Allergan Public Limited Company

2016 Irish Annual Report

CONTENTS

DIRECTORS AND OTHER INFORMATION

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Christopher W. Bodine
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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, 2016.

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, Actavis, Inc. 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"). On October 1, 2013, pursuant to the transaction agreement dated May 19, 2013 among Allergan Finance, LLC, Warner Chilcott, Actavis plc (now known as 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.), (i) the Company 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) Actavis W.C. Holding 2 Inc. merged with and into Allergan Finance, LLC, with Allergan Finance, LLC. as the surviving corporation in the merger (the "Merger" and, together with the Warner Chilcott Acquisition, the "Warner Chilcott Transactions"). Following the consummation of the Warner Chilcott Transactions, 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 includes 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® and Restasis®. The transaction expanded our

DIRECTORS' REPORT - continued

Formation of Company - continued

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 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 July 26, 2015 we entered into a master purchase agreement (the "Teva Agreement"), under which Teva Pharmaceutical Industries Ltd. ("Teva") agreed to acquire our global generic pharmaceuticals business and certain other assets (the "Teva Transaction"). Upon the closing of the Teva Transaction on August 2, 2016, we received $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 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.

As part of the Teva Transaction, Teva acquired our global generics business, including the United States ("US") 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. Teva acquired our Anda Distribution business, which distributes 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 US.

The Company recognized a combined gain on the sale of our Anda Distribution business and the sale of our global generics business of $15,932.2 million 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") number 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 Company is accounting for the assets and liabilities divested as held for sale as of December 31, 2015. Further, the financial results of the businesses held for sale have been 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.

DIRECTORS' REPORT - continued

Principal activities

Allergan plc is a global specialty pharmaceutical company engaged in the development, manufacturing, marketing, and distribution of brand name pharmaceutical products ("brand", "branded" or "specialty brand"), medical aesthetics, biosimilar and OTC pharmaceutical products. The Company has operations in more than 100 countries. As a result of the Allergan Acquisition, the Company expanded its franchises to include ophthalmology, neurosciences and medical aesthetics/dermatology/plastic surgery, which complemented the Company's central nervous system, gastroenterology, women's health and urology franchises. The Company benefits significantly from our global brand equity and consumer awareness of key products, including Botox® and Restasis®.

Business review and results

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"). The CVR had an acquisition date fair value of $479.0 million. The Tobira Acquisition adds to the Company's pipeline Cenicriviroc and Evogliptin, two differentiated, complementary development programs for the treatment of the multi-factorial elements of NASH, including inflammation, metabolic syndromes and fibrosis.

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 strengthens 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.

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 has 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

DIRECTORS' REPORT - continued

Acquisitions - continued

***ForSight VISION5, Inc.* – continued**

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 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.

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 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 and the future milestones will be recorded if the corresponding events become probable.

AstraZeneca License

On October 2, 2016, the Company entered into a licensing agreement with MedImmune, AstraZeneca's global biologics research and development arm, for the global rights to Brazikumab (the "AstraZeneca Transaction"). Brazikumab is an anti-IL-23 monoclonal antibody currently in Phase IIb clinical development 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 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, payable over a period of up to 15 years, including development and launch milestone payments of up to $540.0 million and sales-based milestone payments of $725.0 million, 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 and the future milestones will be recorded if the corresponding events become probable.

DIRECTORS' REPORT - continued

Licenses and Asset Acquisitions - continued

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 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 are 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 and the future milestones will be recorded if the corresponding events become probable.

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 approximately $85.0 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 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 contingent 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 is eligible to receive

DIRECTORS' REPORT - continued

Licenses and Asset Acquisitions - continued

***Heptares Therapeutics Ltd* – continued**

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 and the future milestones will be recorded when the event becomes probable.

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 and the future milestones will be recorded if the corresponding events become probable.

2015 Strategic Transactions

The following are the material transactions that were completed in the year ended December 31, 2015.

Acquisitions

AqueSys, Inc.

On October 16, 2015, the Company acquired AqueSys, Inc. ("AqueSys"), a private, clinical-stage medical device company focused on developing ocular implants that reduce IOP associated with glaucoma, in an all-cash transaction (the "AqueSys Acquisition"). Under the terms of the AqueSys Acquisition, the Company acquired AqueSys for an acquisition accounting purchase price of $298.9 million, including $193.5 million for the estimated fair value of contingent consideration relating to the regulatory approval and commercialization milestone payments. The Company acquired AqueSys for the lead development program, including XEN45, a soft shunt that is implanted in the sub conjunctival space in the eye through a minimally invasive procedure with a single use, pre-loaded proprietary injector. On November 16, 2016, the Company received approval from the United States Food and Drug Administration ("FDA") for XEN45, which triggered a CVR payment of $100.0 million in the year ending December 31, 2016.

Kythera Biopharmaceuticals, Inc.

On October 1, 2015, the Company acquired Kythera Biopharmaceuticals, Inc. ("Kythera"), for $75 per share, or an acquisition accounting purchase price of $2,089.5 million (the "Kythera Acquisition"), for the discovery, development and commercialization of novel prescription aesthetic products. Kythera's lead product, Kybella® injection, is the first and only FDA approved, non-surgical treatment for moderate to severe submental fullness, commonly referred to as double chin.

DIRECTORS' REPORT - continued

Acquisitions - continued

Oculeve, Inc.

On August 10, 2015, the Company acquired Oculeve, Inc. ("Oculeve"), a development-stage medical device company focused on developing novel treatments for dry eye disease (the "Oculeve Acquisition"). Under the terms of the Oculeve Acquisition, Allergan acquired Oculeve for an acquisition accounting purchase price of $134.5 million, including $90.0 million for the estimated fair value of contingent consideration of which the Company may owe up to $300.0 million in future payments. The Company acquired Oculeve and its lead product candidate OD-01, an intranasal neurostimulation device, as well as other dry eye products in development.

Allergan, Inc.

On March 17, 2015, the Company completed the Allergan Acquisition. 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 benefited from Legacy Allergan's global brand equity and consumer awareness of key products, including Botox® and Restasis®. The transaction also 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.

The contribution from the acquisition of Legacy Allergan for the years ended December 31, 2016 and 2015 is as follows ($ in millions):

	Years Ended December 31,	
	2016	2015
	$	$
Net revenues	8,436.8	6,164.6
Operating expenses:		
Cost of sales[(1)]	813.5	1,471.7
Selling and marketing	1,850.2	1,450.2
General and administrative	555.6	909.6
Contribution	**5,217.5**	**2,333.1**

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

DIRECTORS' REPORT - continued

Acquisitions - continued

Allergan, Inc. – continued

As a result of the acquisition, the Company incurred the following transaction and integration costs in the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,	
	2016	2015
	$	$
Cost of sales		
Stock-based compensation acquired for Legacy Allergan employees	9.6	22.5
Acquisition, integration and restructuring related charges	18.1	14.9
Research and development		
Stock-based compensation acquired for Legacy Allergan employees	43.0	124.8
Acquisition, integration and restructuring related charges	11.8	83.5
Selling, general and administrative		
Stock-based compensation acquired for Legacy Allergan employees	98.9	368.9
Acquisition-related expenditures	-	65.5
Acquisition, integration and restructuring related charges	222.1	374.3
Other (expense) income		
Bridge loan facilities expense	-	(264.9)
Interest rate lock	-	30.9
Total transaction and integration costs	**403.5**	**1,288.4**

Licenses and Asset Acquisitions

Mimetogen Pharmaceuticals, Inc.

On November 4, 2015, the Company entered into an exclusive licensing agreement with Mimetogen Pharmaceuticals, Inc. ("Mimetogen"), a clinical stage biotechnology company, to develop and commercialize tavilermide (MIM-D3), a topical formulation of a novel small molecule TrkA agonist for the treatment of dry eye disease, in exchange for an upfront payment of $50.0 million to Mimetogen, which is included as a component of R&D expense in the year ended December 31, 2015 (the "Mimetogen Transaction"). Mimetogen will be entitled to receive potential milestones based on achieving regulatory approval and predefined labeling of the product. In addition, Mimetogen is entitled to receive one-time annual sales based milestone payments based on multiple pre-defined annual net sales thresholds which may or may not be achieved, and tiered royalties based on net sales to third parties of the licensed products. 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 Mimetogen Transaction did not qualify as a business.

Almirall

On October 27, 2015, the Company and Ironwood Pharmaceuticals, Inc. announced that Allergan acquired rights to Constella® (linaclotide) in the European Union, Switzerland, Turkey and the Commonwealth of Independent States from Almirall, S.A. and has also reacquired rights to Linzess® (linaclotide) in Mexico from Almirall, S.A.

DIRECTORS' REPORT - continued

Licenses and Asset Acquisitions - continued

***Almirall* – continued**

for €60.0 million. The consideration was accounted for as an asset acquisition and included as a component of intangible assets. The Company concluded based on the lack of acquired employees and the lack of certain other inputs and processes that this transaction did not qualify as a business.

Naurex, Inc.

On August 28, 2015, the Company acquired certain products in early stage development of Naurex, Inc. ("Naurex") in an all-cash transaction of $571.7 million, plus future contingent payments up to $1,150.0 million, which was accounted for as an asset acquisition (the "Naurex Transaction"). The Company recognized the upfront consideration of $571.7 million as a component of R&D expense in the year ended December 31, 2015. 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 Naurex Transaction did not qualify as a business. The Naurex Transaction expands our pipeline with Naurex's two leading product candidates GLYX-13 and NRX-1074, two compounds that utilize NMDA modulation as a potential new approach to the treatment of Major Depressive Disorder ("MDD"), a disease that can lead to suicidality among the most severe patients.

Migraine License

On August 17, 2015, the Company entered into an agreement with Merck & Co. ("Merck") under which the Company acquired the exclusive worldwide rights to Merck's early development stage investigational small molecule oral calcitonin gene-related peptide receptor antagonists, which are being developed for the treatment and prevention of migraines (the "Merck Transaction"). The Merck Transaction is being accounted for as an asset acquisition. The Company acquired these rights for an upfront charge of $250.0 million which was recognized as a component of R&D expense in the year ended December 31, 2015. 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 Merck Transaction did not qualify as a business. During the year ended December 31, 2016, the Company incurred $100.0 million of milestones under the agreement, which were included as a component of R&D expense. Additionally, Merck is owed contingent payments based on commercial and development milestones of up to $865.0 million as well as potential future royalties.

Divestitures

Respiratory Business

As part of the Forest Acquisition (defined below), we acquired certain assets that comprised Legacy Forest's branded respiratory business in the US and Canada (the "Respiratory Business"). During the year ended December 31, 2014, we held for sale assets of the Respiratory Business of $734.0 million, including allocated goodwill to this unit of $309.1 million. On March 2, 2015, the Company sold the Respiratory Business to AstraZeneca plc ("AstraZeneca") for consideration of $600.0 million upon closing, additional funds to be received for the sale of certain of our inventory to AstraZeneca and low single-digit royalties above a certain revenue threshold. AstraZeneca also paid Allergan an additional $100.0 million and Allergan has agreed to a number of contractual consents and approvals, including certain amendments to the ongoing collaboration agreements between AstraZeneca and Allergan (the "Respiratory Sale"). As a result of the terms of the Respiratory Sale, in the year ended December 31, 2015, the Company recognized an incremental charge in cost

DIRECTORS' REPORT - continued

Divestitures - continued

Respiratory Business – continued

of sales (including the acquisition accounting fair value mark-up of inventory) relating to inventory that will not be sold to AstraZeneca of $35.3 million. The Company recognized a loss in other (expense) income, net for the sale of the business of $5.3 million in the year ended December 31, 2015.

Pharmatech

As part of the Forest Acquisition, the Company acquired certain manufacturing plants and contract manufacturing agreements within the business known as Aptalis Pharmaceutical Technologies ("Pharmatech"). In accordance with acquisition accounting, the assets were fair valued on July 1, 2014 as assets held in use, including market participant synergies anticipated under the concept of "highest and best use." During the fourth quarter of 2014, the decision was made to hold these assets for sale as one complete unit, without integrating the unit and realizing anticipated synergies. During the year ended December 31, 2014, the Company recognized an impairment on assets held for sale of $189.9 million (the "Pharmatech Transaction") which included a portion of goodwill allocated to this business unit. In the year ended December 31, 2015, the Company completed the divestiture of the Pharmatech business and there was no material impact to the Company's results of operations.

Operating results for the years ended December 31, 2016 and 2015

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. For the year ended December 31, 2015, we recorded profit for the year of $3,683.2 million on revenue of $12,688.1 million. As of December 31, 2016 and 2015, we had total assets of $128,902.6 million and $135,538.0 million, respectively.

Key performance indicators

During 2016, Allergan announced a realignment of its businesses to streamline operations. Prior to the realignment, the Company operated and managed its business as four distinct operating segments: US Brands, US Medical Aesthetics, International and Anda Distribution. Under the new organizational structure being reported, and as a result of our decision to sell our Anda Distribution business, the Company organized its businesses 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. Prior period results have been recast to align to the current segment presentation.

The operating segments are organized as follows:

- The US Specialized Therapeutics segment includes sales and expenses relating to certain branded products within the US, including Medical Aesthetics, Medical Dermatology, Eye Care, Neurosciences and Urology therapeutic products.
- The US General Medicine segment includes sales and expenses relating to branded products within the US 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 US.

DIRECTORS' REPORT - continued

Key performance indicators - continued

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 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 from results of continuing operations prior to October 3, 2016. 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, 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. In March 2015, as a result of the Allergan Acquisition, we began to promote Restasis®, Lumigan®/Ganfort®, Alphagan®/Combigan®, Botox®, Fillers, other aesthetic products and other eye care products.

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.

DIRECTORS' REPORT - continued

Key performance indicators - continued

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

	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.

DIRECTORS' REPORT - continued

Key performance indicators - continued

	Year Ended December 31, 2015			
	US Specialized Therapeutics	**US General Medicine**	**International**	**Total**
	$	**$**	**$**	**$**
Net revenues	4,309.8	6,338.4	2,187.3	12,835.5
Operating expenses:				
Cost of sales[1]	235.8	909.5	350.9	1,496.2
Selling and marketing	772.8	1,194.7	569.2	2,536.7
General and administrative	68.3	105.3	107.6	281.2
Segment Contribution	**3,232.9**	**4,128.9**	**1,159.6**	**8,521.4**
Contribution margin	***75.0%***	***65.1%***	***53.0%***	***66.4%***
Corporate				3,066.6
Research and development				2,358.5
Selling, general and administrative excluded from segments and corporate designation				6,227.3
Other (income)				(0.1)
Interest (income)				(10.6)
Interest expense and similar items				1,427.2
(Loss) before taxes				(4,547.5)

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

The following is a reconciliation of net revenues for the operating segments to the Company's net revenues for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
	2016	**2015**		
	$	**$**	**$**	**%**
Segment net revenues	14,616.9	12,835.5	1,781.4	13.9%
Corporate revenues	(46.3)	(147.4)	101.1	(68.6)%
Net revenues	**14,570.6**	**12,688.1**	**1,882.5**	**14.8%**

No country represents ten percent or more of net revenues outside of the United States. 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, 2016 and 2015 ($ in millions):

	Year Ended December 31, 2016					Year Ended December 31, 2015					Change	
	US Specialized Therapeutics	US General Medicine	International	Corporate	Total	US Specialized Therapeutics	US General Medicine	International	Corporate	Total	Dollars	Percentage
	$	$	$	$	$	$	$	$	$	$	$	%
Botox®	1,983.2	-	803.0	-	2,786.2	1,386.4	-	584.4	$ -	1,970.8	815.4	41.4%
Restasis®	1,419.5	-	68.0	-	1,487.5	999.6	-	48.2	-	1,047.8	439.7	42.0%
Fillers	446.9	-	420.4	-	867.3	304.4	-	269.5	-	573.9	293.4	51.1%
Lumigan®/Ganfort®	326.4	-	361.7	-	688.1	260.7	-	283.4	-	544.1	144.0	26.5%
Linzess®/Constella®	-	625.6	17.3	-	642.9	-	454.8	4.5	-	459.3	183.6	40.0%
Bystolic®/Byvalson®	-	638.8	1.7	-	640.5	-	644.8	1.3	-	646.1	(5.6)	(0.9)%
Namenda XR®	-	627.6	-	-	627.6	-	759.3	-	-	759.3	(131.7)	(17.3)%
Alphagan®/Combigan®	376.6	-	169.3	-	545.9	285.0	-	126.1	-	411.1	134.8	32.8%
Asacol®/Delzicol®	-	360.8	53.7	-	414.5	-	552.9	65.5	-	618.4	(203.9)	(33.0)%
Lo Loestrin®	-	403.5	-	-	403.5	-	346.5	3.1	-	349.6	53.9	15.4%
Estrace® Cream	-	379.4	-	-	379.4	-	326.2	-	-	326.2	53.2	16.3%
Eye Drops	186.5	-	276.2	-	462.7	177.0	-	220.6	-	397.6	65.1	16.4%
Breast Implants	206.0	-	149.9	-	355.9	175.0	-	125.5	-	300.5	55.4	18.4%
Viibryd®/Fetzima®	-	342.3	-	-	342.3	-	327.6	-	-	327.6	14.7	4.5%
Minastrin® 24	-	325.9	1.4	-	327.3	-	272.4	0.6	-	273.0	54.3	19.9%
Ozurdex®	84.4	-	179.0	-	263.4	56.1	-	112.3	-	168.4	95.0	56.4%
Carafate®/Sulcrate®	-	229.0	2.4	-	231.4	-	213.1	-	-	213.1	18.3	8.6%
Aczone®	217.3	-	-	-	217.3	170.8	-	-	-	170.8	46.5	27.2%
Zenpep®	-	200.7	-	-	200.7	-	167.4	-	-	167.4	33.3	19.9%
Canasa®/Salofalk®	-	178.7	17.7	-	196.4	-	137.1	18.5	-	155.6	40.8	26.2%
Saphris®	-	166.8	-	-	166.8	-	186.7	-	-	186.7	(19.9)	(10.7)%
Armour Thyroid	-	166.5	-	-	166.5	-	130.8	-	-	130.8	35.7	27.3%
Teflaro®	-	133.6	-	-	133.6	-	137.6	-	-	137.6	(4.0)	(2.9)%
Rapaflo®	116.6	-	5.8	-	122.4	115.2	-	10.9	-	126.1	(3.7)	(2.9)%
SkinMedica®	108.3	-	-	-	108.3	76.6	-	-	-	76.6	31.7	41.4%
Savella®	-	103.2	-	-	103.2	-	106.4	-	-	106.4	(3.2)	(3.0)%
Tazorac®	95.5	-	0.8	-	96.3	92.3	-	1.4	-	93.7	2.6	2.8%
Vraylar™	-	94.3	-	-	94.3	-	-	-	-	-	94.3	n.a.
Viberzi®	-	93.3	-	-	93.3	-	12.3	-	-	12.3	81.0	n.m.
Latisse®	77.9	-	8.5	-	86.4	63.2	-	10.0	-	73.2	13.2	18.0%
Lexapro®	-	66.6	-	-	66.6	-	71.6	-	-	71.6	(5.0)	(7.0)%
Namzaric®	-	57.5	-	-	57.5	-	11.2	-	-	11.2	46.3	n.m.
Kybella®/Belkyra®	50.2	-	2.3	-	52.5	3.2	-	-	-	3.2	49.3	n.m.
Dalvance®	-	39.3	-	-	39.3	-	16.8	-	-	16.8	22.5	133.9%
Avycaz®	-	36.1	-	-	36.1	-	22.6	-	-	22.6	13.5	59.7%
Liletta®	-	23.3	-	-	23.3	-	14.8	-	-	14.8	8.5	57.4%
Enablex®	-	17.1	-	-	17.1	-	69.2	-	-	69.2	(52.1)	(75.3)%
Namenda® IR	-	15.1	-	-	15.1	-	556.3	-	-	556.3	(541.2)	(97.3)%
Other Products Revenues	116.4	598.9	342.2	33.7	1,091.2	144.3	800.0	301.5	10.0	1,255.8	(164.6)	(13.1)%
Less product sold through our Anda Distribution business	n.a.	n.a.	n.a.	(80.0)	(80.0)	n.a.	n.a.	n.a.	(157.4)	(157.4)	77.4	(49.2)%
Total Net Revenues	**5,811.7**	**5,923.9**	**2,881.3**	**(46.3)**	**14,570.6**	**4,309.8**	**6,338.4**	**2,187.3**	**(147.4)**	**12,688.1**	**1,882.5**	**14.8%**

US Specialized Therapeutics

Our US Specialized Therapeutics business offers certain of our branded products within the US, including Medical Aesthetics, Medical Dermatology, Eye Care, Neurosciences and Urology therapeutic products. The US Specialized Therapeutics segment is primarily attributable to the Allergan Acquisition. Revenues within this segment include revenues that were distributed through the Anda Distribution business to third party customers through October 3, 2016.

