 28, 2017, Deva's stay motion was denied without prejudice. On March 6, 2018, the district court granted in part and denied in part the parties' joint motion for entry of a stipulated order, and stayed the case until such time as the Federal Circuit in the lead appeal case with Teva, Mylan and Akron issues a mandate. The parties' stipulation provides that Deva will be bound by the outcome of that appeal.

Restasis® IPR. On June 6, 2016, Allergan, Inc. received notification letters that Inter Partes Review of the USPTO ("IPR") petitions were filed by Mylan Pharmaceuticals Inc. ("Mylan") regarding U.S. Patent Nos. 8,629,111 (the "'111 patent"), 8,633,162 (the "'162 patent"), 8,642,556 (the "'556 patent"), 8,648,048 (the "'048 patent"), 8,685,930 (the "'930 patent"), and 9,248,191 (the "'191 patent"), which patents expire on August 27, 2024. Mylan filed the IPR petition on June 3, 2016. On June 23, 2016, Allergan received a notification letter that a IPR petition and motion for joinder was filed by Argentum Pharmaceuticals LLC ("Argentum") regarding the '111 patent. On December 7, 2016, Allergan entered into a settlement agreement with Argentum and Argentum's petition was withdrawn. On December 8, 2016, the USPTO granted Mylan's petitions to institute IPRs with respect to these patents. On January 6, 2017, each of Akorn, Famy Care and Teva filed, and on January 9, 2017 the USPTO received, IPR petitions with respect to these patents and motions for joinder with the Mylan IPR. On February 6, 2017, Allergan opposed joinder. On March 20, 2017, Allergan filed patent owner responses. The USPTO granted Teva's and Akorn's joinder motions on March 31, 2017. On April 27, 2017, the USPTO decided not to join Famy Care as a petitioner to the earlier-filed IPR petitions. On July 10, 2017, the USPTO denied Famy Care's motion for joinder with the IPRs instituted in December 2016, and on July 10 and 12, 2017, granted Famy Care's petitions to institute IPRs with respect to these same patents. On May 31, 2017, the USPTO granted-in part a motion by Mylan for additional discovery. On July 14, 2017, Allergan filed a patent owner sur-reply. On July 20, Allergan and Mylan filed requests for oral argument. On July 28, 2017, the USPTO rescheduled the hearing for September 13, 2017.

On September 8, 2017, Allergan assigned all Orange Book-listed patents for Restasis® to the Saint Regis Mohawk Tribe ("the Tribe"), a recognized sovereign tribal government, and concurrently was granted an exclusive field-of-use license to practice the patents in the United States for all FDA-approved uses of the products under the Restasis® NDAs. That same day, the Tribe filed an updated Mandatory Notice with the USPTO to reflect that the Tribe is the patent owner, and sought permission to file a motion to dismiss based on tribal sovereign immunity. During a September 11, 2017 teleconference, the USPTO postponed the

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September 13, 2017 hearing and set a briefing schedule on the Tribe's motion to dismiss. The Tribe filed its opening brief on September 22, 2017, Petitioners filed their opposition brief on October 13, 2017, and the Tribe filed its reply brief on October 20, 2017. On October 4, 2017, the USPTO denied Mylan's request for authorization to file a motion for additional discovery, and denied without prejudice Allergan's counsel's request to withdraw from the IPR proceedings. On November 3, 2017, the USPTO issued an order that (a) granted a motion by High Tech Inventors Alliance requesting authorization to file a brief as *amicus curiae* on the issues presented in the Tribe's motion to terminate, (b) permitted any other *amicus curiae* wishing to file a brief related to the Tribe's motion to terminate to do so, (c) permitted the parties to file a single response to any amicus briefs, (d) denied without prejudice Allergan's counsel's renewed request for authorization to file a motion to withdraw as counsel, and (e) adjusted the time to enter a final written decision in these proceedings to April 6, 2018. On November 29, 2017, the USPTO granted Patent Owner's motions to seal certain portions of certain exhibits. Between December 1 and December 4, 2017, amicus briefs were submitted on behalf of Petitioners and Patent Owner, which both filed responses on December 15, 2017.

On December 21, 2017, Allergan's counsel renewed its request to file a motion to withdraw on the ground that, as of September 8, 2017, Allergan ceased to be an owner of the six patents involved in the IPR proceedings. On January 2, 2018, the USPTO authorized Allergan to file a motion to withdraw. Allergan filed its motion on January 9, 2018, and Petitioners filed its opposition on January 17, 2018. On December 22, 2017, the USPTO granted Petitioners' request to file supplemental briefing limited to addressing the issue of litigation waiver discussed in the USPTO's recent *LSI* and *Ericsson* decisions. Petitioners and Patent Owner filed their supplemental briefs on January 5, and January 12, 2018, respectively.

On January 2, 2018, the Tribe filed a Request for Oral Hearing pursuant to 37 C.F.R. § 42.70(a) seeking certain discovery concerning the identity and impartiality of the merits panel assigned to this IPR. On January 4, 2018, the USPTO issued an order (a) denying the Tribe's request for oral hearing, (b) denying the Tribe's request for authorization to file a motion for additional discovery, (c) ordering the Tribe not to make any further requests for additional discovery directed to the Board in the IPR proceedings, and (d) ordering the Tribe not to file any further papers in the IPR proceedings without prior authorization from the Board. On January 9, 2018, Allergan filed a motion to withdraw from the IPRs on the ground that Allergan ceased to be the patent owner.

On February 23, 2018, the USPTO issued orders denying the Tribe's motion to dismiss (or terminate), denying Allergan's motion to withdraw, setting a rescheduled hearing date for April 3, 2018, and setting a deadline to issue final written decisions by June 8, 2018. On February 28, 2018, the Tribe and Allergan filed a combined notice of appeal.

On March 8, 2018, the Tribe and Allergan filed a motion concerning the PTAB's divested jurisdiction or, in the alternative, for a stay pending the appeal. On March 22, 2018, the USPTO issued an order denying the motion.

On March 16, 2018, the Tribe and Allergan filed with the Federal Circuit a motion to stay the IPR proceedings pending review of their February 28, 2018 appeal.

On March 26, 2018, the Federal Circuit issued an order *sua sponte* expediting the briefing and argument schedule on the merits of the appeal. Appellants' opening appeal brief is due no later than April 18, 2018, Appellees' response is due no later than May 11, 2018, and Appellants' reply is due no later than May 18,

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2018. Oral argument is to be scheduled for some time in June 2018. On March 28, 2018, the Federal Circuit granted the Tribe and Allergan's motion to stay the IPR proceedings. The stay remains in effect until the day after oral argument in the appeals in June 2018, at which time the Federal Circuit will address whether the stay shall remain in effect or whether it will be lifted.

Saphris®. Between September 2014 and May 2015, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity), and Forest Laboratories Holdings Ltd. (collectively, "Forest") brought actions for infringement of some or all of U.S. Patent Nos. 5,763,476 (the "'476 patent"), 7,741,358 (the "'358 patent") and 8,022,228 (the "'228 patent") in the U.S. District Court for the District of Delaware against Sigmapharm Laboratories, LLC, Hikma Pharmaceuticals, LLC, Breckenridge Pharmaceutical, Inc., Alembic Pharmaceuticals, Ltd. and Amneal Pharmaceuticals, LLC, and related subsidiaries and affiliates thereof. Including a 6-month pediatric extension of regulatory exclusivity, the '476 patent expires in December 2020, and the '358 and '228 patents expire in October 2026. These lawsuits triggered an automatic stay of approval of the applicable ANDAs that expires no earlier than August 13, 2017 (unless a court issues a decision adverse to Forest sooner). On February 3, 2015, the District Court consolidated the then-pending actions for all purposes. On September 30, 2015, the District Court consolidated all pending actions. On March 28, 2016, the court entered Forest and Hikma's proposed joint stipulation and order of adverse judgment and dismissal of claims related to the '358 and '228 patents. In April 2016, the court granted the proposed consent judgment of non-infringement and order of dismissal of counterclaims related to the '358 and '228 patents, as well as a stipulation and order with respect to infringement of Claims 1, 2, and 6 of the '476 patent, between Plaintiffs and Breckenridge. The Court also granted the proposed stipulation of entry and proposed order of adverse judgment and dismissal of counterclaims related to the '358 and '228 patents between Plaintiffs and Sigmapharm. Trial is scheduled to begin in October 2016 with respect to the '476 patent, the only remaining patent-in-suit. In April, May and July 2016, the court granted the proposed stipulations and orders of infringement of certain claims of the '476 patent as to Hikma, Breckenridge and Alembic. On October 13, 2016, the court stayed trial as to Sigmapharm and extended the 30-month stay as to Sigmapharm. Trial concluded on November 3, 2016. The parties filed their opening post-trial briefs on January 23, 2017 and their responsive briefs on March 17, 2017. On June 30, 2017, the district court issued an opinion and order finding all asserted claims of the '476 patent valid, and that claims 4, 9 and 10 were not infringed by Alembic and Breckenridge. On July 11, 2017, the district court entered a final judgment that ordered, among other things, that Alembic's, Amneal's, Breckenridge's and Hikma's respective ANDAs not be granted final approval by FDA earlier than the date of expiration of the '476 patent inclusive of any applicable adjustments, extensions or exclusivities. On July 28, 2017, Alembic, Amneal, Breckenridge and Hikma (the "Appeal Defendants") filed notices of appeal. On August 9, 2017, Plaintiffs filed a notice of cross appeal. On November 2, 2017, the Appeal Defendants filed their opening appeal brief. On January 26, 2018, Plaintiffs filed their principal and response appeal brief. On March 7, 2018, the Appeal Defendants filed their response and reply brief.

On July 25, 2017, the District Court actions were reassigned to Judge Mitchel S. Goldberg of the U.S. District Court for the Eastern District of Pennsylvania. On September 15, 2017, Sigmapharm filed a motion to lift the stay and proceed to trial on the issue of infringement. Plaintiffs filed an opposition on September 29, 2017, and Simapharm filed a reply on October 6, 2017. A hearing on Sigmapharm's motion was held on November 7, 2017, and Sigmapharm's motion was denied by order entered November 8, 2017. On January 25, 2018, Sigmapharm submitted a letter to the district court regarding Sigmapharm's request to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

lift the stay. Plaintiffs filed a response on January 29, 2018. On February 9, 2018, the district court lifted the stay on the issue of infringement as to Sigmapharm. On March 14, 2018, the district court issued a scheduling order setting trial to begin on June 18, 2018 with respect to Sigmapharm's infringement of claim 1 of the '476 patent. The district court also acknowledged that (a) the 30 month stay as to Sigmapharm is set to expire June 21, 2018, (b) Sigmapharm agreed not to launch its proposed generic product until FDA approval and after the district court issues its decision, and (c) Plaintiffs and Sigmapharm agreed to be bound by the outcome of the pending appeal with the Appeal Defendants and any proceedings on remand, if necessary, with respect to infringement of claims 4, 9 and 10 of the '476 patent.

Savella®. On October 5 and 6, 2017, Forest Laboratories Holdings, Ltd., Allergan Sales, LLC and Allergan USA, Inc. (collectively, "Allergan and Forest") brought actions for infringement of U.S. Patent Nos. 6,602,911 (the "'911 patent"), 7,888,342 (the "'342 patent"), and 7,994,220 (the "'220 patent") in the U.S. District Court for the District of Delaware and the District of New Jersey, respectively, against Strides Pharma Global Pte Limited and Strides Pharma Inc. (collectively, Strides"). Strides notified Forest that it filed an ANDA with the FDA seeking to obtain approval to market a generic version of Savella® before the '911, '342 and '220 patents expire. (The '342 patent expires in November 2021, the '911 patent expires in January 2023, and the '220 patent expires in September 2029.) Strides claims in its notice letter that the '911 Patent, the '342 Patent, and the '220 Patent are invalid and/or would not be infringed. These lawsuits triggered an automatic stay of approval of the Strides ANDA until February 2020 (unless a court issues a decision adverse to Forest sooner). On October 30, 2017, Strides filed an answer. No trial date or case schedule has been set.

Previously, the Company, along with Royalty Pharma Collection Trust ("Royalty Pharma"), asserted these patents in actions against Amneal, Apotex, First Time US Generics, Glenmark, Hetero, Lupin, Par, and Ranbaxy, and related subsidiaries and affiliates thereof, and reached settlements terminating those actions. The Company and Royalty Pharma voluntarily dismissed, without prejudice, its claims against Sandoz. The Company and Royalty Pharma also asserted these patents against Mylan and, on July 11, 2016, the U.S. District Court for the District of Delaware entered an order, opinion and judgment in favor of plaintiffs and against Mylan, that Mylan infringes the asserted claims of the '911, '342 and '220 patents, and that the asserted claims of the '911, '342 and '220 patents are valid. On September 30, 2016, Forest and Royalty entered into a settlement agreement with Mylan. Pursuant to the settlement agreement, Mylan may enter the market as of March 19, 2026, or earlier under certain circumstances.

Viibryd®. In March 2015, Forest Laboratories, LLC, Forest Laboratories Holdings Ltd., (collectively, "Forest") and Merck KGaA and Merck Patent Gesellschaft Mit Beschränkter Haftung (collectively, "Merck"), Forest's licensor for Viibryd®, brought actions for infringement of U.S. Patent Nos. 7,834,020 (the "'020 patent"), 8,193,195 (the "'195 patent"), 8,236,804 (the "'804 patent") and 8,673,921 (the "'921 patent") in the U.S. District Court for the District of Delaware against Accord Healthcare Inc. ("Accord"), Alembic Pharmaceuticals, Ltd. ("Alembic"), Apotex, Inc. ("Apotex"), InvaGen Pharmaceuticals, Inc. ("InvaGen"), and Teva Pharmaceuticals USA, Inc. ("Teva"), and related subsidiaries and affiliates thereof. These companies have notified Forest and/or Merck that they have filed ANDAs with the FDA seeking to obtain approval to market generic versions of Viibryd® before the '020, '195, '804 and '921 patents expire in June 2022. These lawsuits triggered an automatic stay of approval of the applicable ANDAs until July 21, 2018 (unless a court issues a decision adverse to Forest and Merck sooner). On August 24, 2015, the District Court consolidated the actions for all purposes and issued a scheduling order setting a trial date in January

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

2018. On November 23, 2015, Forest and Merck brought an action for infringement of the '020, '195, '804 and '921 patents in the U.S. District Court for the District of Delaware against InvaGen, which matter was consolidated with the earlier-filed action against InvaGen. On March 29, 2017, the District Court granted plaintiffs and Teva's joint stipulation to stay the action as to Teva until May 11, 2017, due to the parties' settlement discussions. On April 20, 2017, plaintiffs entered into a settlement agreement with Alembic, and the case was dismissed. On May 15, 2017, plaintiffs entered into a settlement agreement with Accord, and the case was dismissed. On June 29, 2017, plaintiffs entered into a settlement agreement with Teva, and the case was dismissed. On July 28, 2017, plaintiffs entered into a settlement agreement with Apotex, and the case was dismissed. Under the terms of the settlement with Apotex, Allergan will provide a license to Apotex that will permit it to launch its generic version of Viibryd® beginning six months and one day prior to the expiration of the last to expire of the '020, '195, '804 and '921 patents, including any extensions or pediatric exclusivities, or earlier in certain circumstances. On October 23, 2017, plaintiffs entered into a settlement agreement with InvaGen, and the case was dismissed on October 24, 2017.

Viibryd® IPR. On January 5, 2018, Argentum Pharmaceuticals LLC submitted to the USPTO a petition for Inter Partes Review ("IPR") seeking cancellation of certain claims of U.S. Patent No. 8,673,921 (the "'921 patent"). The '921 patent is listed in the Orange Book for Viibryd® and expires in June 2022. On January 26, 2018, Merck Patentgesellschaft Mit Beschränkter Haftung ("Merck") submitted Mandatory Notices. Merck's Patent Owner Preliminary Response is due May 9, 2018.

Trademark Enforcement Matters

Juvéderm®. On April 5, 2017, Allergan, Inc. ("Allergan") brought an action for unfair competition, false advertising, dilution, conspiracy and infringement of Allergan's JUVÉDERM trademarks in the U.S. District Court for the Central District of California against Dermavita Limited Partnership ("Dermavita"), Dima Corp. S.A. ("Dima Corp.") and KBC Media Relations LLC ("KBC"). Dima Corp. had previously announced its acquisition of a license from Dermavita to develop and market in the U.S. cosmetic products under the Juvederm trademark. During June 2017, Allergan entered into a settlement agreement with KBC. During July 2017, the Court preliminarily enjoined Dima Corp. from, *inter alia*, promoting or selling within the United States any product bearing the trademark JUVEDERM or any other trademark confusingly similar to it. During January 2018, the Court granted Dermavita's renewed motion to dismiss Allergan's complaint based on purported lack of personal jurisdiction.

Allergan Holdings France SAS and Allergan France SAS requested a preliminary injunction against Dermavita, Dima Corp, Aesthetic Services, Jacqueline Sillam and Dimitri Sillam in the High Court of Paris, France. During June 2017, the Paris Court preliminarily enjoined the defendants from, *inter alia*, promoting or selling in France its Juvederm products, requiring the transfer of various domain names and payment of provisional damages to Allergan, on the basis that such use would infringe Allergan's EU and French JUVÉDERM trademarks and would amount to unfair competition. This injunction has been appealed. Allergan France has also filed against Dermavita, Dima Corp. and others a full action of trademark infringement in the Paris court. Dermavita has requested that the full action be stayed pending the outcome of the Nanterre action and the EUIPO trademark proceedings, both mentioned below. On March 13, 2018, the Paris court will hear arguments on Dermavita's stay request. Dermavita has filed an action against Allergan in the Nanterre, France court alleging that Allergan has not used its JUVÉDERM trademark and requesting the court to revoke Allergan's trademark based on its purported lack of use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Furthermore, more than 150 trademark opposition and cancellation actions between Allergan and Dermavita have been filed in front of the USPTO, EUIPO and various other national and regional trademark offices around the world.

Product Liability Litigation

Actonel® Litigation. Warner Chilcott is a defendant in approximately 165 cases and a potential defendant with respect to approximately 379 unfiled claims involving a total of approximately 545 claimants relating to Warner Chilcott's bisphosphonate prescription drug Actonel®. The claimants allege, among other things, that Actonel® caused them to suffer osteonecrosis of the jaw ("ONJ"), a rare but serious condition that involves severe loss or destruction of the jawbone, and/or atypical fractures of the femur. Warner Chilcott is in the initial stages of discovery in these litigations. All of the filed cases are in either federal or state courts in the United States, with the exception of two cases filed in provincial courts in Canada. One Canadian case involves a single plaintiff, and the other is a purported product liability class action involving two named plaintiffs. The Canadian action alleges, among other things, that Actonel® caused the plaintiffs and the proposed class members who ingested Actonel® to suffer ONJ or other side effects. It is expected that the plaintiffs in the purported class action will seek class certification. Plaintiffs have typically asked for unspecified monetary and injunctive relief, as well as attorneys' fees. Warner Chilcott is indemnified by Sanofi for certain Actonel claims pursuant to a collaboration agreement relating to the two parties' co-promotion of the product in the United States and other countries. In addition, Warner Chilcott is also partially indemnified by the Procter & Gamble Company ("P&G") for ONJ claims that were pending at the time Warner Chilcott acquired P&G's global pharmaceutical business in October 2009. In May and September 2013, Warner Chilcott entered into two settlement agreements that resolved a majority of the then-existing ONJ-related claims.

AlloDerm Litigation. LifeCell Corporation is named as a defendant in approximately 335 lawsuits alleging that its biologic mesh product AlloDerm did not perform as intended and caused various injuries. Plaintiffs allege the product was defectively designed or manufactured and/or did not have proper warnings. These cases are consolidated in Superior Court of New Jersey, Middlesex County. Prior to the close of its sale to Allergan, LifeCell mediated the New Jersey cases in December 2016 and negotiated a settlement of its pending New Jersey cases, which was paid by LifeCell on April 19, 2017. Approximately 332 of the cases have been dismissed, with the balance anticipated to be dismissed pending estate filings. LifeCell's insurers participated in the settlement. One other case is pending in Oklahoma but the Company has not yet been served.

Benicar® Litigation. Forest is named in approximately 1,759 actions involving allegations that Benicar®, a treatment for hypertension that Forest co-promoted with Daiichi Sankyo between 2002 and 2008, caused certain gastrointestinal injuries. Under Forest's Co-Promotion Agreement, Daiichi Sankyo is defending Forest in these lawsuits. On August 1, 2017, Daiichi announced that it has agreed to enter into a program to settle, on behalf of all defendants, this pending product liability litigation against various Daiichi Sankyo and Forest entities.

Celexa®/Lexapro® Litigation. Certain Forest entities are defendants in approximately 166 actions alleging that Celexa® or Lexapro® caused various birth defects. Several of the cases involve multiple minor-plaintiffs. The majority of these actions have been consolidated in state court in Missouri. The Company has reached an agreement with plaintiffs to settle five of the pending cases. There are birth defect cases pending in other jurisdictions, none of which are set for trial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

RepliForm Litigation. LifeCell Corporation is named as a defendant in approximately 250 cases alleging that its biologic mesh product RepliForm did not perform as intended and caused various injuries. Plaintiffs allege the product was defectively designed or manufactured and/or did not have proper warnings. In all of those cases Boston Scientific Corporation, LifeCell's distributor, has been named as a co-defendant. In addition, a significant portion of those cases also name another manufacturer as a defendant whose product was implanted at the same time. All but a few of the cases have been consolidated for centralized management in the Superior Court of Massachusetts, Middlesex County. The other cases are venued in federal court in West Virginia, and state courts in Delaware and Minnesota. The cases are still in the early stages of pleadings and discovery has not yet begun.