Our US Specialized Therapeutics business is focused on maintaining a leading position in the therapeutic areas in which we participate within the US 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

DIRECTORS' REPORT - continued

Key performance indicators - continued

US Specialized Therapeutics – continued

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.

The following table presents net contribution for the US Specialized Therapeutics segment for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
	2016[1]	2015[1]		
	$	$	$	%
Total Eye Care	**2,437.7**	**1,831.3**	**606.4**	**33.1%**
Restasis®	1,419.5	999.6	419.9	42.0%
Alphagan®/Combigan®	376.6	285.0	91.6	32.1%
Lumigan®/Ganfort®	326.4	260.7	65.7	25.2%
Ozurdex®	84.4	56.1	28.3	50.4%
Eye Drops	186.5	177.0	9.5	5.4%
Other Eye Care	44.3	52.9	(8.6)	(16.3)%
Total Medical Aesthetics	**1,622.9**	**1,145.0**	**477.9**	**41.7%**
Facial Aesthetics	**1,226.3**	**817.8**	**408.5**	**50.0%**
Botox® Cosmetics	729.2	510.2	219.0	42.9%
Fillers	446.9	304.4	142.5	46.8%
Kybella®	50.2	3.2	47.0	n.m.
Plastic Surgery	**210.4**	**187.4**	**23.0**	**12.3%**
Breast Implants	206.0	175.0	31.0	17.7%
Other Plastic Surgery	4.4	12.4	(8.0)	(64.5)%
Skin Care	**186.2**	**139.8**	**46.4**	**33.2%**
SkinMedica®	108.3	76.6	31.7	41.4%
Latisse®	77.9	63.2	14.7	23.3%
Total Medical Dermatology	**396.5**	**355.9**	**40.6**	**11.4%**
Aczone®	217.3	170.8	46.5	27.2%
Tazorac®	95.5	92.3	3.2	3.5%
Botox® Hyperhidrosis	65.2	52.5	12.7	24.2%
Other Medical Dermatology	18.5	40.3	(21.8)	(54.1)%
Total Neuroscience & Urology	**1,306.3**	**938.9**	**367.4**	**39.1%**
Botox® Therapeutics	1,188.8	823.7	365.1	44.3%
Rapaflo®	116.6	115.2	1.4	1.2%
Other Neuroscience & Urology	0.9	-	0.9	n.a.
Other Revenues	**48.3**	**38.7**	**9.6**	**24.8%**
Net revenues	**5,811.7**	**4,309.8**	**1,501.9**	**34.8%**
Operating expenses:				
Cost of sales[2]	290.9	235.8	55.1	23.4%
Selling and marketing	1,137.0	772.8	364.2	47.1%
General and administrative	174.2	68.3	105.9	155.1%
Segment contribution	**4,209.6**	**3,232.9**	**976.7**	**30.2%**
Segment margin	72.4%	75.0%		(2.6)%
Segment gross margin[3]	95.0%	94.5%		0.5%

(1) Includes revenues earned that were distributed through the Anda Distribution business prior to October 3, 2016 to third party customers.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US Specialized Therapeutics – 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 increase in segment revenues is primarily due to a full year contribution from the Allergan Acquisition versus nine and a half months in the prior year. In addition, the Company acquired the rights to Kybella®, a facial aesthetic product indicated for submental fullness, in 2015, and launched the product in the fourth quarter of that year. The Company has continued to realize strong organic growth from these products acquired from Allergan, including Restasis®, Ozurdex®, Botox®, Fillers and the SkinMedica® line.

Cost of Sales

The increase in cost of sales is due to a full year contribution from the Allergan Acquisition versus nine and a half months in the prior year.

Selling and Marketing Expenses

The increase in selling and marketing expenses was primarily due to a full year contribution from the Allergan Acquisition versus nine and a half months in the prior year, as well as increases in selling and marketing efforts for Kybella®, Restasis®, Botox® Cosmetics, Fillers, and Botox® Therapeutics.

General and Administrative Expenses

The increase in general and administrative expenses was primarily due to a full year contribution from the Allergan Acquisition versus nine and a half months in the prior year and an increase due to the Company's new operating management structure wherein more costs are directly supporting the operating segments versus corporate functions. Consequently, general and administrative expenses increased as a result of this change. In addition, there was also a period over period increase in compensation costs.

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 these patents or 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. Revenues within this segment include revenues that were distributed through the Anda Distribution business to third party customers through October 3, 2016.

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 net contribution for the US General Medicine segment for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
	2016[1]	2015[1]		
	$	$	$	%
Total Central Nervous System (CNS)	**1,303.6**	**1,841.1**	**(537.5)**	**(29.2)%**
Namenda XR®	627.6	759.3	(131.7)	(17.3)%
Namzaric®	57.5	11.2	46.3	n.m.
Viibryd®/Fetzima®	342.3	327.6	14.7	4.5%
Saphris®	166.8	186.7	(19.9)	(10.7)%
Vraylar™	94.3	-	94.3	n.a.
Namenda® IR	15.1	556.3	(541.2)	(97.3)%
Total Gastrointestinal (GI)	**1,721.0**	**1,575.3**	**145.7**	**9.2%**
Linzess®	625.6	454.8	170.8	37.6%
Asacol®/Delzicol®	360.8	552.9	(192.1)	(34.7)%
Carafate®/Sulcrate®	229.0	213.1	15.9	7.5%
Zenpep®	200.7	167.4	33.3	19.9%
Canasa®/Salofalk®	178.7	137.1	41.6	30.3%
Viberzi®	93.3	12.3	81.0	n.m.
Other GI	32.9	37.7	(4.8)	(12.7)%
Total Women's Health	**1,179.6**	**998.0**	**181.6**	**18.2%**
Lo Loestrin®	403.5	346.5	57.0	16.5%
Estrace® Cream	379.4	326.2	53.2	16.3%
Minastrin® 24	325.9	272.4	53.5	19.6%
Liletta®	23.3	14.8	8.5	57.4%
Other Women's Health	47.5	38.1	9.4	24.7%
Total Anti-Infectives	**225.1**	**188.8**	**36.3**	**19.2%**
Teflaro®	133.6	137.6	(4.0)	(2.9)%
Dalvance®	39.3	16.8	22.5	133.9%
Avycaz®	36.1	22.6	13.5	59.7%
Other Anti-Infectives	16.1	11.8	4.3	36.4%
Diversified Brands	**1,366.6**	**1,649.2**	**(282.6)**	**(17.1)%**
Bystolic®/Byvalson®	638.8	644.8	(6.0)	(0.9)%
Armour Thyroid	166.5	130.8	35.7	27.3%
Savella®	103.2	106.4	(3.2)	(3.0)%
Lexapro®	66.6	71.6	(5.0)	(7.0)%
Enablex®	17.1	69.2	(52.1)	(75.3)%
PacPharma	52.0	82.1	(30.1)	(36.7)%
Other Diversified Brands	322.4	544.3	(221.9)	(40.8)%
Other Revenues	**128.0**	**86.0**	**42.0**	**48.8%**
Net revenues	**5,923.9**	**6,338.4**	**(414.5)**	**(6.5)%**
Operating expenses:				
Cost of sales[2]	879.8	909.5	(29.7)	(3.3)%
Selling and marketing	1,185.7	1,194.7	(9.0)	(0.8)%
General and administrative	174.9	105.3	69.6	66.1%
Segment contribution	**3,683.5**	**4,128.9**	**(445.4)**	**(10.8)%**
Segment margin	62.2%	65.1%		(2.9)%
Segment gross margin[3]	85.1%	85.7%		(0.6)%

(1) Includes revenues earned that were distributed through the Anda Distribution business prior to October 3, 2016 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 the US General Medicine segment revenues is primarily driven by the loss of exclusivity on Namenda® IR, which declined $541.2 million, or 97.3%, versus the prior year period. Namenda XR® contributed revenues of $627.6 million in the year ended December 31, 2016, a decline of $131.7 million, or 17.3%, versus the prior year period due to a decline in average net selling price to maintain strong formulary coverage, coupled with a decline in demand. The launches of Namzaric® and Vraylar™ have partially offset the impact of the decline of Namenda® IR and Namenda XR®.

Growth within our Gastrointestinal franchise was primarily driven by Linzess® and newly launched Viberzi®. Linzess® revenues increased $170.8 million, or 37.6%, versus the prior year period primarily due to strong demand growth and price appreciation. The Asacol® / Delzicol® franchise revenues decreased $192.1 million, or 34.7%, due in part to a reduction in demand as a result of lower promotion and some loss in formulary coverage. In addition, an authorized generic of Asacol® HD was launched in August. Offsetting this decline, in part, is royalty revenue of $45.5 million relating to our authorized generic version of Asacol® HD, which is included within "Other Revenues".

Our Women's Healthcare franchise increased $181.6 million, or 18.2%, versus the prior year period. Lo Loestrin® increased 16.5% due to strong demand growth and modest net price appreciation. Estrace® Cream increased 16.3% as a result of net price appreciation and demand growth. Minastrin® 24 increased 19.6% primarily as a result of net price appreciation. Patents covering generic versions of our Minastrin® product will enter the market as early as March 2017 pursuant to settlement agreements previously entered into.

The decline in Diversified Brands revenues is primarily due to loss of exclusivity on certain products and to product divestitures.

Cost of Sales

The decrease in cost of sales was primarily due to a decline in product revenues as well as an unfavorable product mix, including increased sales of products that are royalty bearing. Segment gross margins declined to 85.1% for the year ended December 31, 2016 compared to 85.7% for the year ended December 31, 2015.

Selling and Marketing Expenses

A modest decrease in selling and marketing expenses is attributable to the overall decline in revenues offset, in part, by redeployment of promotional efforts to key growth brands, including newly launched products Viberzi® and Vraylar™.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US General Medicine Segment – continued

General and Administrative Expenses

The increase in general and administrative costs is a result of the Company's new operating management structure wherein more costs are directly supporting the operating segments versus corporate functions. Consequently, general and administrative expenses increased as a result of this change. In addition, there was also a period over period increase in compensation costs.

International

Our International segment offers a wide array of branded and aesthetics products outside of the United States, primarily products acquired in the Allergan Acquisition.

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

DIRECTORS' REPORT - continued

Key performance indicators - continued

International – continued

The following table presents net contribution for the International segment for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change					
	2016	2015	$ Overall Change	$ Currency Change	$ Operational Change	% Overall Change	% Currency Change	% Operational Change
	$	$	$	$	$	%	%	%
Total Eye Care	**1,219.4**	**918.7**	**300.7**	**(28.6)**	**329.3**	**32.7%**	**(3.1)%**	**35.8%**
Lumigan®/Ganfort®	361.7	283.4	78.3	(7.7)	86.0	27.6%	(2.7)%	30.3%
Alphagan®/Combigan®	169.3	126.1	43.2	(3.6)	46.8	34.3%	(2.9)%	37.1%
Ozurdex®	179.0	112.3	66.7	(2.4)	69.1	59.4%	(2.1)%	61.5%
Optive®	101.9	76.9	25.0	(1.9)	26.9	32.5%	(2.5)%	35.0%
Other Eye Drops	174.3	143.7	30.6	(5.2)	35.8	21.3%	(3.6)%	24.9%
Restasis®	68.0	48.2	19.8	(2.1)	21.9	41.1%	(4.4)%	45.4%
Other Eye Care	165.2	128.1	37.1	(5.7)	42.8	29.0%	(4.4)%	33.4%
Total Medical Aesthetics	**1,064.6**	**756.3**	**308.3**	**(23.0)**	**331.3**	**40.8%**	**(3.0)%**	**43.8%**
Facial Aesthetics	**902.7**	**619.8**	**282.9**	**(20.8)**	**303.7**	**45.6%**	**(3.4)%**	**49.0%**
Botox® Cosmetics	480.0	350.3	129.7	(11.5)	141.2	37.0%	(3.3)%	40.3%
Fillers	420.4	269.5	150.9	(9.3)	160.2	56.0%	(3.5)%	59.4%
Belkyra® (Kybella®)	2.3	-	2.3	-	2.3	n.a.	n.a.	n.a.
Plastic Surgery	**150.7**	**125.6**	**25.1**	**(2.1)**	**27.2**	**20.0%**	**(1.7)%**	**21.7%**
Breast Implants	149.9	125.5	24.4	(2.1)	26.5	19.4%	(1.7)%	21.1%
Earfold™	0.8	0.1	0.7	-	0.7	n.m.	n.a.	n.a.
Skin Care	**11.2**	**10.9**	**0.3**	**(0.1)**	**0.4**	**2.8%**	**(0.9)%**	**3.7%**
Botox® Therapeutics and Other	**537.3**	**453.7**	**83.6**	**(16.4)**	**100.0**	**18.4%**	**(3.6)%**	**22.0%**
Botox® Therapeutics	323.0	234.1	88.9	(7.7)	96.6	38.0%	(3.3)%	41.3%
Asacol®/Delzicol®	53.7	65.5	(11.8)	(4.3)	(7.5)	(18.0)%	(6.6)%	(11.5)%
Constella®	17.3	4.5	12.8	(0.6)	13.4	284.4%	(13.3)%	297.8%
Other Products	143.3	149.6	(6.3)	(3.8)	(2.5)	(4.2)%	(2.5)%	(1.7)%
Other Revenues	**60.0**	**58.6**	**1.4**	**-**	**1.4**	**2.4%**	**n.a.**	**n.a.**
Net revenues	**2,881.3**	**2,187.3**	**694.0**	**(68.0)**	**762.0**	**31.7%**	**(3.1)%**	**34.8%**
Operating expenses:								
Cost of sales[1]	418.2	350.9	67.3	(9.9)	77.2	19.2%	(2.8)%	22.0%
Selling and marketing	788.2	569.2	219.0	(17.8)	236.8	38.5%	(3.1)%	41.6%
General and administrative	117.2	107.6	9.6	(4.0)	13.6	8.9%	(3.7)%	12.6%
Segment contribution	**1,557.7**	**1,159.6**	**398.1**	**(36.3)**	**434.4**	**34.3%**	**(3.1)%**	**37.5%**
Segment margin	54.1%	53.0%				1.1%		
Segment gross margin[2]	85.5%	84.0%				1.5%		

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

DIRECTORS' REPORT - continued

Key performance indicators - continued

International – continued

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

Net Revenues

The increase in net revenues was primarily due to the contribution from the Allergan Acquisition, which contributed a full year in 2016 as opposed to nine and a half months in 2015. The company has continued to experience strong organic growth in the Facial aesthetics, Botox Therapeutic and Eye Care franchises.

Cost of Sales

The increase in cost of sales was primarily due to the contribution from the Allergan Acquisition, which contributed a full year in 2016 as opposed to nine and a half months in 2015, which was offset by a favorable product mix.

Selling and Marketing Expenses

The increase in selling and marketing expenses was primarily due to the contribution from the Allergan Acquisition, which contributed a full year in 2016 as opposed to nine and a half months in 2015.

General and Administrative Expenses

The increase in general and administrative expenses was primarily due to the contribution from the Allergan Acquisition, which contributed a full year in 2016 as opposed to nine and a half months in 2015, offset, in part, by cost savings due to corporate initiatives.

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, 2016 and 2015 ($ in millions):

	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 Sales	-	-	-	(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.

	Year Ended December 31, 2015						
	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 Sales	-	-	-	(157.4)	3.8	6.2	(147.4)
Operating expenses:							
Cost of sales[1]	53.0	58.5	1,180.0	(146.9)	0.1	110.9	1,255.6
Selling and marketing	96.9	-	130.3	-	(1.7)	2.9	228.4
General and administrative	517.0	(0.5)	322.4	-	93.1	503.2	1,435.2
Contribution	**(666.9)**	**(58.0)**	**(1,632.7)**	**(10.5)**	**(87.7)**	**(610.8)**	**(3,066.6)**

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

DIRECTORS' REPORT - continued

Key performance indicators - continued

Corporate – continued

In the year ended December 31, 2016, integration and restructuring charges primarily related to the integration of the Legacy Allergan business. 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. The Company also 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. General and administrative costs included legal settlement charges of $117.3 million.

Shared costs primarily include above site and unallocated costs associated with running our global manufacturing facilities and corporate general and administrative expenses. The increase in shared cost of sales is primarily due to higher operating costs supporting our global operations including higher costs for inventory obsolescence, product validations and capacity expansions. The increase in "Revenues and Shared Costs" versus the prior year were also due to the Allergan Acquisition, which contributed a full twelve months in 2016 as opposed to nine and a half months in 2015.

In the year ended December 31, 2015, integration and restructuring charges were primarily related to the integration of the Legacy Allergan business, as well as the Forest Acquisition. In the year ended December 31, 2015, the Company incurred $1,151.4 million in cost of sales primarily related to the fair value inventory step-up from the Allergan Acquisition and the Forest Acquisition as products were sold to the Company's third party customers. The Company also incurred charges related to the purchase accounting impact on stock-based compensation related to the Allergan, Kythera, and Forest acquisitions, which increased cost of sales, selling and marketing and general and administrative expenses. In the year ended December 31, 2015, other expenses included the impact of legal settlement reserves. In addition, in the year ended December 31, 2015, the Company incurred mark-to-market unrealized losses for foreign currency option contracts that were entered into to offset future exposure to movements in currencies.

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, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
	2016	2015	Dollars	%
	$	$	$	
Ongoing operating expenses	1,433.8	1,116.8	317.0	28.4%
Brand related milestone payments and upfront license payments	1,134.7	950.4	184.3	19.4%
Contingent consideration adjustments, net	(71.1)	37.7	(108.8)	(288.6)%
Acquisition, integration, and restructuring charges	24.5	102.7	(78.2)	(76.1)%
Acquisition accounting fair market value adjustments to stock-based compensation	53.8	150.9	(97.1)	(64.3)%
Total expenditures	**2,575.7**	**2,358.5**	**217.2**	**9.2%**

DIRECTORS' REPORT - continued

Key performance indicators - continued

Research and Development Expenses – continued

The increase in ongoing operating expenses in the year ended December 31, 2016 versus the prior year period is primarily due to the impact of the Allergan Acquisition which contributed twelve months in 2016 versus nine and a half months in 2015 coupled with an increase in clinical trial activity.

The following represents brand related milestone payments and upfront license payments in the years ended December 31, 2016 and 2015, respectively ($ in millions):

	Years Ended December 31,	
	2016	2015
	$	$
AstraZeneca License	250.0	-
Motus Transaction	199.5	-
Chase Transaction	122.9	-
Heptares Transaction	125.0	-
Merck Transaction	100.0	250.0
Anterios Transaction	89.2	-
Topokine Transaction	85.8	-
RetroSense Transaction	59.7	-
Akarna Transaction	48.2	-
Naurex Transaction	-	571.7
Mimetogen Transaction	-	50.0
Other	54.4	78.7
	1,134.7	950.4

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.

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, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
	2016	**2015**	**Dollars**	**%**
	$	**$**	**$**	
Selling and Marketing	3,110.9	2,536.7	574.2	22.6%
General and Administrative	466.3	281.2	185.1	65.8%
Total Segment SG&A	**3,577.2**	**2,817.9**	**759.3**	**26.9%**
Selling and Marketing	155.5	228.4	(72.9)	(31.9)%
General and Administrative	1,007.6	1,435.2	(427.6)	(29.8)%
Total Corporate SG&A	**1,163.1**	**1,663.6**	**(500.5)**	**(30.1)%**
Amortization	6,470.4	5,443.7	1,026.7	18.9%
In-process research and development and impairments	743.9	511.6	232.3	45.4%
Asset sales and impairments, net	5.0	272.0	(267.0)	(98.2)%
Total SG&A excluded from segments and corporate designation	**7,219.3**	**6,227.3**	**992.0**	**15.9%**
Total SG&A	**11,959.6**	**10,708.8**	**1,250.8**	**11.7%**

Amortization

Amortization for the year ended December 31, 2016 increased as compared to the prior year period primarily as a result of twelve months of amortization related to identifiable assets acquired in the Allergan Acquisition, compared to nine months of amortization in the year ended December 31, 2015, as well as amortization related to products acquired as part of the Kythera Acquisition and recently launched products.