Testosterone Litigation. Beginning in 2014, a number of product liability suits were filed against Actavis, Inc., now known as Allergan Finance, LLC, and one or more of its former subsidiaries as well as other manufacturers and distributors of testosterone products, for personal injuries including but not limited to cardiovascular events allegedly arising out of the use of Androderm.® There are approximately 546 currently pending actions which have been consolidated in an MDL in federal court in Illinois. The defendants have responded to the plaintiffs' master complaint in the MDL and discovery is ongoing. Actavis, Inc.'s first trial is scheduled to begin in August 2018.

Government Investigations, Government Litigation and Qui Tam Litigation

Forest. Forest received a subpoena, dated April 29, 2015, from the U.S. Department of Health and Human Services, Office of Inspector General ("OIG"). The subpoena requests documents relating to Average Manufacturer ("AMP") and Best Price calculations for several of its products. Subsequently, Forest received a Civil Investigative Demand ("CID") from the OIG, dated August 16, 2016 primarily related to the calculation of Best Price. The Company is cooperating fully with the OIG's requests.

Forest and certain of its affiliates are defendants in three state court actions pending in Illinois, Utah and Wisconsin involving *qui tam* actions alleging generally that the plaintiffs (all government agencies) were overcharged for their share of Medicaid drug reimbursement costs. Forest and the other defendants filed a motion to dismiss Utah's amended complaint. This motion to dismiss was denied in part. On October 30, 2017, the Company reached an agreement to settle the Utah action. On February 17, 2014, the Wisconsin state court granted defendants' motion to dismiss plaintiff's second amended complaint. However, the relator filed a separate action making the same basic allegations as in its amended complaint in the original action. On May 17, 2017, the Wisconsin state court granted defendants' motion to dismiss the amended complaint.

On December 28, 2015, a putative class action complaint was filed in state court in Pennsylvania on behalf of a putative class of private payers. Defendants removed the complaint to the federal court in Pennsylvania. The complaint alleges that manufacturers of generic drugs, including a subsidiary of Forest Laboratories, Inc. that in the past had marketed generic products, caused plaintiffs to overpay for prescription drug products through the use of inflated AWPs. The complaint alleges violations of the Pennsylvania Unfair Trade Practices and Consumer Protection Law, negligent misrepresentation/fraud, unjust enrichment, civil conspiracy and aiding and abetting. Plaintiffs filed an amended complaint on March 29, 2016. On June 26, 2017, the Company filed a motion to dismiss the complaint which the court granted on September 25, 2016. An additional complaint was filed in state court in Pennsylvania on behalf an individual indirect purchaser containing similar allegations to the class complaint. On January 18, 2017, defendants filed a motion to dismiss the state court complaint. On July 24, 2017, the state court issued a decision on the Company's individual motion to dismiss, granting it in part and denying it in part.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Allergan. On April 18, 2017, the Company received a CID, dated April 12, 2017, from the Department of Justice. The CID seeks information relating to the Company's sales and marketing practices of Botox to urology practices. The Company is cooperating fully with DOJ requests.

On October 3, 2017, the Company received a letter from the House of Representatives Committee on Oversight and Government Reform. The letter seeks information relating to the Saint Regis Mohawk Tribe's acquisition of six Restasis® patents and the granting of exclusive licenses to the Restasis® product to the Company. The Company has received other information requests from regulatory agencies concerning the transaction and is cooperating fully with these requests.

Actavis/Watson. On October 16, 2017, the Company received a CID from the State of North Carolina Department of Justice. The CID seeks information relating to the legacy Watson company's reporting of AMP calculations. The Company is cooperating fully with the state's requests. On January 26, 2018, a *qui tam* complaint that was filed in federal district court in Illinois was unsealed which includes claims against Actavis LLC, a former subsidiary of the Company. The State of North Carolina reserved its right to intervene in this proceeding pending an ongoing investigation. The complaint asserts claims that Actavis LLC violated the federal and state false claims acts based on its reporting of AMP prices.

The Company has received subpoenas from multiple states relating to the legacy Actavis and Watson companies' promotional efforts relating to opioid products, none of which are currently promoted and many of which the Company no longer sells. The Company is cooperating fully with the states' requests.

The Company and its affiliates are involved in various other disputes, governmental and/or regulatory inspections, inquires, investigations and proceedings that could result in litigation, and other litigation matters that arise from time to time.

Matters Relating to the Company's Divested Generics Business

The following matters relate to the former generics business of the Company or the transaction pursuant to which that business was sold to Teva, effective August 2, 2016. In October 2016, pursuant to the Master Purchase Agreement by and between the Company and Teva (the "Master Purchase Agreement"), Teva provided the Company with its proposed estimated adjustment to the closing date working capital balance. The Company disagreed with Teva's proposed adjustment, and, pursuant to the Master Purchase Agreement, each of the Company's and Teva's proposed adjustments were submitted to arbitration ("Working Capital Arbitration") to determine the working capital amount in accordance with GAAP as applied by the Company consistent with past practice. Teva initially proposed an adjustment of approximately $1.4 billion and subsequently submitted a revised adjustment of approximately $1.5 billion to the arbitrator. In addition, on October 30, 2017, Teva submitted a Notice of Direct and Third Party Claims seeking indemnification for virtually all of the same items for which Teva was seeking a proposed adjustment in the Working Capital Arbitration as well as several new items as to which no quantity of damages were asserted. On January 31, 2018, the Company and Teva entered into a Settlement Agreement and Mutual Releases (the "Teva Settlement Agreement"). The Teva Settlement Agreement provides that the Company will make a one-time payment of $700.0 million to Teva, that the Company and Teva will jointly dismiss their working capital dispute arbitration, and that the Company and Teva will release all actual or potential claims brought by Teva in the Working Capital Arbitration as well as any claim either party has or can assert under the Master Purchase Agreement, for breach of any representation, warranty or covenant (other than any breach of a post-closing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

covenant not known as of the date of the Teva Settlement Agreement). The actions for which Teva has agreed to provide indemnification to the Company include opioid litigations and investigations relating to generic opioid products and also include, but are not limited to, the actions described below.

Lidoderm® Litigation. On March 30, 2016, the U.S. Federal Trade Commission filed a lawsuit in federal district court in the Eastern District of Pennsylvania against the Company and one of its global generics business subsidiaries, Watson Laboratories, Inc., Endo Pharmaceuticals Inc. and others arising out of patent settlements relating to Lidoderm and Opana ER. The Lidoderm settlement was reached by Endo Pharmaceuticals Inc. and Watson Laboratories, Inc. in May 2012, prior to it's being affiliated with the Company, and all allegations against the Company and Watson Laboratories, Inc. related to the Lidoderm settlement only. On October 25, 2016, the FTC voluntarily withdrew its complaint in federal court in Pennsylvania. Similar lawsuits filed by private plaintiffs were already pending in the federal district court in California. On January 23, 2017, both the FTC and State of California filed complaints against the Watson Laboratories, Endo Pharmaceuticals as well as the Company and its subsidiary Allergan Finance LLC in the same federal court in California alleging violations of federal and state antitrust laws. The FTC and California complaints contain allegations relating to the Lidoderm settlement only and seek injunctive relief, restitution or disgorgement of profits and, in the California action, statutory penalties. On January 27, 2017, Allergan Finance LLC filed a declaratory judgment action against the FTC in the same federal district court in the Eastern District of Pennsylvania where the FTC's original action had been pending. The court consolidated Allergan Finance's action with declaratory judgment actions that had already been filed by other parties that were named as defendants in the original FTC action in Pennsylvania and the plaintiffs filed a consolidated, amended complaint on February 14, 2017. On March 2, 2017, the FTC filed a motion to dismiss the amended complaint. In April 2017, the FTC and State of California's actions were stayed pending the declaratory judgment action in the Eastern District of Pennsylvania. On May 9, 2017, plaintiffs filed a motion for summary judgment in the Eastern District of Pennsylvania.

Hydrocortisone Investigation. On November 10, 2016, the Company received notice from the UK Competition and Markets Authority ("CMA") that it would be included within the scope of the CMA's formal investigation under Section 25 of the Competition Act of 1998 ("CA98") into suspected abuse of dominance by a former generics business subsidiary of the Company in relation to the supply of 10mg and 20mg hydrocortisone tablets. The CMA is investigating alleged excessive and unfair prices with respect to hydrocortisone tablets and whether the former generics business subsidiary entered into anti-competitive agreements with a potential competitor relating to the hydrocortisone product. The CMA is investigating whether the conduct infringes the Chapter II prohibition of the CA98 and/or Article 102 of the Treaty on the Functioning of the European Union. The CMA issued a statement of objection with respect to the alleged excessive and unfair pricing in December 2016 and a separate statement of objection with respect to the alleged anti-competitive agreements in March 2017. The CMA may pursue additional similar investigations relating to this former generic subsidiary of the Company in relation to the hydrocortisone tablet products. The Company intends to cooperate fully with the investigation.

Teva Shareholder Derivative Litigation. On or about February 26, 2017, Allergan plc was named as defendant in a proposed Teva shareholder derivative litigation filed in the Economic Division of the Tel Aviv District Court in Israel. In order to proceed with the lawsuit, plaintiffs have to secure court approval and have filed a motion seeking such approval. The lawsuit contains allegations directed at Teva's board of directors and the approval process needed by Teva to approve the Master Purchase Agreement and also includes claims regarding the amount and form of consideration Teva paid in connection with the Master

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Purchase Agreement. The Israeli court recently granted a procedural motion to consolidate a separate action that was filed against Teva only with the action that was filed on February 26, 2017. Pursuant to the court's order, plaintiffs have filed a consolidated motion seeking approval from the court to commence the shareholder derivative suit. The Company submitted a written response to plaintiffs' motion on December 5, 2017.

Florida Subpoena Related to Oxymorphone Products. In January 2018, the Company received a grand jury subpoena from the U.S. Attorney's Office for the Southern District of Florida seeking information related to oxymorphone products which were sold by the divested generics business. This subpoena appears to be related to a similar inquiry disclosed by Endo International plc on January 11, 2018. The subpoena was directed to the Company as a source of information not as a target along with others.

23 Employees

The average number of employees for the year was as follows:

	Years Ended December 31,	
	2017	2016
	Number	Number
Cost of Goods Sold	4,704	5,593
Sales, marketing and distribution	9,085	14,117
Research and development	2,245	3,348
General, finance and administration	1,526	1,978
	17,560	25,036

The following table represents compensation costs, including restructuring, for the years ended December 31, 2017 and 2016 ($ in millions):

	Year Ended December 31,	
	2017	2016
	$	$
Wages and salaries	1,892.8	2,108.7
Restructuring	256.3	83.7
Stock-based compensation	269.2	375.1
Other retirement benefit costs	82.7	156.8
Social welfare	150.4	165.0
Other benefits	265.1	321.0
Total	**2,916.5**	**3,210.3**
Amount included in continuing operations	2,916.5	2,641.1
Amount included in discontinued operations	-	569.2

On a global basis, the amount of compensation costs capitalized into inventory approximated $282.7 million and $193.0 million as of December 31, 2017 and 2016, respectively. All other compensation costs were expensed in the periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24 Concentration

The Company considers there to be a concentration risk for customers that account for 10% or more of their third party revenues. The following table illustrates any customer which accounted for 10% or more of our annual revenues within the U.S. and Canada in any of the past two fiscal years and the respective percentage of our revenues for which they account for each of the last two years:

Customer	2017	2016
McKesson Corporation	23%	23%
Cardinal Health, Inc.	19%	18%
AmerisourceBergen Corporation	19%	18%

Changes in the mix of concentration amongst the Company's largest customers are due, in part, to the impact of acquisitions as well as changes in the supply chain of our indirect customers. No other country outside the U.S. and Canada had 10% or more of global sales.

The Company's accounts receivable primarily arise from product sales in North America and Europe and primarily represent amounts due from wholesalers, distributors, drug store chains and service providers in the health care and pharmaceutical industries, public hospitals and other government entities. Approximately 58% and 59% of the gross accounts receivable balance are concentrated among the Company's three largest customers as of December 31, 2017 and 2016, respectively. The Company performs ongoing credit evaluations of its customers and maintains an allowance for potential uncollectible accounts. Actual losses from uncollectible accounts have been minimal.

Outside of the U.S., concentrations of credit risk with respect to accounts receivable are limited due to the wide variety of customers and markets using the Company's products, as well as their dispersion across many different geographic areas. The Company monitors economic conditions, including volatility associated with international economies, and related impacts on the relevant financial markets and its business, especially in light of sovereign credit issues. The Company does not expect to have write-offs or adjustments to accounts receivable which would have a material adverse effect on its financial position, liquidity or results of operations.

Certain of the Company's finished products and raw materials are obtained from single source suppliers. Although the Company seeks to identify more than one source for its various finished products and raw materials, loss of a single source supplier could have an adverse effect on the Company's results of operations, financial condition and cash flows. Further, a second source supplier may not be able to produce the same volumes of inventory as the Company's primary supplier. No third party manufacturer accounted for 10% or more of the Company's products sold based on third-party revenues for the year ended December 31, 2017.

25 Reconciliation of Amounts Reported in our Annual Report on Form 10-K Filed With the United States Securities and Exchange

As discussed in "Note 1—The Company", these consolidated financial statements are prepared using US GAAP to the extent that the use of such principles does not contravene Irish Company Law. We also prepare consolidated financial statements using US GAAP which are included in our Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission on February 16, 2018. The primary differences between these statutory financial statements and our consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

25 Reconciliation of Amounts Reported in our Annual Report on Form 10-K Filed With the United States Securities and Exchange - continued

included in our Form 10-K are the presentational format of the profit and loss and balance sheet, terminology used, and the inclusion of certain additional disclosures.

US GAAP terminology	Irish Company Law terminology
Accounts receivable	Debtors
Liabilities	Creditors
Operating results	Key performance indicators
Risk factors	Principal risks and uncertainties
Accumulated deficit/surplus and Statement of Operations	Profit and loss account

Irish Company Law contains specific requirements for the classification of any liability uncertain as to the amount at which it will be settled or as to the date on which it will be settled.

26 Directors' Remuneration

	Year Ended December 31,	
	2017	2016
($ in millions)	**$**	**$**
Emoluments(1)	12.0	9.0
Benefits under long-term incentive schemes(2)	26.2	3.0
Contributions to retirement benefit schemes(3):		
- Defined benefit scheme	-	-
- Defined contribution scheme	0.2	0.1
Gain on the exercise of options by a director	0.3	0.3
	38.7	**12.4**

(1) Emoluments include salaries, fees and percentages, bonuses, any sums paid by way of expense allowance in so far as those sums are chargeable to income tax, and the estimated money value of any other benefits received otherwise than in cash.
(2) Benefits under long-term incentive schemes excludes options to acquire Allergan plc shares, but includes restricted shares and share units.
(3) Retirement benefits are accruing to one director who was a full time employee, with the Company, under defined contribution and defined benefit schemes.

27 Auditors' Remuneration

	Year Ended December 31,	
	2017	2016
($ in millions)	**$**	**$**
Auditors' remuneration paid to PricewaterhouseCoopers Ireland and its affiliates as follows:		
Auditors' remuneration	33.5	37.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27 Auditors' Remuneration - continued

The table below shows remuneration for all work carried out for Allergan plc and its subsidiaries by PricewaterhouseCoopers Ireland in each of the following categories of work ($ in thousands):

	Year Ended December 31,	
	2017	2016
	$	$
Auditors' remuneration - Group:		
Statutory audit of group financial statements	1,841.3	1,780.9
Other assurance services	32.0	200.7
Tax advisory services	1,228.7	753.1
Other non-audit services	-	-
	3,102.0	2,734.7

All fees paid to the Company's auditors are approved by the Company's audit committee.

28 Other (Expense) / income

Our other (expense) / income was comprised of the following for the years ended December 31, 2017 and 2016 ($ in millions):

	Years Ended December 31,		Change	
	2017	2016	Dollars	Percentage
	$	$	$	%
Teva Share Activity	(3,269.3)	-	(3,269.3)	n.a.
Other-than-temporary impairments	(26.1)	-	(26.1)	n.a.
Dividend income	85.2	68.2	17.0	24.9%
Naurex recovery	20.0	-	20.0	n.a.
Forward sale of Teva shares	(62.9)	-	(62.9)	n.a.
Pfizer termination fee	-	150.0	(150.0)	(100.0%)
Other income / (expense)	5.0	1.0	4.0	400.0%
Other (expense) / income	**(3,248.1)**	**219.2**	**(3,467.3)**	**(1,581.8)%**

Teva Share Activity

As described in "Note 6 — Discontinued Operations", the Company recognized an other-than-temporary impairment on its investment in Teva securities of $3,273.5 million in the year ended December 31, 2017 as well as other share activity.

Other-than-temporary Impairments

The Company recorded other-than-temporary impairment charges on other equity investments and cost method investments of $26.1 million in the year ended December 31, 2017, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

28 Other (Expense) / income - continued

Dividend Income

As a result of the Teva Transaction, the Company acquired 100.3 million Teva ordinary shares. During the years ended December 31, 2017 and 2016, the Company received dividend income of $85.2 million and $68.2 million, respectively.

Naurex Recovery

On August 28, 2015, the Company acquired certain products in early stage development of Naurex, Inc. ("Naurex") in an all-cash transaction, which was accounted for as an asset acquisition (the "Naurex Transaction"). The Company received a purchase price reduction of $20.0 million in the year ended December 31, 2017 based on the settlement of an open contract dispute.

Forward Sale of Teva Shares

In the year ended December 31, 2017, the Company recorded a $62.9 million loss on the fair value of the derivative for the forward sale of 25.0 million of Teva securities. The ASR was settled on January 12, 2018 for $413.3 million.

On February 13, 2018, the Company entered into additional forward sale transactions under which we sold approximately 25.0 million Teva shares. The value of the shares will be based on the volume weighted average price of Teva shares plus a premium and is expected to settle during the second quarter of 2018. As a result of the transaction, the Company received 80% of the proceeds, or approximately $372.0 million, with the remainder of the proceeds being delivered upon settlement.

Pfizer Termination Fee

On November 23, 2015, the Company announced that it entered into a definitive merger agreement (the "Pfizer Agreement") under which Pfizer Inc. ("Pfizer"), a global innovative biopharmaceutical company, and Allergan plc would merge in a stock and cash transaction. On April 6, 2016, the Company announced that its merger agreement with Pfizer was terminated by mutual agreement. In connection with the termination of the merger agreement, Pfizer paid Allergan plc $150.0 million for expenses associated with the transaction which was included as a component of other income during the year ended December 31, 2016.

29 Related Party Transactions

There were no related party transactions requiring disclosure during the years December 31, 2017 and 2016.

30 Subsequent Events

Elastagen Pty Ltd

On February 6, 2018, the Company announced the acquisition of Elastagen Pty Ltd for approximately $95.0 million. Under the terms of the agreement, Elastagen Pty Ltd is eligible to receive additional consideration of up to $165.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

30 Subsequent Events - continued

Repros Therapeutics, Inc.

On January 31, 2018, the Company completed the acquisition of Repros Therapeutics, Inc. for approximately $31.0 million, which was accounted for as an asset acquisition and expensed as a component of R&D during the first quarter of 2018.

31 Subsidiary Undertakings

As of December 31, 2017 the Company had the following subsidiaries:

Name	Registered Office	Principal activities	Portion of equity held
AGN Seabreeze, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
AHI C.V.	Cumberland House, 1 Victoria Street, Hamilton HM 11, Bermuda	Holding Company	100%
AHI CV HoldCo, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
AHI CV HoldCo, LLC, Irish Branch	Clongshaugh Business & Technology Park, Coolock, Dublin, D17 E400, Ireland	Holding Company	100%
Akarna Therapeutics, Limited	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, England	Research & Development	100%
Allergan Acquisition 1 S.à r.l. (f/k/a Actavis Acquisition 1 S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan Acquisition 2 S.à r.l. (f/k/a Actavis Acquisition 2 S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan WC 1 S.a r.l. (f/k/a Actavis WC 1 S.a r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan (Thailand) Limited	973 President Tower, 8th and 11th Floors, Room No. 8E and 11K, Ploenchit Road, Lumpini , Pathumwan, Bangkok 10330, Thailand	Pharmaceutical Distribution and Research & Development	100%
Allergan AG	Puls 5, Hardturmstrasse 11, 8005, Zurich, Switzerland	Pharmaceutical Distribution and Research & Development	100%
Allergan AHI S.á r.l.	6, rue Jean Monnet, L-2180 Luxembourg	Holding Company	100%
Allergan AHI S.á r.l., Luxembourg, Zweigniederlassung Zug Branch	c/o MME Compliance AG, Gubelstrasse 11, 6300 Zug, Switzerland	Branch	100%
Allergan Akarna LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding company	100%
Allergan ApS	c/o Biofarma A/S, Naverland 22, 2600 Glostrup, Denmark	Pharmaceutical Distribution and Research & Development	100%
Allergan AS	c/o Visma Services, Karenlyst allé 7, Oslo 0214, Norway	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Asia Limited	Suites 1307-10, Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Island East, Hong Kong	Other	100%
Allergan Australia Pty Limited	Level 4, 810 Pacific Highway, Gordon NSW 2071, Australia	Pharmaceutical Distribution and Research & Development	100%
Allergan B.V.	Fellenoord 130, 5611 ZB Eindhoven, The Netherlands	Pharmaceutical Distribution	100%
Allergan Baltics, UAB	Senasis Ukmerges kelias 4, Uzubaliu km. Vilniaus r., Lithuania	Other	100%
Allergan Baltics, UAB Eesti filiaal	Pärnu mnt 15, Kesklinna linnaosa, Tallinn, Harju maakond, 10141, Estonia	Branch	100%
Allergan Baltics, UAB Latvijas filias	Valdemara Centre, 4th floor, Kr. Valdemāra 21, Riga LV-1010, Latvia	Branch	100%
Allergan Biologics Ltd. (f/k/a Actavis Biodesign Ltd.)	12 Estuary Banks, Speke, Liverpool, L24 8RB, England	Research & Development	100%
Allergan Botox Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Bulgaria EOOD	1000 Sofia, Sredets district, 14 Tsar Osvoboditel Blvd., 5th floor, office 501, Republic of Bulgaria	Other	100%
Allergan C.I.S. SARL	Russia, 115191, Moscow, Kholodilny pereulok, 3, korp. 1, bld. 4, Russian Federation	Pharmaceutical Distribution and Research & Development	100%
Allergan Capital S.à r.l. (f/k/a Actavis Capital S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan Capital S.à r.l., Luxembourg, Zweigniederlassung Zug Branch (f/k/a Actavis Capital S.à r.l., Luxembourg, Zweigniederlassung Zug Branch)	c/o MME Compliance AG, Gubelstrasse 11, 6300 Zug, Switzerland	Branch	100%
Allergan Cayman Islands (f/k/a Allergan Pharmaceuticals Ireland)	Zephyr House, 122 Mary Street, PO Box 709, Grand Cayman KY1-1107, Cayman Islands	Dormant	100%
Allergan Costa Rica S.R.L	900 Global Park, La Aurora, Heredia, Costa Rica	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Allergan CZ, s.r.o.	Sodomkova 1474/6, Hostivar, 102 00 Praha 10, Czech Republic	Other	100%
Allergan d.o.o. Beograd	24 Maglajska Street, 11000 Belgrade, Serbia	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan de Colombia S.A.	Calle 113 No. 7-21 Of 713, Bogota, Colombia	Pharmaceutical Distribution and Research & Development	100%
Allergan de Venezuela, C.A.	Av. Francisco de Miranda CC Lido, Torre D Nivel 4 Of 41-D Zona el Rosal, Caracas, Venezuela	Other	100%
Allergan Development I Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
Allergan Development II Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
Allergan Development III, Limited	Canon's Court, 22 Victoria Street, PO Box HM 1624, Hamilton, Bermuda HM EX.	Holding company	100%
Allergan Development Ventures I Ireland Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
Allergan Development Ventures I LP	Canon's Court, 22 Victoria Street, Hamilton HM12 Bermuda	Holding Company	100%
Allergan Development Ventures I UK	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, England	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan EquiCo BV	Keizerstraat 13, 4811 HL Breda, The Netherlands	Holding Company	100%
Allergan Equities Limited	10 Earlsfort Terrace, Dublin 2, DO2 T380	Holding company	100%
Allergan Europe S.à r.l.	6, rue Jean Monnet, L-2180 Luxembourg	Holding company	100%
Allergan Finance S.à r.l. (f/k/a Actavis Finance S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan Finance, LLC (f/k/a Actavis, Inc.)	The Corporation Trust Company of Nevada, 311 South Division Street, Carson City, Nevada 89703	Holding Company	100%
Allergan France SAS	12 place de la defence, 4eme etage, 92400, Courbevoie, France	Pharmaceutical Distribution and Research & Development	100%
Allergan Funding SCS (f/k/a Actavis Funding SCS)	46a, avenue J.F. Kennedy, L-1855 Luxembourg	Other	100%
Allergan Furiex Ireland Limited	Clonshaugh Business & Technology Park, Dublin 17, Ireland	Holding company	100%
Allergan Furiex, Limited	Canon's Court, 22 Victoria Street, PO Box HM 1624, Hamilton, Bermuda HM EX.	Holding company	100%
Allergan GI Corp. (f/k/a Motus Therapeutics, Inc.)	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Healthcare India Private Limited	Level 2, Prestige Obelisk, No 3, Kasturba Road, Bangalore -560001 India	Pharmaceutical Distribution and Research & Development	100%
Allergan Healthcare Philippines, Inc.	21st Floor, Units B,C,D, Robinsons Cyberscape Beta, Topaz and Ruby Roads, Ortigas Center, Pasig City, 1605 Philippines	Pharmaceutical Distribution and Research & Development	100%
Allergan Hellas Pharmaceuticals S.A.	166a Kifisias Avenue & 2 Sofokleous Street, in the Municipality of Marousi, P.C. 151 26.	Pharmaceutical Distribution	100%
Allergan Holdco UK Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Holding Company	100%
Allergan Holdco US, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan Holdings 2 BV	Keizerstraat 13, 4811HL Breda, The Netherlands	Holding Company	100%
Allergan Holdings B Ltd.	Cannon’s Court, 22 Victoria Street, Hamilton HM 12 Bermuda	Holding Company	100%
Allergan Holdings B1, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Holdings B2 Unlimited	Cannon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda	Holding Company	100%
Allergan Holdings C Ltd	Clifton House, PO Box 1350, 75 Fort Street, Grand Cayman KY1-1203, Cayman Islands	Holding Company	100%
Allergan Holdings France SAS	12 place de la defense, 4eme etage, 92400, Courbevoie, France	Holding Company	100%
Allergan Holdings Limited	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, United Kingdom	Research & Development	100%
Allergan Holdings S. à r.l.	6, rue Jean Monnet, L-2180 Luxembourg	Holding Company	100%
Allergan Holdings Unlimited Company (f/k/a Furiex Holdings Unlimited Company)	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
Allergan Holdings, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan Hong Kong Limited	Suite Pt 1308-10, 13th Floor, Citiplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Hong Kong	Pharmaceutical Distribution and Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Hungary Kft.	1097 Budapest, Konyves Kalman korut 11/C. A. epulet, Hungary	Other	100%
Allergan Ilaclari Ticaret A.S.	Eski Buyukdere Cad. Iz Plaza Giz Kat 12, Maslak-Sisli, Istanbul, 34398, Turkey	Pharmaceutical Distribution and Research & Development	100%
Allergan Inc.	85 Enterprise Blvd., Suite 500 Markham, Ontario, L6G 0B5, Canada	Pharmaceutical Distribution and Research & Development	100%
Allergan India Private Limited	Level 2, Prestige Obelisk, No 3, Kasturba Road, Bangalore -560001 India	Pharmaceutical Distribution and Research & Development	51%
Allergan Industrie SAS	Route de Promery, 254 ZA Pre Mairy, 74370, Pringy, France	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Allergan Information Consulting (Shanghai) Co., Ltd.	Suite 5605, Building 1, Plaza 66, 1266 Nanjin Road West, Shanghai, China	Pharmaceutical Distribution and Research & Development	100%
Allergan International Holding S.à r.l. (f/k/a Actavis International Holding S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan International YK	Yebisu Garden Place Tower, 4-20-3 Ebisu, Shibuya-ku, Tokyo, Japan	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Ireland Finance Limited f/k/a/ Ireland Actavis Finance Ltd.	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Allergan Ireland Holdings Ltd.	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Allergan Ireland Limited (f/k/a/Actavis Ireland Holding Limited)	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
Allergan Israel Limited	c/o Aminut Financial Services, 12 Ha'yetzira St , Ra'anana, 43663, Israel	Pharmaceutical Distribution and Research & Development	100%
Allergan Japan KK	Yebisu Garden Place Tower, 4-20-3 Ebisu, Shibuya-ku, Tokyo, Japan	Pharmaceutical Distribution and Research & Development	100%
Allergan KK	Yebisu Garden Place Tower, 4-20-3 Ebisu, Shibuya-ku, Tokyo, Japan	Other	100%
Allergan Korea Ltd	14F, 411, Seocho-daero, Seocho-gu, Seoul, Korea	Pharmaceutical Distribution and Research & Development	100%
Allergan Laboratorios Limitada	Av. Apoquindo 3472, Of 802, Las Condes, Santiago, Chile	Pharmaceutical Distribution and Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Limited	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, United Kingdom	Pharmaceutical Distribution and Research & Development	100%
Allergan Luxembourg International S.à r.l. (f/k/a Actavis Luxembourg International S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan Luxembourg S.à r.l.	6, rue Jean Monnet, L-2180 Luxembourg	Other	100%
Allergan Malaysia Sdn. Bhd.	Level 10, Menara LGB, 1 Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia	Other	100%
Allergan Medical GmbH (f/k/a Allergan Medical S.à r.l.)	c/o MME Compliance AG, Gubelstrasse 11, 6300 Zug, Switzerland	Other	100%
Allergan Middle East Limited (f/k/a Allergan Middle East FZ- LLC)	Index Tower, Level 8, Unit 802 Dubai International Financial Centre Dubai, UAE, P.O. Box 50964	Pharmaceutical Distribution and Research & Development	100%
Allergan N.V.	Pegasuslaan 5, 1831 Diegem, Belgium	Pharmaceutical Distribution and Research & Development	100%
Allergan New Zealand Ltd.	Cnr Manu Tapu Dr & Joseph Hammond Place, Auckland International Airport, Mangere, Auckland, NZ.	Pharmaceutical Distribution and Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan NK	Japan	Holding Company	100%
Allergan Norden AB	Strandbergsgatan 61, SE 112 51 Stockholm, Sweden	Pharmaceutical Distribution and Research & Development	100%
Allergan Norden AB Finnish branch	Klovinpellontie 3, 02180 Espoo, Finland	Pharmaceutical Distribution and Research & Development	100%
Allergan Pharma Co. (f/k/a Actavis Specialty Pharmaceuticals Co.)	1959 Upper Water Street, Suite 900, Halifax NS, Canada, B3J 3N2	Pharmaceutical Distribution and Research & Development	100%
Allergan Pharma Holding S.à r.l. (f/k/a Actavis Pharma Holding S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan Pharma Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding company	100%
Allergan Pharma Limited (f/k/a Aptalis Pharma Ltd.)	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Allergan Pharmaceuticals (Proprietary) Ltd.	30 New Road (Entrance Off Bavaria Road), Randjespark Ext 11, Johannesburg, 1682, South Africa	Pharmaceutical Distribution and Research & Development	100%
Allergan Pharmaceuticals Holdings (Ireland) Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Pharmaceuticals International Limited (f/k/a Aptalis Pharma Ltd.).	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Allergan Pharmaceuticals International Limited Jordan Office	73 Queen Nour Street, 11190 Amman, Jordan	Other	100%
Allergan Pharmaceuticals International Limited Lebanon Office	Beirut, plot no. 5121 Mazraa, Museum Street, Stephan Building, Badaro, 1st Floor, Lebanon	Other	100%
Allergan Pharmaceuticals Ireland	Castlebar Road, Westport, Co Mayo, Ireland	Pharmaceutical Distribution and Manufacturing	100%
Allergan Pharmaceuticals Taiwan Co. Ltd.	9F. No. 102, Sec 2, Roosevelt Road, Taipei 100, Taiwan	Pharmaceutical Distribution and Research & Development	100%
Allergan Productos Farmaceuticos S.A.	Libertador Avenue 498 Piso 29, North Section, City of Buenos Aires, Argentina	Pharmaceutical Distribution and Research & Development	100%
Allergan Produtos Farmaceuticos Ltda.	Av. Dr. Cardoso de Melo, 1855, 13º andar, Bloco I, Vila Olimpia, São Paulo, SP, Brazil	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Allergan Property Holdings, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Puerto Rico Holdings, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan S.A.	Edificio La Encina, Plaza de la Encina 10-11, 28760 – Tres Cantos, Madrid, Spain	Pharmaceutical Distribution and Research & Development	100%
Allergan S.p.A.	Via Salvatore Quasimodo N. 134/138, 00144 Rome, Italy	Pharmaceutical Distribution and Research & Development	100%
Allergan Sales Puerto Rico, Inc.	C T Corporation System, 818 West 7th Street, Los Angeles, CA, 90017	Pharmaceutical Distribution	100%
Allergan Sales, LLC (d/b/a Bioscience Laboratories)	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Allergan Saudi Arabia LLC	Al Yousufia building, Ali bin Abi Taleb street, Sharafish District, PO Box 19435, Jeddah 21435, Saudi Arabia	Research & Development	75%
Allergan Scientific Office	53 El Shikh Mohammed El Nady St., Nasr City, Cairo, Egypt	Other	owner