IPR&D Impairments and Asset Sales and Impairments, Net

The Company regularly reviews IPR&D assets for impairment indicators. In the year ended December 31, 2016, the Company recorded the following significant impairments:

- $210.0 million 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 recorded in R&D;
- $106.0 million 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;
- $46.0 million relating to the Atopic Dermatitis pipeline candidate acquired in the Vitae Acquisition;
- $33.0 million 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;
- $35.0 million for an international eye care pipeline project based on a decrease in projected cash flows due to market conditions;

DIRECTORS' REPORT - continued

Key performance indicators - continued

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

- $40.0 million for a Botox® premature ejaculation product based on a decrease in projected cash flows;
- $24.0 million relating to women's healthcare IPR&D projects based on clinical trial results;
- $190.0 million relating to a osteoarthritis project based on clinical trial results; and
- $42.0 million on a gastroenterology project based on the lack of future availability of active pharmaceutical ingredients.

Asset sales and impairments, net in the twelve months 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.

In the year ended December 31, 2015, the Company made the decision to abandon a select IPR&D asset (acquired in connection with the Allergan Acquisition) based on the review of research studies, resulting in an impairment of the full asset value of $300.0 million. The Company also recorded an impairment of $192.1 million related to a reduction in cash flows for women's healthcare portfolio products acquired in the Warner Chilcott Acquisition as planned promotional initiatives on these future products has been reduced. Asset sales and impairments, net primarily relates to the abandonment of a surgical product line of $229.6 million acquired in the Allergan Acquisition and a $32.2 million impairment charge as a result of a change in projected cash flows relating to an acquired product, Tretin-X.

Interest Income

Our interest income was comprised of the following for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
($ in millions)	**2016**	**2015**	**Dollars**	**%**
	$	**$**	**$**	
Interest income	69.9	10.6	59.3	559.4%

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

Interest income in the year ended December 31, 2016 increased as a result of the Company investing the cash proceeds from the Teva Transaction in Marketable Securities and Cash and Cash Equivalents.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Interest Expense and Similar Items

Our interest expense and similar items was comprised of the following for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
($ in millions)	**2016**	**2015**	**Dollars**	**%**
	$	**$**	**$**	
Fixed Rate Notes	1,140.0	1,003.1	136.9	13.6%
AGN Term Loan	74.9	79.1	(4.2)	(5.3)%
Floating Rate Notes	21.7	18.8	2.9	15.4%
ACT Term Loan	34.9	50.8	(15.9)	(31.3)%
WC Term Loan	6.4	17.4	(11.0)	(63.2)%
Revolving Credit Facility	2.6	4.8	(2.2)	(45.8)%
Bridge loan commitment fee	-	264.9	(264.9)	(100.0)%
Interest rate lock	-	(31.0)	31.0	100.0%
Other	15.1	19.3	(4.2)	(21.8)%
Interest expense and similar items	**1,295.6**	**1,427.2**	**(131.6)**	**(9.2)%**

Interest Expense on Indebtedness

Interest expense on indebtedness increased for the year ended December 31, 2016 over the prior year primarily due to a full year's interest from the senior notes indebtedness incurred as part of the Allergan Acquisition, offset, in part, by interest savings due to the repayment of term loan indebtedness on August 2, 2016 in connection with the Teva Transaction.

Bridge Loan Commitment Fee

During the year ended December 31, 2015, we incurred costs associated with bridge loan commitments in connection with the Allergan Acquisition of $264.9 million.

Interest rate lock

During the year ended December 31, 2015, the Company entered into interest rate locks on a portion of the $21.0 billion of debt issued as part of the Allergan Acquisition. As a result of the interest rate locks, the Company recorded income of $31.0 million.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Other Income (expense)

Our other income (expense) was comprised of the following for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
($ in millions)	**2016**	**2015**	**Dollars**	**%**
	$	**$**	**$**	
Pfizer termination fee	150.0	—	150.0	100.0%
Dividend income	68.2	—	68.2	100.0%
Other income (expense)	1.0	0.1	0.9	n.m.
Other income (expense)	**219.2**	**0.1**	**219.1**	**n.m.**

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, Pfizer agreed to pay the Company $150.0 million for reimbursement of expenses associated with the transaction, which was reported as other income during the year ended December 31, 2016.

Dividend income

Dividend income in the year ended December 31, 2016 is a result of the Company's investment in Teva ordinary shares received in the Teva Transaction. Teva shares currently pay dividends quarterly.

(Benefit) for Income Taxes

Our (benefit) for income taxes was comprised of the following for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
($ in millions)	**2016**	**2015**	**Dollars**	**%**
	$	**$**	**$**	
(Benefit) for income taxes	(1,897.0)	(1,605.9)	(291.1)	18.1%
Effective tax rate	*(67.0)%*	*(35.3)%*		

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, 2016 was a benefit of (67.0%) compared to a benefit of (35.3%) for the twelve months ended December 31, 2015. 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,	
	2016	2015
Statutory rate	(12.5%)	(12.5%)
Earnings subject to the U.S. federal and state tax rates [1] [3]	(37.5%)	(18.6%)
Earnings subject to rates different than the statutory rate[2][3]	(18.3%)	(2.2%)
Tax reserves and audit outcomes	(0.7%)	0.3%
Non-deductible expenses	3.1%	1.3%
Impact of acquisitions and reorganizations	3.1%	4.0%
Tax credits and U.S. manufacturing deduction	(3.1%)	(0.5%)
Rate changes[4]	(7.4%)	0.0%
Valuation allowances[5]	6.5%	(6.5%)
Other	(0.2%)	(0.6%)
Effective income tax rate	(67.0%)	(35.3%)

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

(1) Earnings subject to U.S. federal and state tax had a larger impact on the effective tax rate for the period ended December 31, 2016 compared to the period ended December 31, 2015 due to an increase in expenses in 2016. These expenses included a full year of amortization expense related to intangibles acquired as part of the Allergan Acquisition and incremental costs associated with the acquisition related financing.

(2) Earnings subject to tax rates different than the statutory rate had a larger impact on the effective tax rate for the period ended December 31, 2016 compared to the period ended December 31, 2015. This was primarily driven by the inclusion of a full year of Allergan post-acquisition operating income earned in jurisdictions with tax rates lower than the Irish statutory rate and changes to the earnings mix resulting from restructuring associated with the sale of the global generics business.

(3) In 2016, the Company recorded $6.5 billion of amortization expense. A significant portion of this amount was incurred in jurisdictions with tax rates higher than the statutory rate resulting in a $482.3 million favorable impact on the effective tax rate.

(4) In the fourth quarter of 2016, a tax rate change was enacted in France resulting in a $209.0 million tax benefit.

(5) In 2016, the Company recorded a tax expense of $183.8 million predominately related to a change in the valuation allowance on U.S. capital loss carryforwards resulting from restructuring associated with the sale of the global generics business.

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. Under the Teva Agreement, Teva acquired Allergan's global generics business, including the U.S. and international generic commercial units, our third-party supplier Medis, our global generic manufacturing operations, our global generic R&D unit, our international OTC commercial unit (excluding OTC eye care products) and some established international brands. Allergan retained its global branded pharmaceutical and medical aesthetics businesses, as well as its biosimilars development programs and certain OTC products. The Company also has continuing involvement with Teva after the close of the transaction. As a result of the Teva Transaction, the Company holds equity in Teva and purchases product manufactured by Teva for sale in our US General Medicine segment as part of ongoing transitional service and contract manufacturing agreements. On October 3, 2016, the Company completed the divestiture of the Anda Distribution business to Teva for $500.0 million. Teva acquired our Anda Distribution business, which distributes generic, brand, 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 sale of our 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 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 the Teva Agreement, Teva provided its proposed estimated adjustment to the closing date working capital balance to the Company. The final amount of any agreed contractual adjustment could vary materially from the adjustment calculated by the Company at the time of the closing of the Teva Transaction and any agreed adjustment to the Company's proceeds from the Teva Transaction could have a material adverse effect on the Company's results of operations and cash flows. The Company expects the amount of the adjustment will be determined in accordance with and subject to the terms of the Teva Agreement.

The Teva Shares are recorded within "Marketable securities" on the Company's Consolidated Balance Sheet. The closing Teva transaction date opening stock price discounted at a rate of 5.9 percent due to the lack of marketability was used to initially value the shares. During the year ended December 31, 2016, the Company recorded a $1,599.4 million unrealized loss on the Teva Shares due to a decline in share price, which was recorded as a component of "Other comprehensive income." The Company currently considers the decline in value of its investment in Teva securities to be temporary. We will continue to monitor the value of this investment to determine if the decline in value becomes other than temporary.

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 "Income from discontinued operations" on the Consolidated Profit and Loss Accounts for the years ended December 31, 2016 and 2015.

The following table presents key financial results of the global generics business and the Anda Distribution business included in "Income from discontinued operations" for the years ended December 31, 2016 and 2015 ($ in millions):

	For the Years Ended December 31,		Change	
(all amounts in millions)	**2016**	**2015**	**Dollars**	**%**
	$	**$**	**$**	
Revenue	**4,504.3**	**8,499.0**	**(3,994.7)**	**(47.0)%**
Cost of sales	(2,798.3)	(4,847.5)	2,049.2	42.3%
Gross profit	**1,706.0**	**3,651.5**	**(1,945.5)**	**(53.3)%**
Selling, general and administrative expenses	(783.5)	(1,804.5)	1,021.0	56.6%
Research and development	(269.4)	(422.2)	152.8	36.2%
Other income (expense)	15,932.2	(7.1)	15,939.3	n.m.
Income before taxes	**16,585.3**	**1,417.7**	**15,167.6**	**n.m.**
Benefit for income taxes	(670.8)	5,443.3	(4,772.5)	n.m.
Income	**15,914.5**	**6,861.0**	**9,053.8**	**n.m.**

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

For the year ended December 31, 2015, the Company recorded a deferred tax benefit of $5,738.8 million related to investments in certain subsidiaries. The recognition of this benefit has been reflected in "Income from discontinued operations, net of tax" with the deferred tax asset reflected in non-current "Deferred tax liabilities" on the December 31, 2015 balance sheet as adjusted for activity in the fourth quarter of 2015. 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.

Income / (loss)

Due to the factors described above, we reported income of $14,979.5 million and $3,915.2 million in the years ended December 31, 2016 and 2015, respectively.

DIRECTORS' REPORT - continued

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. We have based our forward-looking statements on management's beliefs and assumptions 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," "projects," "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 disclaim any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. This discussion is provided as permitted by the U.S. Private Securities Litigation Reform Act of 1995.

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Global economic conditions could harm us. – continued

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 depreciate against the US 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 particularly exists with respect to the development of proprietary products because of the uncertainties, higher costs and lengthy time frames associated with R&D of such 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. Additionally, we face heightened risks in connection with our development of extended release or controlled release generic products because of the technical difficulties and regulatory requirements related to such products. If any of our products or the products of our 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 branded pharmaceutical expenditures may not result in commercially successful products*."

Our branded pharmaceutical 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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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 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 hormonal contraceptive therapy, dermatology products and infectious disease 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 our Esmya™ product, products acquired in the Warner Chilcott Acquisition, the Forest Acquisition and the Allergan Acquisition, 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 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 costs 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 US 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 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.

Our Actonel® products no longer have patent protection in Canada or the Western European countries in which we sell these products, and Asacol® is not protected by a patent in the United Kingdom. Our Actonel® once-a-month product lost US patent protection in June 2014 (including a 6-month pediatric extension of 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 US 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. In addition, other products such as Estrace® Cream, Asacol® 400 mg, Aczone 5%, Femhrt®, Latisse®, and Carafate® are not protected by patents in the United States where we sell these products. Generic equivalents are currently available in Canada and Western Europe 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 Aczone® 5%, Bystolic®, Canasa®, Delzicol®, Gelnique®, Minastrin®, 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 and generic versions of our Minastrin® may enter the market as early as March 2017 pursuant to settlement agreements previously entered into. Some of our products may also become subject to generic competition prior to the expiration of patent protection in the event a generic competitor elects to launch its generic equivalent product "at-risk." For example, before the Court of Appeals for the Federal Circuit has reviewed Allergan's appeal of a district court judgment of patent invalidity, Sandoz launched "at risk" a generic version of Latisse® in December 2016. 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.

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.

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 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 US 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. For example, patents covering our Actonel® (certain indications), Aczone® 5%, Androderm®, Carafate®, Estrace® Cream, Femhrt®, INFed® and Namenda® (IR) products have expired and we have no further patent protection on these products. 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 Aczone® 5%, Bystolic®, Canasa®, Delzicol®, Gelnique®, Minastrin®,

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

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 US 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 may enter the market as early as 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 may also become subject to generic competition prior to the expiration of patent protection in the event a generic competitor 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 Canasa®, Delzicol®, 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 Acular LS®, 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 inter partes review (IPR) at the US 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 US 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 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. IPR challenges have recently been brought by Mylan against some or all of our patents covering our Restasis® and Delzicol® products. For example, following Mylan's IPR challenge, the US Patent and Trial Appeal Board, in December 2016, instituted inter partes review for all of our Orange Book-listed patents covering Restasis®. And, in November 2016, Mylan filed an IPR challenge against our one Orange Book-listed patent covering Delzicol®.

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, and patent law, 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. 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.

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

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®, 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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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 from key manufacturing sites or suppliers that in some cases may be the only source of finished products or 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 other regulatory agencies in the US To the extent practicable, we attempt to identify more than one supplier in each drug application. However, some products and raw materials are available only from a single source and, in many of our drug applications, only one supplier of products and raw materials or site of manufacture 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 our products Botox®, our Juvederm® dermal filler family of products, Namenda®, Linzess®, Bystolic®, and a significant number of our oral contraceptive and controlled substance products. In addition, certain manufacturing facilities in Ireland are the exclusive qualified manufacturing facilities for finished dosage forms of many of our products, including our products, Namenda®, Bystolic® and Linzess®. Any failure by us to forecast demand for, or to maintain an adequate supply of, the raw material and finished product 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 materials or products in a timely manner, which could cause a decline in our sales. We expect to continue to rely on our third-party manufacturing partners, such as Contract Pharmaceuticals Limited Canada for Estrace® Cream and Patheon for Viberzi®. Such transfers are subject to regulatory approvals, and the failure to obtain such approvals in a timely manner may delay production at the new facility and result in an interruption in our product supply. From time to time, certain of our manufacturing sites or outside suppliers have experienced regulatory or supply-related difficulties that have inhibited their ability to deliver products and 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 manufacturing sites or 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.

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. For example, we obtain a significant portion of our raw materials from foreign suppliers. 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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

If we are unable to obtain sufficient supplies from key manufacturing sites or suppliers that in some cases may be the only source of finished products or raw materials, our ability to deliver our products to the market may be impeded. – continued

weather, political instability, strikes or other matters outside of our control. Acts of governments outside the US 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 US may make it increasingly difficult to obtain raw materials for R&D prior to the expiration of the applicable US 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, Forest is subject to approximately 200 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 certain of our products and product candidates, particularly our controlled-release products, transdermal products, injectable products, and our oral contraceptive products, is more difficult than the manufacture of immediate-release products. Successful manufacturing of these types of products 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 and security 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 components or replacements thereof, 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 facility or a single site. Therefore, a significant disruptive event, including a fire or natural disaster, 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. Interruption of our efficient manufacture and supply of products may cause delays in shipments and supply constraints. 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.

Our manufacturing processes and those of our third-party contract manufacturers must undergo a potentially lengthy FDA or other regulatory approval process and are subject to continued review by the FDA and other regulatory authorities. 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. 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.

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

Many government and third-party payers, including Medicare, Medicaid, Health Maintenance Organization and Managed Care Organization, 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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

investigations of manufacturers' reporting practices with respect to AWP and WAC, in which they have suggested that reporting of inflated AWP's or WAC's has led to excessive payments for prescription drugs. For example, beginning in July 2002, we and certain of our subsidiaries, as well as numerous other pharmaceutical companies, were 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, Forest and other company subsidiaries 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.

We are subject to US 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 US 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 US 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 US 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 US 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 US 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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

We are subject to US 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

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, 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 US Department of Justice and other agencies have increased their enforcement activities with respect to the sales, marketing, research and similar activities of pharmaceutical companies in recent years, 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 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.

Any of these types of investigations 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.

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.

All pharmaceutical companies, including Allergan, are subject to extensive, complex, costly and evolving government regulation. For the US, this is principally administered by the FDA, but is also administered by the Drug Enforcement Agency "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 US 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.

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-US 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

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

additional sanctions against Allergan plc or any of its subsidiaries. The range of possible sanctions includes, among others, FDA issuance of adverse publicity, 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. 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 developments. We are dependent on receiving FDA and other governmental or third-party approvals prior to manufacturing, marketing and shipping 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 results of 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 to the conditions of approval or may contain requirements for potentially costly additional clinical trials and surveillance to monitor the safety and efficacy 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 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 US Department of Justice, the US 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 new law related to licensing and track and trace 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

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* – continued**

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 new 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 will be 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.

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

As of July 2, 2013, 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 new 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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

drugs. This requirement, as well as legislation pending in the US 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 Consolidated Financial Statements."

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 Health Maintenance Organizations and Managed Care Organizations, 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 US, 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

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.* – continued**

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, product pedigree and tracking, pharmaceutical waste "take back" initiatives, 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, including the potential repeal of all or certain aspects of these reforms, 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. Additionally, the House and Senate recently passed a budget resolution that authorizes congressional committees to draft legislation to repeal all or portions of the ACA and permits such legislation to pass with a majority vote in the Senate. The Trump Administration has also issued numerous executive orders in its early days, 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 US 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.

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 US 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.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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 Tobira, Vitae, and ForSight, with our business operations. As a result of these and other recent and any other future or 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;

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

- 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.

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 on 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.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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 Legacy Allergan, 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 Legacy Allergan, LifeCell, and the sale of our generics business and certain other assets to Teva and will continue to incur significant transaction costs related to past acquisitions. In addition, we will incur integration costs and restructuring costs as we integrate the 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 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.

We could be liable for sales price adjustments relating to the Teva Transaction.

As described in "NOTE 6 — Discontinued Operations", the purchase price payable to us by Teva in connection with our divestiture of the global generic pharmaceutical business and other assets is subject to adjustment based on working capital amounts, the amounts of which have not yet been agreed upon. Teva may make claims against us relating to the provision for adjustment of the sales prices, and the amounts relating to those claims could be substantial.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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.

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, 2016, the carrying value of our product rights and other intangible assets was $62,618.6 million and the carrying value of our goodwill was $46,356.1 million.

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. – continued

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 would require us to perform an impairment test on the affected asset and, if evidence of impairment exists, we would be required to take an impairment charge with respect to the asset. For assets that are not impaired, the Company 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 would be 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 develop or enhance our products, execute our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated customer requirements.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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, tampering, or other intrusion.

We collect and maintain information in digital form that is necessary to conduct our business, and we are increasingly dependent upon information technology systems, 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. Data maintained in digital form is subject to the risk of intrusion, tampering, and theft. Cyber-attacks are increasing in frequency, sophistication and intensity. 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, tampering, and theft remain. 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 as a result of unlicensed use of our intellectual property. If personal 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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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, particularly following our acquisitions including Legacy Allergan, 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 US 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; US 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 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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Our global operations, particularly following our acquisitions including Legacy Allergan, expose us to risks and challenges associated with conducting business internationally. – continued

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.

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.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Our share repurchase program may not enhance shareholder value.

Repurchases of our ordinary shares under our completed share repurchase program or under our continuing accelerated share repurchase program 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 our share repurchase program is intended to enhance long-term shareholder value, short-term stock price fluctuations could reduce the program's effectiveness.

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 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 may have a significantly adverse impact on our effective tax rate. Proposals for fundamental US international tax reform, including without limitation provisions that would limit the ability of US corporations to deduct interest, if enacted, could have a significant adverse impact on our effective tax rate. 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 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 did not agree that Allergan plc is a foreign corporation for US federal tax purposes. In addition, future changes to international tax laws not specifically related to inversions could adversely affect us.

Allergan plc believes that, under current law, it is treated as a foreign corporation for US federal tax purposes, because it is an Irish incorporated entity. However, the IRS may assert that Allergan plc should be treated as a US corporation for US federal tax purposes pursuant to Section 7874. Under Section 7874, a corporation created or organized outside the United States (i.e., a foreign corporation) will be treated as a US corporation for US federal tax purposes when (i) the foreign corporation directly or indirectly acquires substantially all of the assets held directly or indirectly by a US corporation (including the indirect acquisition of assets of the US corporation by acquiring all the outstanding shares of the US corporation), (ii) the shareholders of the acquired US corporation hold at least 80% (by either vote or value) of the shares of the foreign acquiring corporation after the

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 did not agree that Allergan plc is a foreign corporation for US federal tax purposes. In addition, future changes to international tax laws not specifically related to inversions could adversely affect us. – continued

acquisition by reason of holding shares in the US acquired corporation (including the receipt of the foreign corporation's shares in exchange for the US 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 US 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 US corporations are treated as a single acquisition, all shareholders of the acquired US 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 US corporations.