Allergan Services International, Limited	Longphort House, Earlsfort Centre, Lower Leeson Street, Dublin 2, Ireland.	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Servicios Profesionales, S. de R.L. de C.V.	Av. Santa Fee 505 Pist 11 Col, Cruz Manca Santa Fe De Cuajimalpta. Mexico, D.F. 05349	Research & Development	100%
Allergan Singapore Pte. Ltd.	8 Marina Boulevard, #05-02 Marina Bay, Financial Centre, Singapore 018981	Pharmaceutical Distribution and Research & Development	100%
Allergan Singapore Pte. Ltd. Indonesia Rep Office	Eighty Eight Kasablanka Office Tower, 10th Floor Unit D, JI. Casablanca Raya Kav. 88, South Jakarta 12870, Indonesia	Research & Development	100%
Allergan Singapore Pte. Ltd. Vietnam Rep Office	21st Floor, Saigon Trade Center, 37 Ton Duc Thang, District 1, Ho Chi Minh City, Vietnam	Research & Development	100%
Allergan SK S.r.o.	Štúrova 4, Bratislava 811 02, Slovakia	Other	100%
Allergan Sp. Z.o.o.	Ul. Marynarska 15, 02-674 Warszawa, Poland	Pharmaceutical Distribution and Research & Development	100%
Allergan SRL	Bucharest, Sector 2, 5-7 Dimitrie Pompeiu Blvd, Hermes Business Campus 1 Building, 2nd Floor, Offices 222 and 225, Romania	Pharmaceutical Distribution	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan UK LLP	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Other	100%
Allergan Ukraine, LLC	vul. Boryspilska, d. 9, Darnytskyy, rayon, Kyiv 02099, Ukraine	Pharmaceutical Distribution and Research & Development	100%
Allergan USA, Inc. (d/b/a Pacificom / Pacific Communications)	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Manufacturing	100%
Allergan W.C. Holding Inc. (f/k/a Actavis W.C. Holding Inc.)	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan WC 2 S.a r.l. (f/k/a Actavis WC 2 S.a r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan WC 3 S.a r.l. (f/k/a Actavis WC 3 S.a r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan WC Ireland Holdings Ltd. (f/k/a Warner Chilcott plc)	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
Allergan, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan, Inc. II SCS (f/k/a Actavis, Inc. II SCS)	2, rue Joseph Hackin, L-1746 Luxembourg	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan, Inc. SCS (f/k/a Actavis, Inc. SCS)	2, rue Joseph Hackin, L-1746 Luxembourg	Holding Company	100%
Allergan, S.A. de C.V.	Av. Santa Fee 505 Pist 11 Col, Cruz Manca Santa Fe De Cuajimalpta. Mexico, D.F. 05349	Pharmaceutical Distribution and Research & Development	100%
Anterios, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
APBI Holdings, LLC	CT Corporation System, 160 Mine Lake Ct. Ste 200, Raleigh, North Carolina 27615	Holding Company	100%
Aptalis Holding B.V.	Keizerstraat 13, 4811 HL Breda, The Netherlands	Holding Company	100%
Aptalis Netherlands B.V.	Keizerstraat 13, 4811 HL Breda, The Netherlands	Holding Company	100%
Aptalis Pharma Canada ULC	4300 Bankers Hall West, 888—3rd Street S.W., Calgary AB T2P 5C5, Canada	Pharmaceutical Distribution and Manufacturing	100%
Aptalis Pharma S.r.l.	Pessano con Bornago (MI) via Martin Luther King 13, 20060, Milan, Italy	Other	100%
Aptalis Pharma UK Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Aptalis Pharma US, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
AqueSys, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Research & Development	100%
Axcan EU LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Axcan Pharma (Australia) Pty Ltd	Walker Wayland Pty Limited, Level 11, Suite 11.01, 60 Castlereagh Street, Sydney, Australia	Holding Company	66.67%
Cerexa Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Chase Pharmaceuticals Corporation	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Collagen Aestethics Benelux S.A.	Rue de Bois-Seigneur-Isaac 40, 1421 Ophain-Bois-S-Isaac, Belgium	Dormant	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Del Mar Indemnity Company, LLC	c/o Marsh Management Services, Inc., P.O. Box 4238, Honolulu, Hawaii 96813-4238	Insurance	100%
Dogwood Pharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Durata Holdings, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding company	100%
Durata Therapeuctics U.S. Limited	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Durata Therapeutics Holding C.V.	190 Elgin Avenue, Goerge Town, Grand Cayman KY1-9005, Cayman Islands	Holding Company	100%
Durata Therapeutics International B.V.	Spaces Zuidas II, Barbara Strozzilaan 101, 1083 HN Amsterdam, The Netherlands	Pharmaceutical Distribution and Research & Development	100%
Durata Therapeutics Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Durata Therapeutics, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Eden Biodesign, LLC (f/k/a Eden Biodesign Inc.)	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Dormant	100%
Eden Biopharm Group Ltd.	12 Estuary Banks, Speke, Liverpool, L24 8RB, England	Holding Company	100%
Eden Biopharm Ltd.	12 Estuary Banks, Speke, Liverpool, L24 8RB, England	Other	100%
Eurand France S.A.S.	Z.I. de Nogent-sur-Oise, 14, rue du Clos Barrois, 60180 Nogent-sur-Oise, France	Holding Company	100%
Exemplar Pharma LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Dormant	100%
Femalon SPRL	Rue du Travail 16, 4460 Grâce-Hollogne, Belgium	Research & Development	100%
FL Holding C.V.	Cumberland House, 1 Victoria Street, Hamilton HM 11 Bermuda	Holding Company	100%
FLI International LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Forest Finance B.V.	Keizerstraat 13, 4811 HL Breda, The Netherlands	Holding Company	100%
Forest Holdings France S. A.S.	12 Place de la Defense, 92400 Courbevoie, France	Holding Company	100%
Forest Laboratories Canada Inc.	44 Chipman Hill, Suite 1000, Saint John, New Brunswick, Canada, E2L 2A9	Pharmaceutical Distribution and Research & Development	100%
Forest Laboratories Holdings Limited	Clonshuagh Business and Technology Park, Clonshaugh, Dublin 17 Ireland	Holding Company	100%
Forest Laboratories Ireland Ltd	Clonshuagh Business and Technology Park, Clonshaugh, Dublin 17 Ireland	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Forest Laboratories, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Forest Pharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Manufacturing	100%
Forest Research Institute, Inc.	The Corporation Trust Center, 820 Bear Tavern Rd., West Trenton, New Jersey 08628	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
ForSight VISION5, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Furiex Pharmaceuticals, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Gastro Services Pty Ltd	Walker Wayland Services Pty Limited, Suite 11.01 Level 11, 60 Castlereagh Street, SYDNEY NSW, 2000, Australia	Holding Company	100%
Hong Kong Representative Office	Suite Pt 1308-10, 13th floor, Citiplaza four, 12 Taikoo Wan Road, Taikoo Shing, Hong Kong	Branch	100%
Keller Medical, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Manufacturing	100%
Kythera Biopharmaceuticals (Europe) Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Other	100%
Kythera Biopharmaceuticals Australia Pty Ltd.	181 William Street, Melbourne, Victoria 3000, Australia	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Kythera Biopharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution	100%
Kythera Holdings Ltd.	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda	Holding Company	100%
LifeCell Canada, Inc.	1500 Royalo Centre, 1055 West Georgia Street, PO Box 11117, Vancouver BC V6E 4N7, Canada	Pharmaceutical Distribution	100%
LifeCell Corporation	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Manufacturing	100%
LifeCell EMEA Limited	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, England	Pharmaceutical Distribution	100%
LifeCell EMEA Limited Austria branch	c/o RSM Austria Steuerberatung GmbH, Tegetthoffstrasse 7, 1010 Vienna, Austria	Branch	100%
LifeCell EMEA Limited Denmark branch	c/o RSM Denmark, Kalvebod Brygge 45, 2:a sal, 1560 Copenhagen, Denmark	Branch	100%
LifeCell EMEA Limited France branch	c/o RSM, 2 bis Rue Tête d'Or, 69006 Lyon, France	Branch	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
LifeCell EMEA Limited Germany branch	c/o RSM Altavis GmbH, Martin-Luther-Platz 26, 40212 Dusseldorf, Germany	Branch	100%
LifeCell EMEA Limited Italy branch	c/o RSM Palea Lauri Gerla, Via Ettore de Sonnaz 19, 10121 Torino, Italy	Branch	100%
LifeCell EMEA Limited Netherlands branch	Papendorpsweg 99, 3528 BJ Utrecht, Nee, The Netherlands	Branch	100%
LifeCell EMEA Limited Sucursal en Espaňa	c/o RSM, Augustin de Foxá 25, 11ºB, 28046 Madrid, Spain	Branch	100%
LifeCell EMEA Limited Sweden branch	c/o BTR Accounting and Payroll Services AB, Grev Turegatan 21, 114 38 Stockholm, Sweden	Branch	100%
LifeCell EMEA Limited, Zweigniederlassung Zürich	c/o RSM Switzerland AG, Leutschenbachstrasse 34, 8050 Zürich, Switzerland	Branch	100%
LifeCell Medical Resources Limited	Clonshaugh Business and Technology Park, Coolock, Dublin 17 Ireland	Pharmaceutical Distribution	100%
MAP Pharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
McGahn Ireland Holdings Ltd.	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
McGahn Limited	c/o Michael F. Cleary, Castlebar Street, Westport Co, Mayo, Ireland	Dormant	100%
McGahn Medical BV	Fellenoord 130, 5611 ZB Eindhoven, The Netherlands	Other	100%
MPEX London Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Holding Company	100%
MPEX Pharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Naurex Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Northwood Medical Innovation, Ltd.	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Pharmaceutical Distribution	100%
Oculeve, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Odyssea Pharma SPRL	Rue du Travail 16, 4460 Grâce-Hollogne, Belgium	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Pacific Pharma, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution	100%
Pharm-Allergan GmbH	Bruckengebaude, Westhafenplatz 6-8, 60327, Frankfurt am Main, Germany	Pharmaceutical Distribution and Research & Development	100%
Pharm-Allergan GmbH Austria branch	Wienerbergstrasse 11/12A, Vienna, Austria.	Other	100%
Pharmax Holding Limited	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801 – Use DE Registered Address since entity domesticated in US.	Holding Company	100%
Seabreeze LP Holdings, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Seabreeze Silicone Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Silicone Engineering Inc.	CSC Lawyers Incorporating Service, 2710 Gateway Oaks Dr Ste 150n Sacramento CA 95833	Dormant	100%
SourceCF Inhalation Systems, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Tango US Holdings Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Tawain Branch	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Branch	100%
The Seabreeze LP Holdings LLC AGN Seabreeze LLC Limited Partner	25/28 North Wall Quay, IFSC, Dublin, 1, Ireland	Holding Partnership	100%
Tobira Therapeutics, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Topokine Therapeutics, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Research & Development	100%
Tosara Exports Limited	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Uteron Pharma SPRL	Rue du Travail 16, 4460 Grâce-Hollogne, Belgium	Holding Company	100%
Varioraw Percutive Sàrl	Place bel-Air 4, c/o Fiduciaire Heller S.A.	Holding Company	100%
Vicuron Pharmaceuticals LLC (f/k/a Vicuron Pharmaceuticals, Inc.)	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Vitae Pharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Warner Chilcott (US), LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution	100%
Warner Chilcott Corporation	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Warner Chilcott Deutschland GmbH	Dr. Otto-Röhm-Str 2-4 D-64331 Weiterstadt Germany	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Warner Chilcott Holdings Company II, Limited	Estera, Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda	Holding Company	100%
Warner Chilcott Holdings Company III, Limited	Estera, Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Warner Chilcott Intermediate (Ireland) Limited	Clonshaugh Business & Technology Park, Coolock, Dublin D17 E400, Ireland	Holding Company	100%
Warner Chilcott Leasing Equipment Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Warner Chilcott Limited	Estera, Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda	Holding Company	100%
Warner Chilcott Nederland B.V.	Keizerstraat 13, 4811 HL Breda, The Netherlands	Other	100%
Warner Chilcott Pharmaceuticals S. àr.l.	rue de la Corraterie 14,c/o Fiduciaire de la Corraterie SA, 1204 Geneve, Switzerland	Other	100%
Warner Chilcott Sales (US), LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
WC Pharmaceuticals I Limited	Icom House 1/5 Irish Town, Suite 3, Second Floor P.O. Box 883 Gibraltar	Holding Company	100%
ZELTIQ 1, LLC	D79 1/F Blk 2 Camelpaint Bldg. 62 Hoi Yuen Rd Kwun Tong KL	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
ZELTIQ 2, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ 3, Company	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ A, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ Aesthetics, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Manufacturing	100%
ZELTIQ B, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ C Company	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ International, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ Ireland International Holdings UC	Ten Earlsfort Terrace, Dublin 2	Other	100%
ZELTIQ Ireland Unlimited Company	Ten Earlsfort Terrace, Dublin 2	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
ZELTIQ Limited	c/o 7side Secretarial Ltd, 14-18 City Road, Cardiff, Wales CF24 3DL	Pharmaceutical Distribution	100%
Zeltiq Limited French branch	103 Rue de Grenelle, 75007 Paris, France	Branch	100%
Zeltiq Limited Norwegian branch	C/O Revisorhuset As Schwensens Gate 5, 01710 Oslo, Norway	Branch	100%
Zeltiq Limited Spanish branch	Ribera del Loira 46, Campo de las Naciones, Madrid	Branch	100%
Zeltiq Limited Swedish branch	LifeCell Europe LTD Sverige filial c/o BTR Grev Turegatan 21 114 38 Stockholm Sweden	Branch	100%
Zeltiq Limited German branch	Herriotstrasse 1, 60528 Frankfurt am Main, Germany	Branch	100%

32 Approval of the financial statements

The financial statements were approved by the directors on April 4, 2018.

PARENT COMPANY BALANCE SHEET
As of December 31, 2017

(all amounts in millions)	Notes	2017 $	2016 $
Assets			
Fixed assets			
Financial assets – investment in subsidiary	3	89,264.7	89,264.7
		89,264.7	89,264.7
Current assets			
Debtors – derivative financial instrument	5	-	1,424.8
Debtors – amounts due from subsidiaries		1,881.8	1,393.1
Cash at bank and in hand		0.8	10.7
		1,882.6	2,828.6
Creditors: amounts falling due within one year			
Amounts owed to subsidiaries	10	10,680.1	10,012.7
Accrued liabilities		1.2	2.5
Total current liabilities		10,681.3	10,015.2
Net current (liabilities)		(8,798.7)	(7,186.6)
Total assets less current liabilities		80,466.0	82,078.1
Creditors: amounts falling due after one year			
Amounts owed to subsidiaries	10	3,964.0	3,964.0
Other liabilities		0.4	-
Called up share capital presented as liability	6	2,966.4	3,858.0
Net Assets		73,535.2	74,256.1
Capital and reserves			
Called up share capital presented as equity	4	0.1	0.1
Share premium account	5	355.5	172.1
Other Reserves	5	1,529.3	1,270.5
Profit and loss account	5	71,650.3	72,813.4
Total equity		73,535.2	74,256.1

On behalf of the board

/s/ Brenton L. Saunders
Brenton L. Saunders
Director

/s/ Fred G. Weiss
Fred G. Weiss
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2017

(all amounts in millions)	Notes	Called-up share capital presented as equity	Share premium	Other reserves	Profit and loss account	Total
		$	$	$	$	$
Balance at 1 January 2016		0.1	79,014.2	992.0	5,104.8	85,111.1
Income for the financial year		-	-	-	1,694.4	1,694.4
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	1,694.4	1,694.4
Credit relating to equity settled share-based payments		-	-	278.5	-	278.5
Repurchase of ordinary shares under the share repurchase programs		-	-	-	(13,000.0)	(13,000.0)
Capital reduction	5	-	(79,014.2)	-	79,014.2	-
Proceeds from shares issued						
Ordinary shares issued under employee plans		-	172.1	-	-	172.1
Total transactions recognised directly in equity		-	(78,842.1)	278.5	66,014.2	(12,549.4)
Balance at 31 December 2016		**0.1**	**172.1**	**1,270.5**	**72,813.4**	**74,256.1**
Balance at 1 January 2017		0.1	172.1	1,270.5	72,813.4	74,256.1
Income for the financial year		-	-	-	1,153.0	1,153.0
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	1,153.0	1,153.0
Credit relating to equity settled share-based payments		-	-	250.3	-	250.3
Settlement of accelerated share repurchase		-	-	-	(947.1)	(947.1)
Open market share repurchases		-	-	-	(450.0)	(450.0)
Dividends		-	-	-	(939.8)	(939.8)
Non-cash equity issuance for the Acquisition of Zeltiq net assets		-	-	8.5	-	8.5
Profit and loss account impact of stock compensation change		-	-	-	20.8	20.8
Proceeds from shares issued						
Ordinary shares issued under employee plans		-	183.4	-	-	183.4
Total transactions recognised directly in equity		-	183.4	258.8	(2,316.1)	(1,873.9)
Balance at 31 December 2017		**0.1**	**355.5**	**1,529.3**	**71,650.3**	**73,535.2**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 General Information

Allergan plc (formerly known as Actavis plc and formerly known as Actavis Limited) was incorporated in Ireland with registration number 527629 on May 16, 2013 as a private limited company and re-registered effective September 20, 2013 as a public limited company. Allergan plc was established for the purpose of facilitating the business combination between Actavis, Inc. and Warner Chilcott plc ("Warner Chilcott").

On May 17, 2013 Actavis Limited acquired 100% of the share capital of Actavis Ireland Holding Limited ("AIHL"), a private limited company incorporated in Ireland. On September 30, 2013, AIHL allotted and issued 134,099,200 preference shares to Actavis plc in exchange for an allotment and issuance of 134,099,200 ordinary shares by Allergan plc.

On October 1, 2013, pursuant to the transaction agreement dated May 19, 2013 among Actavis, Inc. (now known as Allergan Finance, LLC), Warner Chilcott, Allergan plc, Actavis Ireland Holding Limited, Actavis W.C. Holding LLC (now known as Actavis W.C. Holding Inc.) and Actavis W.C. Holding 2 LLC (now known as Actavis W.C. Holding 2 Inc.) ("MergerSub"), (i) Allergan plc acquired Warner Chilcott (the "Warner Chilcott Acquisition") pursuant to a scheme of arrangement under Section 201, and a capital reduction under Sections 72 and 74, of the Irish Companies Act of 1963 where each Warner Chilcott ordinary share was converted into 0.160 of an Allergan plc ordinary share (the "Company Ordinary Shares"), or $5,833.9 million in equity consideration, and (ii) MergerSub merged with and into Actavis, Inc., with Actavis, Inc. as the surviving corporation in the merger (the "Merger" and, together with the Warner Chilcott Acquisition, the "Transactions"). Following the consummation of the Transactions, Actavis, Inc. and Warner Chilcott became wholly-owned subsidiaries of Allergan plc. Each of Actavis, Inc.'s common shares was converted into one Company Ordinary Share.

On October 1, 2013, the AIHL preference shares were converted to ordinary shares. On November 27, 2013 Allergan plc transferred 100% of its share holding in AIHL to Warner Chilcott plc, in return for 10,000 shares (par value USD 0.01) and the remainder allocated to share premium.

On July 1, 2014, the Allergan group acquired Forest Laboratories, Inc. ("Forest") for consideration including the issuance of Allergan plc equity. The equity instruments were issued in exchange for shares in Tango US Holdings Inc. valued at $20,590.5 million. On July 1, 2014, Warner Chilcott plc made a distribution to Allergan plc of $815.6 million.

On March 17, 2015, the Allergan Group acquired Allergan, Inc. ("Legacy Allergan") for approximately $77.0 billion including outstanding indebtedness assumed of $2.2 billion, cash consideration of $40.1 billion and equity consideration of $34.7 billion, which includes outstanding equity awards (the "Allergan Acquisition"). As part of the consideration, equity instruments of Allergan plc were issued through public offering and through issuance to Legacy Allergan shareholders. The Company issued ordinary shares for net proceeds of $4,071.1 million through a public offering, which was used in part to fund the cash consideration portion of the Allergan Acquisition, and issued equity consideration to Legacy Allergan shareholders, including outstanding equity awards, valued at $34,686.5 million.

The principal activity of Allergan plc is an investment holding company. Its registered address is Clonshaugh Business and Technology Park, Coolock, Dublin, D17 E400, Ireland. These financial statements are the Company's separate financial statements and are presented in its functional currency which is US dollars.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies

Statement of compliance

These financial statements have been prepared on a going concern basis and in compliance with Irish GAAP, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and the Companies Act 2014. FRS 102 refers to the accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland.