Allergan believes that the test set forth above to treat Allergan as a foreign corporation was satisfied in connection with the transactions resulting in the combination of Actavis, Inc., a Nevada corporation, and Warner Chilcott plc, a company incorporated under the laws of Ireland (the "Warner Chilcott Transactions"), the subsequent acquisition of Forest Laboratories, Inc., a company incorporated under the laws of the State of Delaware (the "Forest Acquisition"), and the acquisition of Allergan, Inc., a company incorporated under the laws of the State of Delaware (the "Allergan Acquisision"). 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 Transactions, 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 Transactions and the Forest Acquisition, the Allergan Transaction should be integrated with the Warner Chilcott Transactions 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 US 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 Organisation for Economic Co-operation and Development has released proposals to create 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).

Moreover, US and foreign tax authorities may carefully scrutinize companies that result from cross-border business combinations, such as Allergan, which may lead such authorities to assert that Allergan owes additional taxes.

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

affect the costs that we incur in such international operations. Some of our operating expenses are incurred in non-US dollar currencies. The appreciation of non-US dollar currencies in those countries where we have operations against the US dollar could increase our costs and could harm our results of operations and financial condition.

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.

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 has concluded that this control deficiency constitutes a material weakness. Management has begun to take steps to remediate the material weakness including adding resources and enhancing existing controls and income tax reporting policies and procedures to ensure the implications of certain transactions between our subsidiaries are fully analyzed. While we have made significant progress, the material weakness cannot be considered remediated until the enhanced controls have operated effectively for a sufficient period of time.

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 US 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.

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.

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 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 US courts predicated upon civil liability provisions of the US 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 deemed to be enforceable in Ireland:

- the judgment must be for a definite sum;
- the judgment must be final and conclusive; and
- the judgment must be provided by a court of competent jurisdiction.

An Irish court will also exercise its right to refuse judgment if the foreign judgment was obtained by fraud, if the judgment violated Irish public policy, if the judgment is in breach of natural justice or if it is irreconcilable with an earlier judgment. Further, an Irish court may stay proceedings if concurrent proceedings are being brought elsewhere. Judgments of US courts of liabilities predicated upon US federal securities laws may not be enforced by Irish courts if deemed to be contrary to public policy in Ireland.

A transfer of Company 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 Company Ordinary Shares effected by means of the transfer of book entry interests in DTC will not be subject to Irish stamp duty. However, if you hold your Company Ordinary Shares directly rather than beneficially through DTC, any transfer of your Company Ordinary Shares could be subject to Irish stamp duty

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

A transfer of Company 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

(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 a legal obligation of the transferee. Transfers of preference 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 US and shareholders resident in certain countries may be entitled to exemptions from dividend withholding tax.

Shareholders resident in the US that hold their shares through 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 US (and such brokers have further transmitted the relevant information to a qualifying intermediary appointed by us). US resident shareholders in Allergan plc that hold their shares outside of DTC and shareholders resident in certain other countries (irrespective of whether they hold their shares through DTC or outside 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.

Company 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 Company Ordinary Shares or our preference 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 €300,000 (with effect from 12 October 2016) 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, 2016, our cash on hand was $1,724.0 million, as compared to $1,096.0 million at December 31, 2015. As of December 31, 2016, our total outstanding debt excluding capital leases was $32,766.3 million which consisted of $32,750.0 million of borrowings under the Senior Notes, $85.5 million of other borrowings, and $171.2 million of unamortized premium attributable to the Senior Notes, less $95.8 million attributable to unamortized discount and $144.6 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)	**2016**	**2015**
	$	**$**
Net cash provided by operating activities	1,425.3	4,530.0

Cash flows from operations represent profit adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities decreased $3,104.7 million in the year ended December 31, 2016 versus the prior year period, due primarily to $3,293.7 million in cash tax payments made in connection with the Teva Transaction, along with a decline in cash flows as a result of divesting the Company's generics and Anda Distribution businesses, which contributed a full year's cash flows in 2015 versus partial contribution in 2016, offset in part, by a full year of contribution resulting from the Allergan Acquisition.

Management expects that available cash balances and 2017 cash flows from operating activities will provide sufficient resources to fund our operating liquidity needs and expected 2017 capital expenditure funding requirements.

Investing Cash Flows

Our cash flows from investing activities are summarized as follows:

	Years Ended December 31,	
($ in millions)	**2016**	**2015**
	$	**$**
Net cash provided by / (used in) investing activities	24,333.3	(37,120.9)

Investing cash flows consist primarily of cash used in acquisitions of businesses and intangibles (primarily product rights), capital expenditures and purchases of investments and marketable securities partially offset by proceeds from the sale of investments and marketable securities. 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 used in connection with acquisitions of $1,198.9 million, primarily related to the Tobira Acquisition, the Vitae Acquisition and the ForSight Acquisition.

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources - continued

Investing Cash Flows – continued

Included in the year ended December 31, 2015 was cash used in connection with the Allergan Acquisition, Kythera Acquisition and the Auden Acquisition, net of cash acquired, of $34,646.2 million, $1,955.9 million and $463.7 million, respectively, $444.3 million for other business acquisitions and capital expenditures for property, plant and equipment of $454.9 million, offset, in part by cash received from the sale of assets, primarily the respiratory business and Pharmatech assets, of $883.0 million.

Financing Cash Flows

Our cash flows from financing activities are summarized as follows:

	Years Ended December 31,	
($ in millions)	**2016**	**2015**
	$	**$**
Net cash (used in) / provided by financing activities	(25,122.1)	33,443.4

Financing cash flows consist primarily of borrowings and repayments of debt, repurchases of ordinary shares and proceeds from the exercise of stock options. 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 our 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.

Cash provided by financing activities in the year ended December 31, 2015 primarily included the issuance of indebtedness of $30,137.7 million, the issuance of ordinary shares of $4,071.1 million and the issuance of Mandatory Convertible Preferred Shares of $4,929.7 million in connection with the Allergan Acquisition, offset in part by payments of debt of $5,134.2 million and debt issuance costs of $310.8 million.

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources - continued

Debt and Borrowing Capacity

Debt consisted of the following ($ in millions):

	Balance As of		Fair Market Value As of	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	$	$	$	$
Senior Notes:				
Floating Rate Notes				
$500.0 million floating rate notes due September 1, 2016	-	500.0	-	500.5
$500.0 million floating rate notes due March 12, 2018	500.0	500.0	502.5	499.6
$500.0 million floating rate notes due March 12, 2020	500.0	500.0	509.4	496.2
	1,000.0	1,500.0	1,011.9	1,496.3
Fixed Rate Notes				
$800.0 million 5.750% notes due April 1, 2016	-	800.0	-	808.4
$1,000.0 million 1.850% notes due March 1, 2017	1,000.0	1,000.0	1,001.1	1,001.5
$500.0 million 1.300% notes due June 15, 2017	500.0	500.0	499.7	496.3
$1,200.0 million 1.875% notes due October 1, 2017	1,200.0	1,200.0	1,202.5	1,196.0
$3,000.0 million 2.350% notes due March 12, 2018	3,000.0	3,000.0	3,018.0	3,004.6
$250.0 million 1.350% notes due March 15, 2018	250.0	250.0	248.4	244.9
$1,050.0 million 4.375% notes due February 1, 2019	1,050.0	1,050.0	1,090.0	1,099.5
$500.0 million 2.450% notes due June 15, 2019	500.0	500.0	501.2	494.4
$400.0 million 6.125% notes due August 15, 2019	400.0	400.0	437.7	444.2
$3,500.0 million 3.000% notes due March 12, 2020	3,500.0	3,500.0	3,541.8	3,505.1
$650.0 million 3.375% notes due September 15, 2020	650.0	650.0	663.6	656.6
$750.0 million 4.875% notes due February 15, 2021	750.0	750.0	803.3	807.4
$1,200.0 million 5.000% notes due December 15, 2021	1,200.0	1,200.0	1,297.7	1,299.4
$3,000.0 million 3.450% notes due March 15, 2022	3,000.0	3,000.0	3,030.7	3,006.8
$1,700.0 million 3.250% notes due October 1, 2022	1,700.0	1,700.0	1,693.1	1,669.6
$350.0 million 2.800% notes due March 15, 2023	350.0	350.0	335.6	327.7
$1,200.0 million 3.850% notes due June 15, 2024	1,200.0	1,200.0	1,211.7	1,202.6
$4,000.0 million 3.800% notes due March 15, 2025	4,000.0	4,000.0	3,995.6	3,984.6
$2,500.0 million 4.550% notes due March 15, 2035	2,500.0	2,500.0	2,458.5	2,462.2
$1,000.0 million 4.625% notes due October 1, 2042	1,000.0	1,000.0	967.6	956.1
$1,500.0 million 4.850% notes due June 15, 2044	1,500.0	1,500.0	1,496.4	1,483.6
$2,500.0 million 4.750% notes due March 15, 2045	2,500.0	2,500.0	2,466.9	2,452.7
	31,750.0	32,550.0	31,961.1	32,604.2
Total Senior Notes Gross	**32,750.0**	**34,050.0**	**32,973.0**	**34,100.5**
Unamortized premium	171.2	225.9	-	-
Unamortized discount	(95.8)	(107.4)	-	-
Total Senior Notes Net	**32,825.4**	**34,168.5**	**32,973.0**	**34,100.5**

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources - continued

Debt and Borrowing Capacity – continued

	Balance As of		Fair Market Value As of	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	$	$	$	$
Term Loan Indebtedness:				
WC Term Loan				
WC Three Year Tranche variable rate debt maturing October 1, 2016	-	191.5		
WC Five Year Tranche variable rate debt maturing October 1, 2018	-	498.8		
	-	690.3		
ACT Term Loan				
2017 Term Loan variable rate debt maturing October 31, 2017	-	572.1		
2019 Term Loan variable rate debt maturing July 1, 2019	-	1,700.0		
	-	2,272.1		
AGN Term Loan				
AGN Three Year Tranche variable rate debt maturing March 17, 2018	-	2,750.0		
AGN Five Year Tranche variable rate debt maturing March 17, 2020	-	2,543.8		
	-	5,293.8		
Total Term Loan Indebtedness	**-**	**8,256.2**		
Other Indebtedness				
Revolver Borrowings	-	200.0		
Debt Issuance Costs	(144.6)	(195.8)		
Other	85.5	97.4		
Total Other Borrowings	**(59.1)**	**101.6**		
Capital Leases	**2.4**	**4.1**		
Total Indebtedness	**32,768.7**	**42,530.4**		

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

Floating Rate Notes

On March 4, 2015, Actavis 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 floating rate notes due 2016 (the "2016 Floating Rate Notes"), floating rate notes due 2018 (the "2018 Floating Rate Notes"), floating rate notes due 2020 (the "2020 Floating Rate Notes"), 1.850% notes due 2017 (the "1.850% 2017 Notes"), 2.350% notes due 2018 (the "2.350% 2018 Notes"), 3.000% notes due 2020 (the "3.000% 2020 Notes"), 3.450% notes due 2022 (the "3.450% 2022 Notes"), 3.800% notes due 2025 (the "3.800% 2025 Notes"), 4.550% notes due 2035 (the "4.550% 2035 Notes") and 4.750% notes due 2045 (the "4.750% 2045 Notes"). The notes are fully and unconditionally guaranteed by Actavis Funding SCS's indirect

DIRECTORS' REPORT - continued

Floating Rate Notes - continued

parents, Warner Chilcott Limited and Actavis Capital S.a.r.l. ("Actavis Capital"), and by Allergan Finance LLC (formerly known as Actavis, Inc.), a subsidiary of Actavis Capital, on an unsecured and unsubordinated basis. Allergan plc has not guaranteed the notes.

The 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%. The 2018 Floating Rate Notes and the 2020 Floating Rate Notes bear interest at a floating rate equal to three-month LIBOR plus 1.080% and 1.255% per annum, respectively. Interest on the 2018 Floating Rate Notes and the 2020 Floating Rate Notes is payable quarterly on March 12, June 12, September 12 and December 12 of each year, and began on June 12, 2015.

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. comprised of the $350.0 million 2.800% senior notes due 2023, the $650.0 million 3.375% senior notes due 2020, the $250.0 million 1.350% senior notes due 2018 and the $800.0 million 5.750% senior notes due 2016. Interest payments are due on the $350.0 million senior notes semi-annually on the principal amount of the notes at a rate of 2.80% per annum, and 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, if the redemption occurs prior to December 15, 2022 (three months prior to the maturity of the 2023 senior notes). If the redemption occurs on or after December 15, 2022, then such redemption is not subject to the make-whole provision. Interest payments are due on the $650.0 million senior notes semi-annually on the principal amount of the notes at a rate of 3.375% per annum, and 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. Interest payments are due on the $250.0 million senior notes semi-annually on the principal amount of the notes at a rate of 1.350% per annum, and 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. Interest payments were due on the $800.0 million senior notes semi-annually on the principal amount of the notes at a rate of 5.750% per annum. 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 $800.0 million 5.750% senior notes were paid in full on April 1, 2016 with proceeds from the first quarter of 2016 borrowings under the revolving credit facility of $900.0 million at maturity.

Acquired Forest Notes

On July 1, 2014 in connection with the Forest Acquisition, the Company acquired the indebtedness of Forest comprised of the $1,050.0 million 4.375% senior notes due 2019, the $750.0 million 4.875% senior notes due 2021 and the $1,200.0 million 5.000% senior notes due 2021 (together the "Acquired Forest Notes"). Interest payments are due on the $1,050.0 million senior notes semi-annually in arrears on February 1 and August 1 beginning August 1, 2014. Interest payments are due on the $750.0 million senior notes due 2021 semi-annually in arrears on February 15 and August 15 beginning August 15, 2014. Interest payments are due on the $1,200.0 million senior note due 2021 semi-annually in arrears on June 15 and December 15, beginning

DIRECTORS' REPORT - continued

Fixed Rate Notes - continued

Acquired Forest Notes – continued

December 15, 2014. 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.

Allergan Acquisition Notes

In connection with the Allergan Acquisition, Actavis Funding SCS issued the $1,000.0 million 1.850% notes due March 1, 2017, the $3,000.0 million 2.350% notes due March 12, 2018, the $3,500.0 million 3.000% notes due March 12, 2020, the $3,000.0 million 3.450% notes due March 15, 2022, the $4,000.0 million 3.800% notes due March 15, 2025, the $2,500.0 million 4.550% notes due March 15, 2035 and the $2,500.0 million 4.750% notes due March 15, 2045. These fixed rate securities were issued, in part, to finance the Allergan Acquisition.

2014 Notes Issuance

On June 10, 2014, Actavis Funding SCS issued the $500.0 million 1.300% notes due 2017, $500.0 million 2.450% notes due 2019, $1,200.0 million 3.850% notes due 2024 and $1,500.0 million 4.850% notes due 2044 (the "2014 New Notes"). Interest payments are due on the 2014 New Notes on June 15 and December 15 semi-annually, beginning on December 15, 2014. The guarantors of the debt are Warner Chilcott Limited, Actavis Capital S.a.r.l., and Allergan Finance, LLC.

Allergan Finance LLC Supplemental Indenture

On October 1, 2013, the Company, Allergan Finance LLC, a wholly owned subsidiary of the Company, and Wells Fargo Bank, National Association, as trustee, entered into a fourth supplemental indenture (the "Fourth Supplemental Indenture") to the indenture, dated as of August 24, 2009 (the "Base Indenture" and, together with the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture (each as defined below), the "Indenture"), as supplemented by the first supplemental indenture, dated as of August 24, 2009 (the "First Supplemental Indenture"), the second supplemental indenture, dated as of May 7, 2010 (the "Second Supplemental Indenture"), and the third supplemental indenture, dated as of October 2, 2012 (the "Third Supplemental Indenture"). Pursuant to the Fourth Supplemental Indenture, the Company has provided a full and unconditional guarantee of Allergan Finance LLC's obligations under its then outstanding $450.0 million 5.000% senior notes due August 15, 2014, (the "2014 Notes"), its $1,200.0 million 1.875% senior notes due October 1, 2017 (the "2017 Notes"), its $400.0 million 6.125% senior notes due August 15, 2019 (the "2019 Notes"), its $1,700.0 million 3.250% senior notes due October 1, 2022 (the "2022 Notes") and its $1,000.0 million 4.625% Senior Notes due October 1, 2042 (the "2042 Notes.").

WC Supplemental Indenture

On October 1, 2013, the Company, WCCL (defined below), Warner Chilcott Finance LLC (the "Co-Issuer" and together with WC Company, the "Issuers") and Wells Fargo Bank, National Association, as trustee (the "WC Trustee"), entered into a third supplemental indenture (the "Supplemental Indenture") to the indenture, dated as of August 20, 2010 (the "WC Indenture"), among the Issuers, the guarantors party thereto and the WC Trustee, with respect to the Issuers' WC Notes. Pursuant to the Supplemental Indenture, the Company had provided a full and unconditional guarantee of the Issuers' obligations under the WC Notes and the WC Indenture.

DIRECTORS' REPORT - continued

Fixed Rate Notes - continued

WC Supplemental Indenture – continued

On July 21, 2014, the Company redeemed the WC Notes for $1,311.8 million, which includes a make-whole premium of $61.8 million and the principal amount of the WC Notes of $1,250.0 million. As a result of the transaction, the Company recognized a gain in July of 2014 of $29.9 million, which includes the write-off of the then outstanding unamortized premium.

2012 Notes Issuance

On October 2, 2012, Allergan Finance, LLC issued the 2017 Notes, the 2022 Notes, and the 2042 Notes (collectively the "2012 Senior Notes"). Interest payments are due on the 2012 Senior Notes semi-annually in arrears on April 1 and October 1 beginning April 1, 2013. Net proceeds from the offering of the 2012 Senior Notes 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 the 2014 Notes and the 2019 Notes (collectively the "2009 Senior Notes"). Interest payments are due on the 2009 Senior Notes semi-annually in arrears on February 15 and August 15, respectively, beginning February 15, 2010. Net proceeds from the offering of 2009 Senior Notes were used to repay certain debt with the remaining net proceeds being used to fund a portion of the cash consideration for the acquisition of the Arrow Group. 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.

WC Term Loan Agreement

On December 17, 2014, Allergan plc and certain of its subsidiaries entered into a second amendment agreement (the "WC Term Loan Amendment") among Allergan plc, Warner Chilcott Limited, Warner Chilcott Finance, LLC, Actavis WC 2 S.à r.l. ("Actavis WC 2"), WCCL, Warner Chilcott Corporation ("WC Corporation" and together with Actavis WC 2 and WCCL, the "WC Borrowers"), Bank of America, N.A. ("BofA"), as administrative agent, and the lenders party thereto. The WC Term Loan Amendment amended and restated Allergan plc's existing amended and restated WC term loan credit and guaranty agreement, dated as of June 9, 2014 (such agreement, prior to its amendment and restatement pursuant to the WC Term Loan Amendment, the "2014 WC Term Loan"), among the WC Borrowers, Allergan plc, Warner Chilcott Limited, Warner Chilcott Finance, LLC, the lenders from time to time party thereto and BofA, as administrative agent, which amended and restated Allergan plc's existing WC term loan credit and guaranty agreement, dated as of August 1, 2013 (such agreement, prior to its amendment and restatement pursuant to the 2014 WC Term Loan Amendment, the "Existing WC Term Loan") among the WC Borrowers, Warner Chilcott Finance, LLC, Actavis Limited, BofA, as administrative agent and a syndicate of banks participating as lenders.

Pursuant to the Existing WC Term Loan, on October 1, 2013 (the "WC Closing Date"), the lenders party thereto provided term loans in a total aggregate principal amount of $2.0 billion, comprised of (i) a $1.0 billion tranche that would have matured on October 1, 2016 (the "WC Three Year Tranche") and (ii) a $1.0 billion tranche that

DIRECTORS' REPORT - continued

Credit Facility Indebtedness - continued

would have matured on October 1, 2018 (the "WC Five Year Tranche"). The proceeds of borrowings under the Existing WC Term Loan Agreement, together with $41.0 million of cash on hand, were used to finance the repayment in full of all amounts outstanding under Warner Chilcott's then-existing Credit Agreement, dated as of March 17, 2011, as amended by Amendment No. 1 on August 20, 2012, among the WC Borrowers, Warner Chilcott Holdings Company III, Limited, BofA, as administrative agent and a syndicate of banks participating as lenders.