Accounting policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated. The company has adopted FRS 102 in these entity financial statements.

Basis of preparation

The financial statements of Allergan plc as a stand alone entity have been prepared on a historical cost convention, as modified by the measurement of certain financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise its judgement in the process of applying the company's accounting policies.

In accordance with section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual profit and loss account to the annual general meeting and from filing it with the Registrar of Companies. The Company's income for the years ended December 31, 2017 and 2016 determined in accordance with Irish GAAP was $1,153.0 million and $1,694.4 million, respectively.

Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The company is a qualifying entity and has availed of the following disclosure exemptions:

i) Exemption from the requirements of Section 7 of FRS 102 and FRS 102 paragraph 3.17(d) to present a statement of cash flows.

ii) Exemption from the financial instrument disclosure requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A of FRS 102 as the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

iii) Exemption from certain disclosure requirements of Section 26 of FRS 102 (paragraphs 26.18(b), 26.19 to 26.21 and 26.23), in respect of share-based payments as the share-based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group; and the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies - continued

Basis of preparation – continued

iv) Exemption from the requirement of FRS 102 paragraph 33.7 to disclose key management personnel compensation in total.

The company is able to take advantage of the disclosure exemptions above as:

i. it otherwise applies the recognition, measurement and disclosure requirements of FRS 102; and

ii. it discloses in the notes to these financial statements a brief narrative summary of the disclosure exemptions adopted and the name of the parent of the group in whose consolidated financial statements its financial statements are consolidated, and from where those financial statements may be obtained.

Critical accounting judgments and estimation uncertainty

Estimates and judgments made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The estimation process required to prepare the Company's financial statements requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. The Company's actual results could differ materially from those estimates.

Carrying value of investment in subsidiary

The Company is a holding company and at the balance sheet has an investment in subsidiary carried at cost of $89,264.7 million. The investment is reviewed for impairment indicators. Recoverability of the investment is dependent on the financial condition of the subsidiaries of the Company. As of December 31, 2017, no impairments were noted.

Financial assets

Investment in subsidiary is stated in the Company's Balance Sheet at cost less any return of capital, unless it has been impaired in which case it is carried at net of any impairment loss recognized.

Taxation

Income tax expense for the financial year, if any, comprises current and deferred tax recognized in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies - continued

Taxation – continued

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognized where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognized in financial statements.

Deferred tax is recognized on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognized only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

Foreign currencies

Transactions denominated in foreign currencies are translated into dollars at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All translation differences are taken to the profit and loss account.

Financial instruments

The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and cash equivalents are initially recognized at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

At the end of each financial year, financial assets measured at amortized cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortized cost is impaired an impairment loss is recognized in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate. No impairments were recognized in the years ended December 31, 2017 or 2016.

Financial assets are derecognized when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies - continued

Financial instruments – continued

another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including accrued liabilities, loans from fellow group companies and preference shares, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Loans from fellow group companies, and financial liability from arrangements which constitute financing transactions are subsequently carried at amortized cost, using the effective interest method.

Mandatory convertible preference shares, in which there is an unavoidable contractual obligation to pay some cash and /or other financial assets are classified as financial liabilities and are marked-to-market with fair value movements recorded in profit or loss at each reporting date. The dividends on these preference shares are charged to the liability. As of March 1, 2018, all outstanding preferred shares were converted into 17,876,930 ordinary shares.

Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Equity shares issued

Equity shares issued are recognized at the proceeds received. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends and other distributions to company's equity shareholders are recognized as a liability in the financial statements in the financial year in which the dividends and other distributions are approved by the company's shareholders.

Share-based compensation

The Company operates a number of equity-settled, share-based compensation plans for employees of some of its subsidiaries. The fair value of the employee services received in exchange for the equity instruments granted in each of the subsidiaries of the company is recognized as an addition to investment in subsidiary with a corresponding increase in equity. Subsequently, the Company recharges its subsidiary which has the impact of reducing investment in subsidiary with a corresponding offset to related-party debtors.

The proceeds received by the Company when share options are exercised are credited to share capital (nominal value) and the balance to share premium.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies - continued

Share-based compensation – continued

The Company does not operate any material cash-settled share-based payment schemes or share-based payment transactions with cash alternatives.

Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

3 Investment in subsidiary

The investment in subsidiary at December 31, 2017 and 2016 is $89,264.7 million. There was no change in investment in subsidiary for the year ended December 31, 2017.

Details of subsidiary

Name	Principal activities	Registered office	Portion of ordinary shares held
Allergan WC Holdings Ireland Limited (f/k/a Warner Chilcott plc)	Holding Company	Clonshaugh Business and Technology Park Coolock, Dublin, D17 E400, Ireland	100%

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

4 Called up share capital ($ in thousands except share data)

Allotted, called up and fully paid equity	Date of issuance	$
December 31, 2015 – 394,484,089 ordinary shares of $0.0001 par value, and 40,000 deferred ordinary shares of €1.00 par value		94.6
801,174 ordinary shares of $0.0001 par value issued for stock-based compensation	1/1/2016 / 12/31/2016	0.1
1,500,353 ordinary shares of $0.0001 par value issued for option exercises	1/1/2016 / 12/31/2016	0.1
61,620,459 ordinary shares of $0.0001 par value cancelled during the year	1/1/2016 / 12/31/2016	(6.2)
296,430 ordinary shares of $0.0001 par value cancelled during the year	1/1/2016 / 12/31/2016	-
December 31, 2016 – 334,868,727 ordinary shares of $0.0001 par value, and 40,000 deferred ordinary shares of €1.00 par value		88.6
377,966 ordinary shares of $0.0001 par value issued for stock-based compensation	1/1/2017 / 12/31/2017	-
1,878,737 ordinary shares of $0.0001 par value issued for option exercises	1/1/2017 / 12/31/2017	0.2
145,478 ordinary shares of $0.0001 par value cancelled during the year	1/1/2017 / 12/31/2017	-
2,618,557 ordinary shares of $0.0001 par value cancelled during the year – open market share repurchases	1/1/2017 / 12/31/2017	(0.3)
4,203,837 ordinary shares of $0.0001 par value cancelled during the year – settlement of Accelerated Share Repurchase Program	1/1/2017 / 12/31/2017	(0.4)
December 31, 2017 – 330,157,558 ordinary shares of $0.0001 par value, and 40,000 deferred ordinary shares of €1.00 par value		**88.1**

5 Reserves

Share Premium

Share premium represents proceeds received from the issuance of share capital in excess of par value.

Other reserves

During the year, 6,967,872 ordinary shares, par value $0.0001, were cancelled. In line with the requirements of Irish law, the par value of the cancelled shares totaling $697 was transferred to a capital redemption reserve fund account in equity. The cumulative amount within Other Reserves was $7,038 as of December 31, 2017. The rest of the Other Reserves balance relates to share based payment adjustments and tax credits.

Profit and loss reserve

This represents the accumulated comprehensive income since incorporation plus capital reductions and less distributions to equity shareholders.

On June 2, 2016, the Irish High Court approved the creation of distributable profits through a capital reduction which lowered share premium and increased profit and loss reserves of the Company by $79,014.2 million.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

5 Reserves - continued

Share Repurchases

On September 25, 2017, the Company's Board of Directors approved a $2.0 billion share repurchase program. As of December 31, 2017, the Company has repurchased $450.0 million, or 2.6 million ordinary shares under the program. As of April 4, 2018, the Company has repurchased an additional $1,540.0 million, or 9.6 million ordinary shares under the program.

During the year ended December 31, 2016, the Company's Board of Directors approved a $5.0 billion share repurchase program which was completed in October 2016. Additionally, the Company's Board of Directors approved a $10.0 billion accelerated share repurchase ("ASR") program, which was initiated in November 2016. In the year ended December 31, 2017, the Company completed the ASR. As a result of the ASR, the Company repurchased 4.2 million and 61.6 million ordinary shares in the years ended December 31, 2017 and 2016, respectively.

Quarterly Dividend

During the year ended December 31, 2017 the Company paid a quarterly cash dividend of $0.70 per share for holders of the Company's ordinary shares in March, June, September and December of 2017. The total amount paid in the year ended December 31, 2017 was $939.8 million. The Company also announced an increase to its quarterly cash dividend for 2018 to $0.72 per ordinary share.

6 Called up share capital as presented as liability

Preferred Shares

On February 24, 2015, the Company completed an offering of 5,060,000 of our 5.500% mandatorily convertible preferred shares, Series A, par value $0.0001 per share (the "Mandatory Convertible Preferred Shares"). Dividends on the Mandatory Convertible Preferred Shares were payable on a cumulative basis when, as and if declared by our board of directors, or an authorized committee thereof, at an annual rate of 5.500% on the liquidation preference of $1,000.00 per Mandatory Convertible Preferred Share. The Company declared dividends in cash on March 1, June 1, September 1 and December 1 of each year commencing June 1, 2015, to and including March 1, 2018. The net proceeds from the Mandatory Convertible Preferred Share issuance of $4,929.7 million were used to fund the Allergan Acquisition.

Each Mandatory Convertible Preferred Share converted on March 1, 2018 into 3.533 ordinary shares.

In the year ended December 31, 2017 and 2016, the Company paid $278.4 million and $278.4 million of dividends, respectively, on the Mandatory Convertible Preferred shares, which reduced the liability.

The instruments were treated as indebtedness and were marked-to-market based on a quoted market price in an active market at each reporting date. The Company notes that the fair market value was $2,966.4 million and $3,858.0 million as of December 31, 2017 and 2016, respectively.

7 Related party transactions

The Company is exempt from disclosing related party transactions with entities that are wholly owned within the group it heads.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

7 Related party transactions - continued

The disclosure of directors' remuneration is in "Note 26—Directors' Remuneration" of the consolidated financial statements of the Company.

8 Auditors' remuneration

In the years ended December 31, 2017 and 2016, $35 thousand and $35 thousand, respectively, was payable for the statutory audit of the parent individual accounts to its auditors, PricewaterhouseCoopers, Ireland.

9 Financial commitments and contingent liabilities

The Company and its affiliates are involved in a number of disputes, governmental and/or regulatory inspections, inquires, investigations and proceedings that could result in litigation, and other litigation matters that arise from time to time. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the Company, its results of operations, financial condition and cash flows.

10 Loans with subsidiaries

As of December 31, 2017, a consolidated subsidiary Warner Chilcott Limited, an indirect wholly owned subsidiary of Allergan plc had $9.8 billion in receivables from Allergan plc. These receivables related to intercompany loans between Allergan plc and subsidiaries of Warner Chilcott Limited, Actavis Capital, S.a.r.l and Forest Finance BV. These loans are interest-bearing loans with varying term dates. Total interest expense recognized during the years ended December 31, 2017 and 2016 was $82.1 million and $41.2 million, respectively.

11 Approval of financial statements

The directors approved the financial statements on April 4, 2018.