Borrowings under the WC Term Loan Agreement bore interest at the applicable borrower's choice of a per annum rate equal to either (a) a base rate plus an applicable margin per annum varying from (x) 0.00% per annum to 0.75% per annum under the WC Three Year Tranche and (y) 0.125% per annum to 0.875% per annum under the WC Five Year Tranche, depending on the publicly announced debt ratings for non-credit-enhanced, senior unsecured long-term indebtedness of Allergan plc (such applicable debt rating the "Debt Rating") or (b) a Eurodollar rate, plus an applicable margin varying from (x) 1.00% per annum to 1.75% per annum under the WC Three Year Tranche and (y) 1.125% per annum to 1.875% per annum under the WC Five Year Tranche, depending on the Debt Rating.

ACT Term Loan

On December 17, 2014, Allergan plc and certain of its subsidiaries entered into a third amendment agreement (the "ACT Term Loan Amendment") among Allergan plc, Warner Chilcott Limited, Actavis Capital, Allergan Finance LLC Actavis Funding SCS, BofA, as administrative agent, and the lenders party thereto. The ACT Term Loan Amendment amended and restated Allergan plc's existing second amended and restated Allergan term loan credit and guaranty agreement, dated as of March 31, 2014 (such agreement, prior to its amendment and restatement pursuant to the ACT Term Loan Amendment, the "2014 ACT Term Loan Agreement" and together with the Existing ACT Term Loan Agreement (defined below), the "ACT Term Loan") among Actavis Capital, Allergan plc, Warner Chilcott Limited, Allergan Finance, LLC Actavis Funding SCS, BofA, as administrative agent, and the lenders from time to time party thereto, which amended and restated Allergan plc's existing amended and restated Allergan term loan credit and guaranty agreement, dated as of October 1, 2013 (such agreement, prior to its amendment and restatement pursuant to the ACT Term Loan Amendment, the "Existing ACT Term Loan Agreement") among Actavis Capital, Allergan plc, Allergan Finance, LLC, BofA, as administrative agent, and the lenders from time to time party thereto.

The Existing ACT Term Loan Agreement amended and restated Allergan Finance, LLC's $1,800.0 million senior unsecured term loan credit facility, dated as of June 22, 2012. At the closing of the Existing ACT Term Loan Agreement, an aggregate principal amount of $1,572.5 million was outstanding (the "2017 Term Loan").

On March 31, 2014, Allergan plc, Actavis Capital, Allergan Finance, LLC, BofA, as Administrative Agent, and a syndicate of banks participating as lenders entered into the 2014 ACT Term Loan Agreement to amend and restate the Existing ACT Term Loan Agreement. On July 1, 2014, in connection with the Forest Acquisition, the Company borrowed $2.0 billion of term loan indebtedness under tranche A-2 of the 2014 ACT Term Loan Agreement, which was due July 1, 2019 (the "2019 Term Loan").

Loans under the ACT Term Loan bore interest, at the Company's choice, of a per annum rate equal to either (a) a base rate, plus an applicable margin per annum varying from (x) 0.00% per annum to 1.00% per annum with respect to the 2017 term-loan and (y) 0.125% per annum to 0.875% per annum with respect to the 2019 term-loan, depending on the Debt Rating or (b) a Eurodollar rate, plus an applicable margin varying from (x) 1.00% per annum to 2.00% per annum with respect to the 2017 term-loan and (y) 1.125% per annum to 1.875% per annum with respect to the 2019 term-loan, depending on the Debt Rating.

DIRECTORS' REPORT - continued

Credit Facility Indebtedness - continued

AGN Term Loan

On December 17, 2014, Allergan, Inc. and certain of its subsidiaries entered into a senior unsecured term loan credit agreement (the "AGN Term Loan"), among Actavis Capital, as borrower, Allergan plc, Warner Chilcott Limited, Allergan Finance LLC, Actavis Funding SCS, the lenders from time to time party thereto (the "Term Lenders"), JPMorgan Chase Bank, N.A. ("JPMCB"), as administrative agent and the other financial institutions party thereto. Under the AGN Term Loan, the Term Lenders provided (i) a $2.75 billion tranche maturing on March 17, 2018 (the "AGN Three Year Tranche") and (ii) a $2.75 billion tranche and maturing on March 17, 2020 (the "AGN Five Year Tranche"). The proceeds of borrowings under the AGN Term Loan were used to finance, in part, the cash component of the Allergan Acquisition consideration and certain fees and expenses incurred in connection with the Allergan Acquisition.

Borrowings under the AGN Term Loan bore interest at our choice of a per annum rate equal to either (a) a base rate plus an applicable margin per annum varying from (x) 0.00% per annum to 1.00% per annum under the AGN Three Year Tranche and (y) 0.125% per annum to 1.250% per annum under the AGN Five Year Tranche, depending on the Debt Rating or (b) a Eurodollar rate, plus an applicable margin varying from (x) 1.00% per annum to 2.00% per annum under the AGN Three Year Tranche and (y) 1.125% per annum to 2.250% per annum under the AGN Five Year Tranche, depending on the Debt Rating. The outstanding principal amount of loans under the AGN Three Year Tranche was not subject to quarterly amortization and was payable in full on the maturity date. The outstanding principal amount of loans under the AGN Five Year Tranche was payable in equal quarterly amounts of 2.50% per quarter prior to March 17, 2020, with the remaining balance payable on March 17, 2020.

Bridge Loan Facility

On December 17, 2014, Allergan and certain of its subsidiaries entered into a 364-day senior unsecured bridge credit agreement (the "Bridge Loan Facility"), among Actavis Capital, as borrower, Allergan plc, Warner Chilcott Limited, Allergan Finance LLC, Actavis Funding SCS, the lenders from time to time party thereto, JPMCB, as administrative agent and the other financial institutions party thereto. No amounts were borrowed under the Bridge Loan Facility and the commitments under the Bridge Loan Facility expired on March 17, 2015 upon the closing of the Allergan Acquisition.

Cash Bridge Loan Facility

On March 11, 2015, Allergan and certain of its subsidiaries entered into a 60-day senior unsecured bridge credit agreement (the "Cash Bridge Loan Facility"), among Actavis Capital, as borrower, Allergan plc, Warner Chilcott Limited, Allergan Finance, LLC Actavis Funding SCS, the lenders from time to time party thereto (the "Cash Bridge Lenders"), JPMCB, as administrative agent and the other financial institutions party thereto. Under the Cash Bridge Loan Facility, the Cash Bridge Lenders committed to provide, subject to certain conditions, unsecured bridge financing, of which $2.8 billion was drawn to finance the Allergan Acquisition on March 17, 2015. The outstanding balance of the Cash Bridge Loan Facility was repaid on April 9, 2015.

Borrowings under the Cash Bridge Loan Facility bore 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 1.00% per annum to 2.00% per annum, depending on the Debt Rating.

DIRECTORS' REPORT - continued

Credit Facility Indebtedness - continued

Long-term Obligations

The following table lists our enforceable and legally binding obligations as of December 31, 2016. 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**	**2017**	**2018-2019**	**2020-2021**	**Thereafter**
	$	**$**	**$**	**$**	**$**
Long-term debt[1]	32,835.5	2,785.5	5,700.0	6,600.0	17,750.0
Cash interest[1]	12,312.4	1,140.6	1,990.4	1,647.4	7,534.0
Other contingent consideration liabilities[2]	346.2	27.7	52.7	44.9	220.9
Operating lease obligations[3]	349.7	45.7	74.9	56.3	172.8
Capital lease obligations[4]	2.4	2.4	-	-	-
R&D and sales milestone obligations[5]	17,384.5	863.5	1,246.4	1,720.9	13,553.7
Other obligations and commitments	886.2	148.0	610.0	117.2	11.0
Total	**64,116.9**	**5,013.4**	**9,674.4**	**10,186.7**	**39,242.4**

(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 primarily represents contingent consideration obligations, including accretion resulting from various acquisitions.

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

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

(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 is a contractual commitments relating to these milestones ($ in millions):

Transaction	**Product**	**Maximum Milestones**	**R&D / Approval Milestones**	**Sales Based and Other Milestones**
		$	**$**	**$**
Heptares Transaction	Neurological disorders	3,239.5	664.5	2,575.0
AstraZeneca License	brazikumab (MEDI2070)	1,265.0	105.0	1,160.0
Tobira Acquisition	CVC	1,203.5	738.5	465.0
Naurex Transaction	GLYX-13 and NRX-1074	1,150.0	750.0	400.0
Akarna Transaction	Inflammatory and fibrotic diseases	1,015.0	640.0	375.0
Merck Transaction	Migraine Products	865.0	435.0	430.0
Chase Transaction	Neurodegenerative disorders	875.0	325.0	550.0
Retrosense Transaction	Novel gene therapy - vision	501.7	251.7	250.0
AqueSys Transaction	XEN45	325.0	25.0	300.0
Anterios Transaction	Botulinum toxin type A	387.5	207.5	180.0
Oculeve Acquisition	OD-01	300.0	200.0	100.0
Topokine Transaction	XAF5	260.0	110.0	150.0
Forsight Acquisition	Eye care	125.0	125.0	-
Northwood Acquisition	earFold	65.0	10.0	55.0
All Other		5,807.3	2,046.9	3,760.4
Total		**17,384.5**	**6,634.1**	**10,750.4**

DIRECTORS' REPORT - continued

Credit Facility Indebtedness - continued

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 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, 2016, our total investments in marketable and equity securities of other companies, including equity method investments were $11,596.5 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 August 2, 2016, the Company owns 100.3 million Teva ordinary shares, which 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, and which are subject to changes in value based on the price of Teva shares. The Company is subject to lock-up restrictions with the investment in Teva, and as such, these shares are also subject to liquidity risk. During the year ended December 31, 2016, the Company recorded a $1,599.4 million unrealized loss on the Teva Shares due to a decline in share price, which was recorded as a component of "Other comprehensive income." The Company currently considers the decline in value of its investment in Teva securities to be temporary. We will continue to monitor the value of this investment to determine if the decline in value becomes other than temporary.

We regularly review the carrying value of our investments and identify and recognize losses, for income 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.

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our non-equity investment portfolio and our floating rate debt. Our cash is invested in bank deposits and A-rated or better money market mutual funds.

DIRECTORS' REPORT - continued

Interest Rate Risk - continued

Our portfolio of marketable securities includes U.S. treasury and agency securities classified as available-for-sale securities, with no security having a maturity in excess of two years. These securities 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, 2016, borrowings outstanding under the floating rate notes were $1,000.0 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 $10.0 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.

From time to time, we enter into foreign currency option and forward contracts to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow our management to focus its attention on our core business issues. Accordingly, we enter 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 enter into foreign currency option and forward contracts in amounts between minimum and maximum anticipated foreign exchange exposures.

At times we use 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. The foreign currency option contracts are entered into to reduce the volatility of earnings generated in currencies other than the U.S. dollar, primarily earnings denominated in the Euro. While these instruments are subject to fluctuations in value, such fluctuations are anticipated to offset changes in the value of the underlying exposures.

Net foreign currency gains and losses did not have a material effect on the Company's results of operations for the years ended December 31, 2016 and 2015, respectively.

Inflation

We do not believe that inflation has had a significant impact on our revenues or operations.

DIRECTORS' REPORT - continued

Future developments

Allergan plc is a global specialty pharmaceutical company engaged in the development, manufacturing, marketing, and distribution of brand name pharmaceutical products, medical aesthetics, biosimilar and OTC pharmaceutical products. The Company has operations in more than 100 countries. As a result of the Allergan Acquisition, the Company expanded its franchises to include ophthalmology, neurosciences and medical aesthetics/dermatology/plastic surgery, which complemented the Company's central nervous system, gastroenterology, women's health and urology franchises. The Company benefits significantly from our global brand equity and consumer awareness of key products, including Botox® and Restasis®.

Political donations

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

Treasury Shares

At December 31, 2016, and December 31, 2015, 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, 2016, the Company acquired and cancelled 61.6 million ordinary shares for aggregate consideration of $13,000.0 million worth of shares in connection with the Company's share repurchase programs.

Subsequent Events

Editas Medicine, Inc.

On March 14, 2017, the Company entered into a strategic alliance and option agreement with Editas Medicine ("Editas") for early stage, first-in-class eye care programs for an upfront payment of $90.0 million to potentially license up to five of Editas' gene-editing programs in eye care, including its lead program for Leber Congenital Amaurosis (LCA) currently in pre-clinical development. Under the terms of the agreement, Editas is eligible to receive potential research and development and commercial milestones plus royalties based on net sales.

SER-120

During the first quarter of 2017, the Company notified Serenity Pharmaceuticals, LLC of its intent to terminate the License, Transfer and Development Agreement for SER-120 (nocturia). The Company has $140.0 million of intangible assets obtained as part of the Allergan Acquisition relating to nocturia.

ZELTIQ® Aesthetics, Inc.

On February 13, 2017 the Company entered into a definitive agreement to acquire ZELTIQ® Aesthetics, Inc. ("ZELTIQ") for a price of $56.50 per share, or $2.475 billion. ZELTIQ is focused on developing and commercializing products utilizing its proprietary controlled-cooling technology platform. The transaction is expected to close in the second half of 2017 and is subject to customary closing conditions.

LifeCell Corporation

On February 1, 2017, the Company completed the acquisition of LifeCell Corporation ("LifeCell"), a regenerative medicine company, for approximately $2.9 billion in cash. The acquisition combines LifeCell's

DIRECTORS' REPORT - continued

Subsequent Events - continued

LifeCell Corporation – continued

novel, regenerative medicines business, including its high-quality and durable portfolio of dermal matrix products with Allergan's leading portfolio of medical aesthetics, breast implants and tissue expanders.

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 GI development programs. Under the terms of 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, which will be recorded as a component of R&D expense in the year ending December 31, 2017. 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.

Lysosomal Therapeutics, Inc.

On January 9, 2017 the Company entered into a definitive agreement 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 option agreement, Allergan purchased an option right directly from LTI shareholders to acquire LTI following completion of a Phase 1b trial for LTI-291 as well as an upfront research and development payment. The aggregate payment of $145.0 million will be recorded as a component of R&D expense in the year ending December 31, 2017. Allergan and LTI will establish a joint development committee to oversee the development activities for LTI-291.

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" to the Consolidated Financial Statements. The interest in Allergan plc of the Directors and Company secretary who were in office at December 31, 2016, are presented in the table below.

	At December 31, 2016		At December 31, 2015	
	Shares	**Options**	**Shares**	**Options**
Directors:				
Paul M. Bisaro	414,910[1]	78,029	411,483[1]	78,029
Brenton L. Saunders	106,564[2]	407,102	125,275[2]	407,102
Nesli Basgoz, M.D.	5,475[3]	12,878	3,992[3]	15,226
James H. Bloem	10,608[4]	-	9,219[4]	-
Christopher W. Bodine	14,279[4]	-	12,890[4]	-
Christopher J. Coughlin	3,891[3]	15,927	2,602[5]	15,927
Michael R. Gallagher[7]	32,281[5]	-	31,432[6]	-
Catherine M. Klema	22,416[4]	-	21,027[4]	-
Peter J. McDonnell, M.D.[7]	4,280[4]	-	2,891[4]	-
Patrick J. O'Sullivan	4,681[4]	-	3,689[4]	-
Ronald R. Taylor	24,750[4]	-	23,361[4]	-
Fred G. Weiss	27,135[4]	-	25,746[4]	-
Secretary:				
A. Robert D. Bailey	12,213[6]	42,939	10,372[7]	42,939

1 Includes 5,075 and 7,613 restricted share units as of December 31, 2016 and 2015 respectively.
2 Includes 6,652 and 59,516 restricted share units as of December 31, 2016 and 2015 respectively.
3 Includes 1,389 and 1,034 restricted share units as of December 31, 2016 and 2015 respectively.
4 Includes 1,389 and 826 restricted share units as of December 31, 2016 and 2015, respectively.
5 Includes 19,031 and 17,642 phantom and restricted share units as of December 31, 2016 and 2015, respectively.
6 Includes 1,367 and 11,372 restricted share units as of December 31, 2016 and 2015 respectively.
7 Elected as a director on June 5, 2015.

Other than the directors noted above, during the year ended December 31, 2016 no other directors served Allergan plc.

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' REPORT - continued

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 2014, 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;
- notify the Company's shareholders in writing about the use of disclosure exemptions of FRS 102; and
- enable the directors to ensure that the financial statements comply with the Companies Act and enable those financial statements to be audited.

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.

DIRECTORS' REPORT - continued

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 of and each (including those serving on the Company's audit committee) has taken the proper steps deemed appropriate for directors 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, 2016 and 2015.

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 6, 2017

Independent auditors' report to the members of Allergan plc

Report on the financial statements

Our opinion

In our opinion:

- Allergan plc's consolidated and parent company financial statements (the "financial statements") give a true and fair view of the group's and parent company's assets, liabilities and financial position as at December 31, 2016 and of the group's profit 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 group financial statements does not contravene any provision of the Companies Act 2014 or of any regulations made thereunder;
- the parent company balance sheet has been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

What we have audited

The financial statements comprise:

- the consolidated and parent company balance sheets as at December 31, 2016;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of comprehensive income 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 financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the group financial statements is Irish law and 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 financial statements does not contravene any provision of the Companies Act 2014 or of any regulations made thereunder.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Matters on which we are required to report by the Companies Act 2014

- 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 balance sheet is in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

Matter on which we are required to report by exception

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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 79, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Irish Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

/s/ Enda McDonagh
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

April 6, 2017

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year Ended December 31, 2016

(all amounts in millions except per share amounts)	Notes	2016 $	2015 $
Revenue	2,18	14,570.6	12,688.1
Cost of sales		(1,860.8)	(2,751.8)
Gross profit		**12,709.8**	**9,936.3**
Selling, general and administrative expenses		(11,959.6)	(10,708.8)
Research and development		(2,575.7)	(2,358.5)
Other income (expense)		219.2	.1
Interest expense and similar items	14	(1,295.6)	(1,427.2)
Interest income		69.9	10.6
(Loss) before taxes		**(2,832.0)**	**(4,547.5)**
Benefit for income taxes	16	1,897.0	1,605.9
(Loss) from continuing operations		(935.0)	(2,941.6)
Income from discontinued operations	6	15,914.5	6,861.0
Income		**14,979.5**	**3,919.4**
(Loss) attributable to noncontrolling interest		(6.1)	(4.2)
Profit for the year		**14,973.4**	**3,915.2**
Dividends on Preferred Shares	17	278.4	232.0
Profit for the year for ordinary shareholders		**14,695.0**	**3,683.2**
Profit / (loss) per share:			
Profit / (loss) per share attributable to ordinary shareholders – basic:			
Continuing operations		$ (3.17)	$ (8.64)
Discontinued operations		41.35	18.65
Profit / (loss) per share – basic	2	$ 38.18	$ 10.01
Profit / (loss) per share attributable to ordinary shareholders – diluted:			
Continuing operations		$ (3.17)	$ (8.64)
Discontinued operations		41.35	18.65
Profit / (loss) per share – diluted	2	$ 38.18	$ 10.01
Weighted average shares outstanding:			
Basic	2	384.9	367.8
Diluted	2	384.9	367.8

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME / (LOSS)
Year Ended December 31, 2016

(all amounts in millions)	Notes	2016 $	2015 $
Income		14,979.5	3,919.4
Other comprehensive (loss) / income:			
Foreign currency translation (losses)	17, 21	(441.6)	(129.9)
Impact of Teva Transaction	17, 21	1,544.8	-
Unrealized (losses) / gains, net of tax		(1,647.5)	101.2
Total other comprehensive (loss), net of tax		(544.3)	(28.7)
Comprehensive income		14,435.2	3,890.7
Comprehensive (income) attributable to noncontrolling interest		(6.1)	(4.2)
Comprehensive income attributable to ordinary shareholders		**14,429.1**	**3,886.5**

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
As of December 31, 2016

(all amounts in millions)	Notes	2016 $	2015 $
Assets			
Fixed assets:			
Intangible assets			
Goodwill	13	46,356.1	46,465.2
Other Intangibles	13	62,618.6	67,836.2
Tangible assets			
Property, plant and equipment	11	1,611.3	1,531.3
Investments	12	95.0	112.2
Total fixed assets		**110,681.0**	**115,944.9**
Current assets:			
Assets held for sale	3	27.0	14,808.9
Inventories	9	718.0	757.5
Debtors:			
Accounts receivable		2,531.0	2,125.4
Other assets	12	178.4	271.4
Prepaid expenses and other current assets	12	1,383.4	495.3
Deferred income taxes – amounts due after more than one year	16	158.3	29.3
Investments-marketable securities	12	11,501.5	9.3
Cash at bank and in hand		1,724.0	1,096.0
		18,221.6	**19,593.1**
Creditors (amounts falling due within a year)			
Current portion of long-term debt and capital leases	14	2,797.9	2,396.5
Accounts payable		224.9	215.9
Income taxes payable	16	57.8	53.7
Accrued expenses	10	1,968.4	1,967.6
Liabilities held for sale		-	2,228.6
Total current liabilities		**5,049.0**	**6,862.3**
Net current assets		**13,172.6**	**12,730.8**
Total assets less current liabilities		**123,853.6**	**128,675.7**
Creditors (amounts falling after more than one year)			
Long-term debt and capital leases	14	29,970.8	40,133.9
Other long term liabilities		172.2	188.5
		30,143.0	40,322.4

CONSOLIDATED BALANCE SHEET - continued
As of December 31, 2016

(all amounts in millions)	Notes	2016 $	2015 $
Provisions for liabilities			
Pensions and similar obligations	8	192.9	187.5
Severance provision	19	108.2	143.4
Uncertain tax positions	16	811.2	781.7
Litigation related	22	70.0	208.6
Deferred income taxes	16	12,969.1	7,968.8
Sales returns and allowances	2	1,891.4	1,570.2
Contingent Liabilities	21	1,172.1	868.0
Other provisions	2,10	295.2	35.8
Net assets		**76,200.5**	**76,589.3**
Capital and reserves			
Called up share capital presented as equity	17	-	-
Share premium		5,101.8	83,943.9
Other reserves		52,748.4	(11,000.0)
Profit and loss account		18,342.5	3,647.5
Shareholders' equity		**76,192.7**	**76,591.4**
Non controlling interest		7.8	(2.1)
Total shareholders' funds		**76,200.5**	**76,589.3**

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, 2016

(all amounts in millions)	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total
	$	$	$	$	$
Balance as of December 31, 2014	**-**	**45,776.9**	**(17,247.6)**	**(198.2)**	**28,331.1**
Profit for the year	-	-	-	3,915.2	3,915.2
Value of employee services – share options, net	-	-	648.5	-	648.5
Other comprehensive (loss)	-	-	(28.7)	-	(28.7)
Issuance of shares in connection with the Allergan Acquisition	-	38,757.6	-	-	38,757.6
Issuance of shares in connection with the Kythera Acquisition	-	40.0	-	-	40.0
Capital reduction	-	(5,790.3)	5,790.3	-	-
Issuance of preferred shares	-	4,929.7	-	-	4,929.7
Issuance of shares post group reorganization	-	230.0	-	-	230.0
Dividends declared	-	-	(162.5)	(69.5)	(232.0)
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	-	-
Issuance of shares post group reorganization	-	172.1	-	-	172.1
Dividends declared	-	-	-	(278.4)	(278.4)
Balance as of December 31, 2016	**-**	**5,101.8**	**52,748.4**	**18,342.5**	**76,192.7**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(all amounts in millions)

	2016	2015
	$	$
Cash Flows From Operating Activities:		
Income	14,979.5	3,919.4
Reconciliation to net cash provided by operating activities:		
Depreciation	155.8	218.3
Amortization	6,475.2	5,777.0
Provision for inventory reserve	181.4	140.9
Share-based compensation	334.5	690.4
Deferred income tax benefit	(1,443.9)	(7,380.1)
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	743.9	511.6
Loss on asset sales and impairments, net	5.0	334.4
Amortization of inventory step-up	42.4	1,192.9
Amortization of deferred financing costs	51.0	298.3
Accretion and contingent consideration	(66.8)	108.8
Excess tax benefit from stock-based compensation	(20.4)	(76.1)
Other, net	(59.9)	66.4
Changes in assets and liabilities (net of effects of acquisitions):		
Decrease / (increase) in accounts receivable, net	(191.0)	(1,034.3)
Decrease / (increase) in inventories	(268.4)	(226.2)
Decrease / (increase) in prepaid expenses and other current assets	29.9	70.9
Increase / (decrease) in accounts payable and accrued expenses	313.5	142.5
Increase / (decrease) in income and other taxes payable	(326.6)	(87.8)
Increase / (decrease) in other assets and liabilities	(283.9)	(137.3)
Net cash provided by operating activities	1,425.3	4,530.0
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(331.4)	(454.9)
Additions to product rights and other intangibles	(2.0)	(154.7)
Sale of businesses to Teva	33,804.2	-
Additions to investments	(15,743.5)	(24.3)
Proceeds from sale of investments and other assets	7,771.6	883.0
Proceeds from sales of property, plant and equipment	33.3	140.1
Acquisitions of businesses, net of cash acquired	(1,198.9)	(37,510.1)
Net cash provided by / (used in) investing activities	24,333.3	(37,120.9)
Cash Flows From Financing Activities:		
Proceeds from borrowings of long-term indebtedness	-	26,455.7
Proceeds from borrowings on credit facility and other	1,050.0	3,682.0
Debt issuance and other financing costs	-	(310.8)
Payments on debt, including capital lease obligations	(10,848.7)	(5,134.2)
Proceeds from issuance of preferred shares	-	4,929.7
Proceeds from issuance of ordinary shares	-	4,071.1
Proceeds from stock plans	172.1	230.0
Payments of contingent consideration	(161.1)	(230.1)
Repurchase of ordinary shares	(15,076.4)	(118.0)
Dividends	(278.4)	(208.1)
Excess tax benefit from stock-based compensation	20.4	76.1
Net cash (used in) / provided by financing activities	(25,122.1)	33,443.4
Effect of currency exchange rate changes on cash and cash equivalents	(8.5)	(6.5)
Net increase in cash and cash equivalents	628.0	846.0
Cash and cash equivalents at beginning of period	1,096.0	250.0
Cash and cash equivalents at end of period	1,724.0	1,096.0
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Income taxes other, net of refunds	3,692.7	377.6
Interest	1,277.9	689.9
Schedule of Non-Cash Investing and Financing Activities:		
Non-cash receipt of Teva shares	5,038.6	-
Dividends accrued	23.2	24.0
Non-cash equity issuance for the Acquisition of Allergan net assets	-	34,687.2
Non-cash equity issuance for the Acquisition of Kythera net assets	-	40.0

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 The Company

Allergan plc is a global specialty pharmaceutical company engaged in the development, manufacturing, marketing, and distribution of brand name pharmaceutical products ("brand", "branded" or "specialty brand"), medical aesthetics, biosimilar and over-the-counter ("OTC") pharmaceutical products. The Company has operations in more than 100 countries. As a result of the Allergan Acquisition, the Company expanded its franchises to include ophthalmology, neurosciences and medical aesthetics/dermatology/plastic surgery, which complements the Company's central nervous system, gastroenterology, women's health and urology franchises. The Company benefits significantly from our global brand equity and consumer awareness of key products, including Botox® and Restasis®.

On July 26, 2015 we entered into a master purchase agreement (the "Teva Agreement"), under which Teva Pharmaceutical Industries Ltd. ("Teva") agreed to acquire our global generic pharmaceuticals business and certain other assets (the "Teva Transaction"). Upon the closing of the Teva Transaction on August 2, 2016, we received $33.3 billion in cash, net of cash acquired by Teva, which includes estimated working capital and other contractual adjustments, and 100.3 million unregistered Teva ordinary shares (or American depository Shares with respect thereto), which 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.

On October 3, 2016, the Company completed the divestiture of the Anda Distribution business to Teva for $500.0 million. Teva acquired our Anda Distribution business, which distributes 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 sale of our global generics business of $15,932.2 million as well as deferred liabilities relating to other elements of our arrangements with Teva of $299.2 million.

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 OTC commercial unit (excluding OTC eye care products) and certain established international brands.

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") number 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 Company accounted for the assets and liabilities divested as held for sale as of December 31, 2015. Further, the financial results of the businesses held for sale have been 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

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 April 2015, the FASB issued guidance which changes the classification of debt issuance costs from being an asset on the balance sheet to netting the costs against the carrying value of the debt. As a result, the Company reclassified debt issuance costs as of December 31, 2015 by decreasing "prepaid expenses and other current assets" and "current portion of long-term debt and capital leases" by $36.3 million as well as decreasing "investments" and "long-term debt and capital leases" by $159.5 million. In addition, the Company made certain presentation reclassifications relating to segment results and guarantor financial statements.

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 SRA's (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 stockholders' equity and are included as a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Foreign Currency Translation – continued

component of other comprehensive (loss) / income. The effects of revaluing non-functional currency assets and liabilities into the functional currency are recorded as general and administrative 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 selling, general and administrative expenses ("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.

Inventories

Inventories consist of finished goods held for 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Property, Plant and Equipment – continued

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.

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 are included on the balance sheet in a separate component of stockholders' equity as unrealized gains and losses and are reported as a component of accumulated other comprehensive income / (loss). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Product Rights and Other Definite-Lived Intangible Assets – continued

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 by comparing the fair value of each of the Company's reporting units to the respective carrying value of the reporting units. Additionally, the Company may perform interim tests if an event occurs or circumstances change that could potentially reduce the fair value of a reporting unit below its carrying amount or when the Company has a change to reporting units. 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 net (loss) / income and (loss) / earnings per share.

Acquired 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. 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

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

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 to 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.

Warranties

The Company provides warranty programs for breast implant sales primarily in the United States, Europe and certain other countries. Management estimates the amount of potential future claims from these warranty programs based on actuarial analyses. Expected future obligations are determined based on the history of product shipments and claims and are discounted to a current value. The provision for warranty expense in the year ended December 31, 2016 and 2015 was $6.8 million and $4.5 million, respectively. The liability is included in other provisions in the Company's consolidated balance sheets and amounted to $30.3 million, respectively, as of December 31, 2016, and $36.0 million, respectively, as of December 31, 2015. The U.S. programs include the ConfidencePlus® and ConfidencePlus® Premier warranty programs. The ConfidencePlus® program, which is limited to saline breast implants, currently provides lifetime product replacement and contralateral implant replacement. The ConfidencePlus® Premier program, which is standard for silicone gel implants and requires a low enrollment fee for saline breast implants, generally provides lifetime product replacement, $2,400 of financial assistance for saline breast implants and $3,500 of financial assistance for silicone gel breast implants for surgical procedures within ten years of implantation and contralateral implant replacement. The warranty programs in non-U.S. markets generally have similar terms and conditions to the U.S. programs. The Company does not warrant any level of aesthetic result and, as required by government regulation, makes extensive disclosures concerning the risks of the use of its products and breast implant surgery. Changes to actual warranty claims incurred and interest rates could have a material impact on the actuarial analysis and the Company's estimated liabilities. A large majority of the product warranty liability arises from the U.S. warranty programs. The Company does not currently offer any similar warranty program on any other product.

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 statement of profit and loss accounts. (Refer to "Note 21 — Fair Value Measurement" for additional details regarding the fair value of contingent consideration.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition

General

Revenue from product sales is recognized when title and risk of loss to the product transfers to the customer, which is based on the transaction shipping terms. 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" allowances.

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 deductions 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition – continued

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 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.

Cash 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	Return and Other Allowances	Cash Discounts	Total
	$	$	$	$	$
Balance at December 31, 2014	**28.0**	**995.8**	**255.2**	**16.3**	**1,295.3**
Add: Allergan Acquisition	14.1	306.4	100.4	8.6	429.5
Provision related to sales in 2015	649.9	4,035.7	659.9	275.6	5,621.1
Credits and payments	(613.8)	(3,993.5)	(648.0)	(275.4)	(5,530.7)
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**

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,	
	2016	2015
	$	$
Accounts receivable	287.4	245.0
Provisions	1,891.4	1,570.2
	2,178.8	**1,815.2**

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	Return and Other Allowances	Cash Discounts	Net Product Sales	Gross-to-net Percentages
	$	$	$	$	$	$	
2015	18,125.1	649.9	4,035.7	659.9	275.6	12,504.0	69.0%
2016	21,398.6	1,003.2	4,338.7	1,390.1	306.5	14,360.1	67.1%

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

	Chargebacks	Rebates	Return and Other Allowances	Cash Discounts	Total
	$	$	$	$	$
Balance at December 31, 2014	**536.9**	**750.8**	**356.9**	**44.4**	**1,689.0**
Provision related to sales in 2015	5,907.2	1,991.9	729.4	277.3	8,905.8
Credits and payments	(5,825.1)	(2,011.7)	(757.7)	(261.6)	(8,856.1)
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 following table summarizes the balance sheet classification of our SRA reserves relating to the assets divested to Teva ($ in millions):

	As of December 31,
	2015
	$
Assets held for sale	1,325.2
Liabilities held for sale	413.5
	1,738.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition – continued

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

- 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.

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 license and milestone payments, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

R&D Activities – continued

As of December 31, 2016, the Company is developing a number of branded 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 healthcare	Uterine Fibroids	2018	III
Sarecycline	Dermatology	Severe Acne	2019	III
Ubrogepant	Neurology	Acute Migraine	2020	III
Abicipar	Eye Care	Age Related Macular Degeneration	2020	III
Bimatoprost SR	Eye Care	Glaucoma	2021	III
Relamorelin	Gastrointestinal	Gastroparesis	2021	II
Rapastinel	Psychiatry	Depression	2021	III
Cenicriviroc	Gastrointestinal	NASH	2021	II
Atogepant	CNS	Migraine Prevention	2022	II

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 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 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.

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

- Fixed asset valuations which are depreciated over the expected life of the asset. Significant judgments are used in determining the estimated fair values assigned to the assets acquired 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 and intended uses of the assets.
- 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 bases 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.

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 stockholders' equity. The Company's other comprehensive income / (loss) is comprised of unrealized gains / (losses) on certain holdings of publicly traded equity securities, investments in U.S. treasury and agency securities and actuarial gains/(losses), net of realized gains / (losses) included in profit / (loss), net of tax 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Earnings Per Share ("EPS") – continued

Ordinary Shares, such as shares issuable pursuant to the exercise of stock options and restricted stock units. 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):

	2016	2015
	$	$
Profit / (loss):		
(Loss) attributable to ordinary shareholders excluding income/(loss) from discontinued operations, net of tax	(1,219.5)	(3,177.8)
Income from discontinued operations, net of tax	15,914.5	6,861.0
Profit attributable to ordinary shareholders	14,695.0	3,683.2
Basic weighted average ordinary shares outstanding	**384.9**	**367.8**
Basic EPS:		
Continuing operations	(3.17)	(8.64)
Discontinued operations	41.35	18.65
Profit / (loss) per share	38.18	10.01
Diluted weighted average ordinary shares outstanding	384.9	367.8
Diluted EPS:		
Continuing operations	(3.17)	(8.64)
Discontinued operations	41.35	18.65
Profit / (loss) per share	38.18	10.01

Stock awards to purchase 4.7 million ordinary shares for the year ended December 31, 2016 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 is also anti-dilutive. As of December 31, 2016, the Company has repurchased 61.6 million shares under the Company's share repurchase program. The impact of the share repurchase on basic EPS was 10.7 million weighted average shares for the year ended December 31, 2016. Refer to "Note 17 – Equity" for further discussion on the Company's Share Repurchase Program. The impact of the Share Repurchase Program was anti-dilutive for the year ended December 31, 2016.

Stock awards to purchase/acquire 5.2 million ordinary shares for the year ended December 31, 2015 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 is also anti-dilutive.

The weighted average impact of ordinary share equivalents of 17.6 million and 13.6 million for year ended December 31, 2016 and 2015, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

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 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 (loss) / income 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 the EBITDA, as defined, of the Company or other performance-based targets defined by the Company;
- Performance-based restricted stock unit awards based on pre-established total shareholder returns metrics;
- 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, net of estimated forfeitures. Estimates of anticipated vesting of awards are revised in future periods based on actual forfeiture rates and targets achieved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

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 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

On May 28, 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), with an effective date for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The effective date for ASU 2014-09 was deferred by one year through the issuance of ASU 2015-14, to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Subsequent to the issuance of ASU 2014-09, the FASB issued multiple updates which are intended to improve the operability and understandability of the implementation guidance, and to provide clarifying guidance in certain narrow areas and add some practical expedients, which include guidance on principal versus agent considerations; identifying performance obligations; licensing implementation guidance; assessing the specific collectability criterion and accounting for certain contracts; presentation of sales taxes and other similar taxes collected from customers; noncash consideration; contract modifications at transition and completed contracts at transition. The guidance provides clarification that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption, however, an entity is still required to disclose the effect of the changes on any prior periods retrospectively adjusted. The Company is continuing to evaluate the impact of the new revenue guidance. The majority of the Company's revenue relates to the sale of finished product to various customers and we do not believe that the adoption of the new standard will have a material impact on these transactions. The Company is continuing to evaluate the impact of certain less significant transactions involving collaboration arrangements, warranties, as well as certain rebates and discounts offered. The Company expects to adopt the standard in 2018 using the modified retrospective approach.

In January 2016, the FASB issued ASU 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 is not anticipated to have a material impact on the Company's financial position or profit and loss accounts.

In February 2016, the FASB issued ASU 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, if any, the pronouncement will have on our financial positions and or profit and loss accounts.

In March 2016, the FASB issued ASU No. 2016-07: Simplifying the Transition to the Equity Method of Accounting. This guidance eliminates the requirement to retroactively adopt the equity method of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Recent Accounting Pronouncements – continued

accounting when there is an increase in the level of ownership interest or degree of influence. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Management believes that the adoption of this guidance will not have a material impact on our financial statements.

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. Early adoption is permitted for any organization in any interim or annual period. The Company has assessed the implementation impact noting no net impact on shareholder's equity.

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 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, the pronouncement will have on our financial positions 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 amendments require an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments eliminate the exception for an intra-entity transfer of an asset other than inventory. Two common examples of assets included in the scope of the amendments are intellectual property and property, plant, and equipment. The amendments are effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities in the first interim period if an entity issues interim financial statements. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to shareholder's equity as of the beginning of the period of adoption. The Company is evaluating the impact the pronouncement will have on our financial positions and or profit and loss accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Recent Accounting Pronouncements – continued

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, clarifying the definition of a business. The amendments 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 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. The amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early adoption is permitted. 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 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. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. The amendments should be applied on a prospective basis. The nature of and reason for the change in accounting principle should be disclosed upon transition. The 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 Company is evaluating the impact, if any, the amendments will have on our financial positions and or profit and loss accounts.

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, 2016:

	As of December 31, 2016		
	Continuing Operations	Assets Held for Sale Other	Whole Company
(all amounts in millions)			
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	158.3	-	158.3
Investments-marketable securities	11,501.5	-	11,501.5
Cash at bank and in hand	1,724.0	-	1,724.0
	18,221.6	**(22.5)**	**18,199.1**
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	**13,172.6**	**(22.5)**	**13,150.1**
Total assets less current liabilities	**123,853.6**	-	**123,853.6**
Creditors (amounts falling after more than one year)			
Long-term debt and capital leases	29,970.8	-	29,970.8
Other long term liabilities	172.2	-	172.2
	30,143.0	-	30,143.0
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**

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, 2015:

	As of December 31, 2015			
(all amounts in millions)	**Continuing Operations**	**Discontinued Operations**	**Assets Held for Sale Other**	**Whole Company**
Assets	**$**	**$**	**$**	**$**
Fixed assets:				
Intangible assets				
Goodwill	46,465.2	6,096.0	-	52,561.2
Other Intangibles	67,836.2	3,014.8	-	70,851.0
Tangible assets				
Property, plant and equipment	1,531.3	1,398.2	-	2,929.5
Investments	112.2	11.7	-	123.9
Total fixed assets	**115,944.9**	**10,520.7**	**-**	**126,465.6**
Current assets:				
Assets held for sale	14,808.9	(14,799.6)	(9.3)	-
Inventories	757.5	1,390.7	-	2,148.2
Debtors:				
Accounts receivable	2,125.4	2,365.9	-	4,491.3
Other assets	271.4	30.5	-	301.9
Prepaid expenses and other current assets	495.3	329.7	9.3	834.3
Deferred income taxes - amounts due after more than one year	29.3	223.7	-	253.0
Investments—marketable securities	9.3	-	-	9.3
Cash at bank and in hand	1,096.0	-	-	1,096.0
	19,593.1	(10,459.1)	-	9,134.0
Creditors (amounts falling due within a year)				
Current portion of long-term debt and capital leases	2,396.5	2.1	-	2,398.6
Accounts payable	215.9	425.6	0.1	641.6
Income taxes payable	53.7	34.4	-	88.1
Accrued expenses	1,967.6	571.4	-	2,539.0
Liabilities held for sale	2,228.6	(2,228.4)	(0.1)	0.1
Total current liabilities	**6,862.3**	**(1,194.9)**	**-**	**5,667.4**
Net current assets	**12,730.8**	**(9,264.2)**	**-**	**3,466.6**
Total assets less current liabilities	**128,675.7**	**1,256.5**	**-**	**129,932.2**
Creditors (amounts falling after more than one year)				
Long-term debt and capital leases	40,133.9	3.7	-	40,137.6
Other long term liabilities	188.5	73.1	-	261.6
	40,322.4	76.8	-	40,399.2
Provisions for liabilities				
Pensions and similar obligations	187.5	49.9	-	237.4
Severance provision	143.4	31.5	-	174.9
Uncertain tax positions	781.7	69.0	-	850.7
Litigation related	208.6	157.8	-	366.4
Deferred income taxes	7,968.8	432.2	-	8,401.0
Sales returns and allowances	1,570.2	397.2	-	1,967.4
Contingent liabilities	868.0	29.0	-	897.0
Other provisions	35.8	13.1	-	48.9
Net assets	**76,589.3**	**-**	**-**	**76,589.3**
Capital and reserves				
Called up share capital	-	-	-	-
Share premium	83,943.9	-	-	83,943.9
Other reserves	(11,000.0)	-	-	(11,000.0)
Profit and loss account	(3,647.5)	-	-	(3,647.5)
Shareholders' equity	**76,591.4**	**-**	**-**	**76,591.4**
Non controlling interest	(2.1)	-	-	(2.1)
Total shareholders' funds	**76,589.3**	**-**	**-**	**76,589.3**

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, 2016 and 2015:

	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**
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**

	For the Year Ended December 31, 2015		
(all amounts in millions)	**Continuing Operations**	**Discontinued Operations**	**Global Company**
	$	**$**	**$**
Revenue	12,688.1	8,499.0	21,187.1
Cost of sales	(2,751.8)	(4,847.5)	(7,599.3)
Gross profit	**9,936.3**	**3,651.5**	**13,587.8**
Selling, general and administrative expenses	(10,708.8)	(1,804.5)	(12,513.3)
Research and development	(2,358.5)	(422.2)	(2,780.7)
Other income (expense)	0.1	(7.9)	(7.8)
Interest expense and similar items	(1,427.2)	-	(1,427.2)
Interest income	10.6	0.8	11.4
(Loss) / income before taxes	**(4,547.5)**	**1,417.7**	**(3,129.8)**
(Benefit) / Provision for income taxes	1,605.9	5,443.3	7,049.2
(Loss) / income	**(2,941.6)**	**6,861.0**	**3,919.4**
(Loss) attributable to noncontrolling interest	(4.2)	-	(4.2)
(Loss) / profit for the year	**(2,945.8)**	**6,861.0**	**3,915.2**
Dividends on Preferred Shares	232.0	-	232.0
(Loss) / profit for the year for ordinary shareholders	**(3,177.8)**	**6,861.0**	**3,683.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements

During the years ended December 31, 2016 and 2015, the Company acquired material assets and businesses. The unaudited pro forma results of the businesses acquired that materially impacted the reported results of the Company are as follows ($ in millions except per share information):

	Year Ended December 31, 2015 (unaudited)		
	As reported	Allergan Acquisition	Pro Forma
	$	$	$
Net Revenue	12,688.1	1,523.0	14,211.1
Profit attributable to ordinary shareholders	3,683.2	377.7	4,060.9
Profit per share			
Basic	10.01		10.32
Diluted	10.01		10.32

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"). The CVR had an acquisition date fair value of $479.0 million. The acquisition adds Cenicriviroc and Evogliptin, two differentiated, complementary development programs 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. As of December 31, 2016, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

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

	Amount
	$
Cash and cash equivalents	21.3
IPR&D intangible asset	1,357.0
Goodwill	112.7
Indebtedness	(15.9)
Contingent consideration	(479.0)
Deferred tax liabilities, net	(395.9)
Other assets and liabilities	(30.1)
Net assets acquired	**570.1**

IPR&D and Intangible Assets

IPR&D intangible assets represent the value assigned to acquired R&D projects that, as of the acquisition date, had not established technological feasibility and had no alternative future use. The IPR&D intangible assets are capitalized and accounted for as indefinite-lived intangible assets and will be subject to impairment testing until completion or abandonment of the projects. Upon successful completion of each project and launch of the product, the Company will make a separate determination of the estimated useful life of the IPR&D intangible asset and the related amortization will be recorded as an expense over the estimated useful life ("IPR&D Acquisition Accounting").

The estimated fair value of the IPR&D intangible assets 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/asset 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 as well as other factors (the "IPR&D and Intangible Asset Valuation Technique").

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

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 $112.7 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 based on the timing of the 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.

Long-Term Deferred Tax Liabilities and Other Tax Liabilities

Long-term deferred tax liabilities and other tax liabilities result from identifiable intangible assets' fair value adjustments. These adjustments create excess book basis over the tax basis which is multiplied by the statutory tax rate for the jurisdiction in which the deferred taxes exist.

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 acquisition strengthens 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. As of December 31, 2016, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

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

	Amount
	$
Cash and cash equivalents	44.7
Marketable securities	20.2
Property, plant and equipment, net	5.0
IPR&D assets	686.0
Assets held for sale	22.5
Goodwill	34.4
Other liabilities	(20.7)
Deferred tax liabilities, net	(170.7)
Net assets acquired	**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 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.

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 $34.4 million was assigned to the US Specialized Therapeutic segment and is non-deductible for tax purposes.

Long-Term Deferred Tax Liabilities and Other Tax Liabilities

Long-term deferred tax liabilities and other tax liabilities result from identifiable intangible assets' fair value adjustments. These adjustments create excess book basis over the tax basis which is multiplied by the statutory tax rate for the jurisdiction in which the deferred taxes exist.

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. Actual amounts to be received, if any, may change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

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. Under the terms of the agreement, 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 has an initial estimated fair value of $79.8 million, relating to commercialization milestones (the "ForSight Acquisition"). 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.

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

	Amount
	$
Cash and cash equivalents	1.0
IPR&D intangible asset	158.0
Goodwill	51.6
Current liabilities	(14.8)
Contingent consideration	(79.8)
Deferred tax liabilities, net	(38.3)
Other	(3.2)
Net assets acquired	**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2016 Strategic Transactions – continued

Goodwill

Among the reasons the Company acquired ForSight and the factors that contributed to the preliminary recognition of goodwill was the expansion of the Company's pipeline of eye care products. Goodwill from the ForSight Acquisition of $51.6 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. 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.

Long-Term Deferred Tax Liabilities and Other Tax Liabilities

Long-term deferred tax liabilities and other tax liabilities result from identifiable intangible assets' fair value adjustments. These adjustments create excess book basis over the tax basis which is multiplied by the statutory tax rate for the jurisdiction in which the deferred taxes exist.

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. Motus has the worldwide rights to RM-131 (relamorelin), a peptide ghrelin agonist being developed by Motus for the treatment of diabetic gastroparesis. Under the terms of the agreement, Motus is eligible to receive contingent consideration in connection with the commercial launch of the product (the "Motus 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 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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

Licenses and Asset Acquisitions – continued

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 $122.9 million was expensed as a component of R&D expense and the future milestones will be recorded if the corresponding events become probable.

AstraZeneca License

On October 2, 2016, the Company entered into a licensing agreement with MedImmune, AstraZeneca's global biologics research and development arm, for the global rights to Brazikumab ("AstraZeneca License"). 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, payable over a period of up to 15 years, including development and launch milestone payments of up to $540.0 million and sales-based milestone payments of $725.0 million, as well as tiered royalties on sales of the product (the "AstraZeneca License Transaction"). 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 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. Under the terms of the 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 "RetroSense 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 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 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. Under the terms of the transaction, Akarna shareholders received approximately $50.0 million upfront and are eligible to receive contingent development and commercialization milestones of up to $1,015.0 million (the "Akarna Transaction"). 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 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 and the future milestones will be recorded if the corresponding events become probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - 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. Under the terms of the agreement, 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 "Topokine 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 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 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. Under the terms of the agreement, Heptares received an upfront payment of $125.0 million and is eligible to receive contingent milestone payments of up to approximately $665.0 million contingent upon the successful Phase 1, 2 and 3 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 (the "Heptares Transaction"). In addition, Heptares is 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 transaction did not qualify as a business. The total upfront payment of $125.0 million was expensed as a component of R&D expense and the future milestones will be recorded when the event becomes probable.

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. Under the terms of the agreement, 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 Anterios 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 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 and the future milestones will be recorded if the corresponding events become probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions

Acquisitions

AqueSys, Inc.

On October 16, 2015, the Company acquired AqueSys, Inc. ("AqueSys"), a private, clinical-stage medical device company focused on developing ocular implants that reduce IOP associated with glaucoma, in an all-cash transaction. Under the terms of the agreement, the Company acquired AqueSys for an acquisition accounting purchase price of $298.9 million, including $193.5 million for the estimated fair value of contingent consideration relating to the regulatory approval and commercialization milestone payments. The Company acquired AqueSys for the lead development program, including XEN45, a soft shunt that is implanted in the sub conjunctival space in the eye through a minimally invasive procedure with a single use, pre-loaded proprietary injector (the "AqueSys Acquisition").

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):

	Amount
	$
Cash and cash equivalents	6.2
Current assets	1.2
IPR&D intangible assets	302.0
Intangible assets	221.0
Goodwill	138.5
Current liabilities	(6.9)
Contingent consideration	(193.5)
Deferred tax liabilities, net	(169.6)
Net assets acquired	**298.9**

IPR&D and Intangible Assets

The fair value of the CMP and 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 CMP and IPR&D intangible assets was 21.0% 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. The CMP intangible asset will be amortized over a period of 12.2 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

Goodwill

Goodwill from the AqueSys Acquisition of $138.5 million, of which $50.5 million was assigned to the US Specialized Therapeutic segment and $88.0 million was assigned to the International segment. The goodwill arose in part, due to anticipated efficiencies in marketing the CMP asset in our International and US General Medicine segments where we have an established infrastructure.

Contingent Consideration

As part of the acquisition, the Company was required to pay the former shareholders of AqueSys amounts based on the launch, labeling, and sales of the product. The Company estimated the acquisition accounting fair value of the contingent consideration to be $193.5 million using a probability weighted approach that considered the possible outcomes of the scenarios relating to the specified product. On November 16, 2016, the Company received approval from the FDA for XEN45, which triggered a CVR payment of $100.0 million in the year ended December 31, 2016.

Long-Term Deferred Tax Liabilities and Other Tax Liabilities

Long-term deferred tax liabilities and other tax liabilities result from identifiable intangible assets fair value adjustments. These adjustments create excess book basis over the tax basis which is multiplied by the statutory tax rate for the jurisdiction in which the deferred taxes exist.

Northwood Medical Innovation

On October 1, 2015, the Company completed the Northwood Acquisition under which we acquired earFold™ which is a medical device for the correction of prominent ears, with or without asymmetry, in patients aged 7 years and older. earFold™ received a Conformité Européene (“CE”) mark in April 2015, and has been made available by Northwood Medical Innovation Ltd to trained and accredited plastic surgeons, otolaryngologists (Ear, Nose and Throat) and maxillo-facial surgeons, primarily in the United Kingdom (“UK”). The Company acquired Northwood Medical Innovation Ltd. for acquisition accounting purchase price consideration of $25.5 million (the “Northwood Acquisition”), including $15.0 million of contingent consideration.

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

2015 Strategic Transactions – continued

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

	Amount
	$
Cash and cash equivalents	0.5
IPR&D intangible assets	13.6
Intangible assets	19.5
Goodwill	13.6
Other assets and liabilities	(0.1)
Contingent consideration	(15.0)
Deferred tax liabilities, net	(6.6)
Net assets acquired	**25.5**

IPR&D and Intangible Assets

The fair value of the CMP and 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 CMP and IPR&D intangible assets was 15.0% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. 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

Goodwill from the acquisition of $13.6 million was assigned to the International segment. The goodwill arose in part, due to anticipated efficiencies in marketing the CMP asset in our International segment where we have an established infrastructure.

Contingent Consideration

As part of the acquisition, the Company is required to pay the former shareholders of Northwood Medical Innovation Ltd. amounts based on the sales of the product. The Company estimated the acquisition accounting fair value of the contingent consideration to be $15.0 million using a probability weighted approach that considered the possible outcomes of the scenarios relating to the specified product.

Long-Term Deferred Tax Liabilities and Other Tax Liabilities

Long-term deferred tax liabilities and other tax liabilities result from identifiable intangible assets fair value adjustments. These adjustments create excess book basis over the tax basis which is multiplied by the statutory tax rate for the jurisdiction in which the deferred taxes exist.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

Kythera Biopharmaceuticals, Inc.

On October 1, 2015, the Company acquired Kythera Biopharmaceuticals, Inc. ("Kythera"), for $75 per share, or an acquisition accounting purchase price of $2,089.5 million (the "Kythera Acquisition"), which is being accounted for as a business acquisition. Kythera was focused on the discovery, development and commercialization of novel prescription aesthetic products. Kythera's lead product, Kybella® injection, is the first and only FDA approved, non-surgical treatment for moderate to severe submental fullness, commonly referred to as double chin.

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):

	Amount
	$
Cash and cash equivalents	78.1
Marketable securities	79.9
Inventories	18.2
Other current assets	14.5
IPR&D intangible assets	320.0
Intangible assets	2,120.0
Goodwill	328.7
Other current liabilities	(48.6)
Deferred tax, net	(766.7)
Outstanding indebtedness	(54.6)
Net assets acquired	**2,089.5**

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 CMP was 8.5% and for IPR&D intangible assets was 9.5% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. 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 CMP intangible asset will be amortized over a period of 17.3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

Goodwill

Goodwill from the Kythera Acquisition of $208.7 million was assigned to the US Specialized Therapeutics segment and $120.0 million assigned to International segment. The goodwill arose in part, due to anticipated efficiencies in marketing the CMP asset where we have an established infrastructure and is not deductible for tax purposes.

Long-Term Deferred Tax Liabilities and Other Tax Liabilities

Long-term deferred tax liabilities and other tax liabilities result from identifiable intangible assets fair value adjustments. These adjustments create excess book basis over the tax basis which is multiplied by the statutory tax rate for the jurisdiction in which the deferred taxes exist.

Oculeve, Inc.

On August 10, 2015, the Company acquired Oculeve, Inc. ("Oculeve"), a development-stage medical device company focused on developing novel treatments for dry eye disease. Under the terms of the agreement, Allergan acquired Oculeve for an acquisition accounting purchase price of $134.5 million (the "Oculeve Acquisition"), including $90.0 million for the estimated fair value of contingent consideration of which the Company may owe up to $300.0 million in future payments. The Company acquired Oculeve and its lead product candidate OD-01, an intranasal neurostimulation device, as well as other dry eye products in development.

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):

	Amount
	$
Cash and cash equivalents	1.6
IPR&D intangible assets	286.0
Goodwill	33.3
Other assets and liabilities	(1.9)
Contingent consideration	(90.0)
Deferred tax liabilities, net	(94.5)
Net assets acquired	**134.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

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 11.0% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. 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 primary reasons the Company acquired Oculeve and factors that contributed to the preliminary recognition of goodwill were to expand the Company's pipeline of eye care products. Goodwill from the Oculeve Acquisition of $33.3 million was assigned to the US Specialized Therapeutic segment and is not deductible for tax purposes.

Contingent Consideration

As part of the acquisition, the Company is required to pay the former shareholders of Oculeve amounts based on the launch, labeling, and sales of the product. The Company estimated the acquisition accounting fair value of the contingent consideration to be $90.0 million using a probability weighted approach that considered the possible outcomes of the scenarios relating to the specified product.

Long-Term Deferred Tax Liabilities and Other Tax Liabilities

Long-term deferred tax liabilities and other tax liabilities result from identifiable intangible assets fair value adjustments. These adjustments create excess book basis over the tax basis which is multiplied by the statutory tax rate for the jurisdiction in which the deferred taxes exist.

Auden Mckenzie Holdings Limited

On May 29, 2015, the Company acquired Auden Mckenzie Holdings Limited ("Auden"), a company specializing in the development, licensing and marketing of niche generic medicines and proprietary brands in the UK and across Europe for approximately 323.7 million British Pounds, or $495.9 million (the "Auden Acquisition"). The assets and liabilities acquired, as well as the results of operations for the acquired Auden business are part of the assets divested in the Teva Transaction and are included as a component of income from discontinued operations. In addition, the acquired financial position was included in assets and liabilities held for sale as of December 31, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

Recognition and Measurement of Assets Acquired and Liabilities Assumed at Fair Value

The Auden 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 tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date ($ in millions):

	Amount
	$
Cash and cash equivalents	32.2
Inventory	49.1
IPR&D intangible assets	38.6
Intangible assets	342.4
Goodwill	123.3
Other assets and liabilities	7.2
Contingent consideration	(17.3)
Deferred tax liabilities, net	(79.6)
Net assets acquired	**495.9**

IPR&D and Intangible Assets

The fair value of the IPR&D and CMP intangible assets was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value of CMPs was 15.0% and for IPR&D intangible assets was 16.0% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. 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 acquired intangible assets represent generic products with multiple useful lives across multiple therapeutic areas.

Goodwill

Among the primary reasons the Company acquired Auden and factors that contributed to the preliminary recognition of goodwill were to expand the Company's pipeline of generics products. Goodwill from the Auden Acquisition of $123.3 million was included as a component of assets held for sale as of December 31, 2015.

Contingent Consideration

As part of the acquisition, the Company was required to pay royalties based on the sales of hydrocortisone. The Company estimated the acquisition accounting fair value of the contingent consideration to be $17.3 million using a probability weighted approach that considered the possible outcomes of the scenarios relating to the specified product.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

Allergan, Inc.

On March 17, 2015, the Company completed the Allergan Acquisition. The addition of Legacy Allergan's therapeutic franchises in ophthalmology, neurosciences and medical aesthetics/dermatology/plastic surgery complements the Company's existing central nervous system, gastroenterology, women's health and urology franchises. The combined company benefited from Legacy Allergan's global brand equity and consumer awareness of key products, including Botox® and Restasis®. The transaction also 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.

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 final 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):

	Amount
	$
Cash and cash equivalents	5,424.5
Accounts receivable	948.7
Inventories	1,218.6
Other current assets	318.8
Property, plant and equipment, net	1,214.5
Other long-term assets	196.1
IPR&D intangible assets	9,700.0
Intangible assets	45,050.5
Goodwill	27,088.9
Current liabilities	(1,222.1)
Contingent consideration	(383.7)
Deferred tax liabilities, net	(11,880.1)
Other taxes payable	(111.3)
Other long-term liabilities	(622.0)
Outstanding indebtedness	(2,183.5)
Net assets acquired	**74,757.9**

Consideration

The total consideration for the Allergan Acquisition of $74.8 billion is comprised of the equity value of shares that were outstanding and vested prior to March 17, 2015 of $33.9 billion, the portion of outstanding equity awards deemed to have been earned as of March 17, 2015 of $0.8 billion and cash of $40.1 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

The portion of outstanding equity awards deemed not to have been earned of $843.1 million as of March 17, 2015 will be expensed over the remaining future vesting period, including $151.5 million and $516.2 million in the years ended December 31, 2016 and 2015, respectively.

Inventories

The fair value of inventories acquired included an acquisition accounting fair market value step-up of $923.9 million. In the year ended December 31, 2015, the Company recognized $902.3 million as a component of cost of sales as the inventory acquired was sold to the Company's customers. Included in finished goods inventory as of December 31, 2016 and 2015, was zero million and $21.6 million, respectively, relating to the remaining fair value step-up associated with the Allergan Acquisition.

IPR&D and Intangible Assets

The fair value of the intangible assets was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value at the acquisition date of CMPs was 10.0% and for IPR&D intangibles ranged from 10.0% to 11.0% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

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)
	$	
Definite-lived assets		
Restasis®	3,970.0	4.0
Refresh® / Optive®	2,720.0	7.6
Other Eye Care Products	6,690.0	4.2
Botox®	22,600.0	8.0
Aczone®	160.0	1.3
Other Skin Products	820.0	5.0
Other Aesthetics	6,350.0	6.0
Total CMP	43,310.0	6.7
Trade name	690.0	4.5
Customer relationships	1,050.5	3.4
Total definite-lived assets	45,050.5	6.6
In-process research and development		
Eye Care	5,500.0	
Botox®	810.0	
Aesthetics	2,270.0	
Other	1,120.0	
Total IPR&D	9,700.0	
Total intangible assets	**54,750.5**	

Goodwill

Among the primary reasons the Company acquired Allergan and factors that contributed to the preliminary recognition of goodwill were to expand the Company's product portfolio, and to acquire certain benefits from the Legacy Allergan pipeline and the expectation of certain synergies. The goodwill recognized from the Allergan Acquisition, which includes the increase in the purchase price resulting from the movement in Allergan plc's share price from the date of announcing the deal, until the date of acquisition, is not deductible for tax purposes.

Contingent Consideration

The Company acquired certain contingent obligations classified as contingent consideration related to historical business combinations. Additional consideration is conditionally due upon the achievement of certain milestones in respect to the development and commercialization of the products as well as reaching

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

certain sales targets. The Company estimated the fair value of the contingent consideration acquired to be $383.7 million using a probability weighting approach that considered the possible outcomes based on assumptions related to the timing and probability of the product launch date, discount rates matched to the timing of first payment, and probability of success rates and discount adjustments on the related cash flows.

Retirement Plans

The Company acquired post-retirement plans as part of the Allergan Acquisition including defined benefit pension plans in the United States and Europe which had a net liability balance of $302.6 million. As of March 17, 2015, the Allergan Inc. defined benefit pension plans had assets with a fair value of $1,042.0 million, which included cash and cash equivalents of $13.6 million, equity securities of $480.1 million, and fixed income securities of $548.3 million. The Company assumed other post-retirement benefit obligations with defined benefits of $60.2 million. In addition, the Company acquired other benefit obligations which had an acquisition date fair value of assets of $117.1 million and an acquisition date fair value of liabilities of $120.0 million. Prior to the Allergan Acquisition, Legacy Allergan froze most of their defined benefit plans. As a result, the company anticipates deminimis service costs in its statement of profit and loss accounts.

Deferred Tax Liabilities, Net

Deferred tax liabilities, net, include the impact resulting from identifiable intangible assets and inventory fair value adjustments. These adjustments create excess book basis over the tax basis which is multiplied by the statutory tax rate for the jurisdiction in which the deferred taxes exist.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

2015 Strategic Transactions – continued

Acquisition-Related Expenses

As a result of the acquisition, the Company incurred the following transaction and integration costs in the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,	
	2016	2015
Cost of sales	**$**	**$**
Stock-based compensation acquired for Legacy Allergan employees	9.6	22.5
Acquisition, integration and restructuring related charges	18.1	14.9
Research and development		
Stock-based compensation acquired for Legacy Allergan employees	43.0	124.8
Acquisition, integration and restructuring related charges	11.8	83.5
Selling, general and administrative		
Stock-based compensation acquired for Legacy Allergan employees	98.9	368.9
Acquisition-related expenditures	-	65.5
Acquisition, integration and restructuring related charges	222.1	374.3
Other (expense) income		
Bridge loan facilities expense	-	(264.9)
Interest rate lock	-	30.9
Total transaction and integration costs	**403.5**	**1,288.4**

Licenses and Asset Acquisitions

Mimetogen Pharmaceuticals, Inc.

On November 4, 2015, the Company entered into an exclusive licensing agreement with Mimetogen Pharmaceuticals, Inc. ("Mimetogen"), a clinical stage biotechnology company, to develop and commercialize tavilermide (MIM-D3), a topical formulation of a novel small molecule TrkA agonist for the treatment of dry eye disease, in exchange for an upfront payment of $50.0 million to Mimetogen, which is included as a component of R&D expense in the year ended December 31, 2015. Mimetogen will be entitled to receive potential commercial milestones based on the achieving regulatory approval and predefined product labeling of the product. In addition, Mimetogen is entitled to receive one-time annual sales based milestone payments based on multiple pre-defined annual net sales thresholds which may or may not be received, and tiered royalties based on net sales to third parties of the licensed products (the "Mimetogen Transaction"). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

Licenses and Asset Acquisitions – continued

Almirall

On October 27, 2015, the Company and Ironwood Pharmaceuticals, Inc. announced that Allergan has acquired rights to Constella® (linaclotide) in the European Union, Switzerland, Turkey and the Commonwealth of Independent States from Almirall, S.A. and has also reacquired rights to Linzess® (linaclotide) in Mexico from Almirall for €60.0 million. The consideration was accounted for as an asset acquisition and included as a component of intangible assets. The Company concluded based on the lack of acquired employees and the lack of certain other inputs and processes that the transaction did not qualify as a business.

Naurex, Inc.

On August 28, 2015, the Company acquired certain products in early stage development of Naurex, Inc. ("Naurex") in an all-cash transaction of $571.7 million (the "Naurex Transaction"), plus future contingent payments up to $1,150.0 million, which was accounted for as an asset acquisition. The Company recognized the upfront consideration of $571.7 million as a component of R&D expense in the year ended December 31, 2015. 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 Naurex Transaction expands our pipeline with Naurex's two leading product candidates GLYX-13 and NRX-1074, two compounds that utilize NMDA modulation as a potential new approach to the treatment of Major Depressive Disorder ("MDD"), a disease that can lead to suicidality among the most severe patients.

Migraine License

On August 17, 2015, the Company entered into an agreement with Merck & Co. ("Merck") under which the Company acquired the exclusive worldwide rights to Merck's early development stage investigational small molecule oral calcitonin gene-related peptide receptor antagonists, which are being developed for the treatment and prevention of migraines (the "Merck Transaction"). The transaction is being accounted for as an asset acquisition. The Company acquired these rights for an upfront charge of $250.0 million which was recognized as a component of R&D expense in the year ended December 31, 2015. 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. In the year ended December 31, 2016, the Company incurred $100.0 million of milestones under the agreement, which were included as a component of R&D expense. Additionally, Merck is owed contingent payments based on commercial and development milestones of up to $865.0 million as well as potential future royalties.

Divestitures

Respiratory Business

As part of the Forest Acquisition (defined below), we acquired certain assets that comprised Legacy Forest's branded respiratory business in the U.S. and Canada (the "Respiratory Business"). During the year ended December 31, 2014, we held for sale respiratory assets of $734.0 million, including allocated goodwill to this unit of $309.1 million. On March 2, 2015, the Company sold the Respiratory Business to AstraZeneca

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Acquisitions and Other Agreements - continued

Divestitures

plc ("AstraZeneca") for consideration of $600.0 million upon closing, additional funds to be received for the sale of certain of our inventory to AstraZeneca and low single-digit royalties above a certain revenue threshold. AstraZeneca also paid Allergan an additional $100.0 million and Allergan has agreed to a number of contractual consents and approvals, including certain amendments to the ongoing collaboration agreements between AstraZeneca and Allergan (the "Respiratory Sale"). As a result of the final terms of the agreement, in the year ended December 31, 2015, the Company recognized an incremental charge in cost of sales (including the acquisition accounting fair value mark-up of inventory) relating to inventory that will not be sold to AstraZeneca of $35.3 million. The Company recognized a loss in other (expense) income, net for the sale of the business of $5.3 million in the year ended December 31, 2015.

Pharmatech

As part of the Forest Acquisition, the Company acquired certain manufacturing plants and contract manufacturing agreements within the business known as Aptalis Pharmaceutical Technologies ("Pharmatech"). In accordance with acquisition accounting, the assets were fair valued on July 1, 2014 as assets held in use, including market participant synergies anticipated under the concept of "highest and best use." During the fourth quarter of 2014, the decision was made to hold these assets for sale as one complete unit, without integrating the unit and realizing anticipated synergies. During the year ended December 31, 2014, the Company recognized an impairment on assets held for sale of $189.9 million (the "Pharmatech Transaction") which included a portion of goodwill allocated to this business unit. In the year ended 2015, the Company completed the divestiture of the Pharmatech business and there was no material impact to the Company's results of operations.

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, 2016 and 2015.

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. 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 December 31, 2016 and 2015. The Company is accounting for this asset as a cost method investment and it is included as a component of "investments".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5 Collaborations - continued

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.

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), Forest 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. At December 31, 2016 and 2015, the fair value of the Trevena common stock held by the Company was $20.0 million and $35.6 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. As of December 31, 2016 and 2015, the fair value of the Ironwood shares was $31.9 million and $24.1 million, respectively and is included as a component of "investments and other assets."

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, 2016, the Company will contribute up to $160.8 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5 Collaborations - continued

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.

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. Under the Teva Transaction, Teva acquired Allergan's global generics business, including the U.S. and international generic commercial units, our third-party supplier Medis, our global generic manufacturing operations, our global generic R&D unit, our international OTC commercial unit (excluding OTC eye care products) and some established international brands. Allergan retained its global branded pharmaceutical and medical aesthetics businesses, as well as its biosimilars development programs, and certain OTC products. The Company will also have continuing involvement with Teva after the close of the transaction. As a result of the Teva Transaction, the Company holds equity in Teva and purchases product manufactured by Teva for sale in our US General Medicine segment as part of ongoing transitional service and contract manufacturing agreements.

On October 3, 2016, the Company completed the divestiture of the Anda Distribution business for $500.0 million. Teva acquired our Anda Distribution business, which distributes generic, brand, 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 United States.

The Company notes the following reconciliation of the proceeds received in the combined transaction to the gain recognized in income from discontinued operations ($ 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 the Teva Transaction, Teva provided its proposed estimated adjustment to the closing date working capital balance to the Company. The final amount of any agreed contractual adjustment could vary materially from the adjustment calculated by the Company at the time of the closing of the Teva Transaction and any agreed adjustment to the Company's proceeds from the Teva Transaction could have a material adverse effect on the Company's results of operations and cash flows. The Company expects the amount of the adjustment will be determined in accordance with and subject to the terms of the Teva Transaction. As of December 31, 2016, the amount had yet to be settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6 Discontinued Operations - continued

The Teva Shares are recorded within "Marketable securities" on the Company's Consolidated Balance Sheet. The closing Teva transaction date opening stock price discounted at a rate of 5.9 percent due to the lack of marketability was used to initially value the shares. During the year ended December 31, 2016, the Company recorded a $1,599.4 million unrealized loss on the Teva Shares due to a decline in share price, which was recorded as a component of "Other comprehensive income." The Company currently considers the decline in value of its investment in Teva securities to be temporary. We will continue to monitor the value of this investment to determine if the decline in value becomes other than temporary.

Financial results of the global generics business and the Anda Distribution business are presented as "Income from discontinued operations" on the Consolidated Profit and Loss Accounts for the years ended December 31, 2016 and 2015.

The following table presents key financial results of the global generics business and the Anda Distribution business included in "Income from discontinued operations" for the years ended December 31, 2016 and 2015 ($ in millions):

	For the Years Ended December 31,		Change	
(all amounts in millions)	**2016**	**2015**	**Dollars**	**%**
	$	$	$	
Revenue	**4,504.3**	**8,499.0**	**(3,994.7)**	**(47.0)%**
Cost of sales	(2,798.3)	(4,847.5)	2,049.2	42.3%
Gross profit	**1,706.0**	**3,651.5**	**(1,945.5)**	**(53.3)%**
Selling, general and administrative expenses	(783.5)	(1,804.5)	1,021.0	56.6%
Research and development	(269.4)	(422.2)	152.8	36.2%
Other income (expense)	15,932.2	(7.1)	15,939.3	n.m.
Income before taxes	**16,585.3**	**1,417.7**	**15,167.6**	**n.m.**
Benefit for income taxes	(670.8)	5,443.3	(4,772.5)	n.m.
Income	**15,914.5**	**6,861.0**	**9,053.8**	**n.m.**

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

For the year ended December 31, 2015, the Company recorded a deferred tax benefit of $5,738.8 million related to investments in certain subsidiaries. The recognition of this benefit has been reflected in "Income from discontinued operations, net of tax" with the deferred tax asset reflected in non-current "Deferred tax liabilities" on the December 31, 2015 balance sheet as adjusted for activity in the fourth quarter of 2015. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6 Discontinued Operations - continued

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,	
	2016	2015
	$	$
Depreciation from discontinued operations	2.1	93.7
Amortization from discontinued operations	4.8	333.3
Capital expenditures	85.3	234.5
Deferred taxes	6,038.5	(5,568.8)

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 the EBITDA, as defined, of the Company or other performance-based targets defined by the Company;
- Performance-based restricted stock unit awards based on pre-established total shareholder returns metrics;
- 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 awards require options to be granted at the fair 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 eliminated 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 restricted shares issued ranging based on achievement of the performance criteria. The Company's equity awards include the acquired awards from the Allergan Acquisition and the Kythera Acquisition ("2015 Acquired Awards") and the acquired awards from the Forest Acquisition ("2014 Acquired Awards").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7 Share-Based Compensation - continued

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:

	2016 Grants	2015 Grants	2015 Acquired Awards
Dividend yield	0%	0%	0%
Expected volatility	27.0%	26.0 - 29.0%	26.0 - 27.0%
Risk-free interest rate	1.3 - 2.4%	1.9 - 2.1%	0.1 - 2.1%
Expected term (years)	7.0 - 7.5	7.0 - 7.5	up to 6.9

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, 2016 and 2015 was as follows ($ in millions):

	Year Ended December 31,	
	2016	2015
	$	$
Equity-based compensation awards	334.5	690.4
Cash-settled equity awards in connection with the Tobira Acquisition	27.0	-
Cash-settled equity awards in connection with the Vitae Acquisition	18.6	-
Cash-settled equity awards in connection with the ForSight Acquisition	3.1	-
Cash-settled equity awards in connection with the Allergan Acquisition	-	127.1
Cash-settled equity awards in connection with the Kythera Acquisition	-	9.6
Non equity-settled awards other	-	98.6
Total stock-based compensation expense	**383.2**	**925.7**

In the years ended December 31, 2016 and 2015, share-based compensation expense included as discontinued operations was $12.9 million and $36.4 million, respectively.

In the years ended December 31, 2016 and 2015, the related tax benefits were $131.8 million and $285.9 million, respectively relating to stock-based compensation.

Included in the equity-based compensation awards for the year ended December 31, 2016 is the impact of accelerations and step-ups relating to the acquisition accounting treatment of outstanding awards acquired in the Allergan and Forest Acquisitions of $108.9 million and $45.2 million, respectively. Included in the year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7 Share-Based Compensation - continued

ended December 31, 2015 is the impact of accelerations and step-ups relating to the acquisition accounting treatment of outstanding awards acquired in the Allergan, Kythera and Forest Acquisitions of $314.8 million, $64.4 million and $109.7 million, respectively.

Unrecognized future stock-based compensation expense was $448.8 million as of December 31, 2016, including $146.9 million from the Allergan Acquisition and $32.3 million from the Forest Acquisition. This amount will be recognized as an expense over a remaining weighted average period of 1.5 years. Stock-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.

Share Activity

The following is a summary of equity award activity for unvested restricted stock and stock units in the period from December 31, 2015 through December 31, 2016:

(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, 2015	2.0	209.90	1.7	419.9
Granted	0.7	270.29		189.2
Vested	(0.8)	(171.39)		(137.1)
Forfeited	(0.4)	(209.97)		(84.0)
Restricted shares / units outstanding at December 31, 2016	**1.5**	**251.88**	**1.6**	**388.0**

The following is a summary of equity award activity for non-qualified options to purchase ordinary shares in the period from December 31, 2015 through December 31, 2016:

(in millions, except per share data)	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
	$	$	$	$
Outstanding, December 31, 2015	10.5	149.11	6.7	1,707.8
Granted	0.2	269.72		
Exercised	(1.5)	(111.02)		
Cancelled	(0.2)	(168.92)		
Outstanding, December 31, 2016	9.0	113.77	5.9	861.7
Vested and expected to vest at December 31, 2016	**8.5**	**110.74**	**5.9**	**843.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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, 2016, a majority of the Company's plans were frozen for future enrollment.

The net periodic benefit cost of the defined benefit plans for continuing operations for the years ended December 31, 2016 and 2015 was as follows ($ in millions):

	Defined Benefit Year Ended December 31,	
	2016	2015
	$	$
Service cost	5.0	5.0
Interest cost	44.5	35.0
Expected Return on plan assets	(53.0)	(46.4)
Settlement	(1.8)	(4.3)
Net periodic benefit (income) cost	**(5.3)**	**(10.7)**

Obligations and Funded Status

Employee benefit plans are an exception to the recognition and fair value measurement principles in business combinations. Employee benefit plan obligations are recognized and measured in accordance with the existing authoritative literature for accounting for benefit plans rather than at fair value. Accordingly, the Company remeasured the benefit plans acquired as part of its acquisitions and recognized an asset or liability for the funded status of these plans as of the respective acquisition dates. Pension obligations are assessed in accordance with the advice of professionally qualified actuaries. The valuations below are as of December 31, 2016 and 2015.

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

	Year Ended December 31,	
	2016	2015[1]
Change in Plan Assets	$	$
Fair value of plan assets at beginning of year	1,051.1	83.6
Fair value of plan assets assumed in the Allergan Acquisition	-	1,042.0
Employer contribution	37.4	107.6
Return on plan assets	116.8	(60.3)
Benefits paid	(32.5)	(21.5)
Settlements	(47.7)	(100.0)
Effects of exchange rate changes and other	(31.2)	(0.3)
Fair value of plan assets at end of year	**1,093.9**	**1,051.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

	Year Ended December 31,	
	2016	2015[1]
Change in Benefit Obligation	$	$
Benefit obligation at beginning of the year	1,188.5	111.6
Benefit obligation assumed in the Allergan Acquisition	-	1,344.6
Service cost	5.0	5.0
Interest cost	44.5	35.0
Actuarial loss/(gain)	108.0	(191.2)
Settlements and other	(46.9)	(101.1)
Benefits paid	(32.5)	(21.5)
Effects of exchange rate changes and other	(32.5)	6.1
Benefit obligation at end of year	**1,234.1**	**1,188.5**
Funded status at end of year	**(140.2)**	**(137.4)**

(1) The year ended December 31, 2015 includes benefit obligation and asset data from the Allergan Plans following the Allergan Acquisition on March 17, 2015.

The following table outlines the funded actuarial amounts recognized ($ in millions):

	As of December 31,	
	2016	2015
	$	$
Noncurrent assets	9.4	-
Current liabilities	(0.7)	(29.3)
Noncurrent liabilities	(148.9)	(108.1)
	(140.2)	**(137.4)**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

Discontinued Operations

As of December 31, 2015, the following is the plan assets and liabilities included in assets and liabilities held for sale as part of the Teva Transaction ($ in millions):

	Year Ended December 31,
	2015
	$
Fair value of plan assets at end of year	111.9
Benefit obligation at end of year	161.8
Funded status at end of year	(49.9)

For the years ended December 31, 2016 and 2015, the Company recognized $2.1 million and $6.8 million, respectively, as a component of income from discontinued operations related to the Teva Transaction relating to defined benefit plans.

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 for continuing operations 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**

The fair values of the Company's pension plan assets for continuing operations at December 31, 2015 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	114.6	-	-	114.6
International equities	151.3	-	-	151.3
Other equity securities	99.1	-	-	99.1
Equity securities	**365.0**	**-**	**-**	**365.0**
U.S. Treasury bonds	-	120.6	-	120.6
Bonds and bond funds	-	490.7	-	490.7
Other debt securities	-	60.0	-	60.0
Debt securities	**-**	**671.3**	**-**	**671.3**
Other investments				
Other	-	14.8	-	14.8
Total assets	**365.0**	**686.1**	**-**	**1,051.1**

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,	
	2016	**2015[1]**
Bonds	68.3%	35.0%
Equity securities	31.5%	62.5%
Other investments	0.2%	2.5%

(1) Includes the asset allocation of the Allergan Plans following the Allergan Acquisition on March 17, 2015.

Expected Contributions

Employer contributions to the pension plan during the year ending December 31, 2017 are expected to be $4.9 million for continuing operations.

Expected Benefit Payments

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

	$
2017	32.0
2018	34.0
2019	36.3
2020	38.4
2021	40.7
Thereafter	1,052.7
Total liability	**1,234.1**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

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

	Defined Benefit as of December 31,	
	2016	2015
	$	$
Projected benefit obligations	1,234.1	1,188.5
Accumulated benefit obligations	1,220.1	1,054.6
Plan assets	1,093.9	1,051.1

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) that have not been recognized as components of net periodic benefit costs are as follows ($ in millions):

	Defined Benefit
	$
Balance as of December 31, 2014	(30.8)
Net actuarial gain	101.2
Balance as of December 31, 2015	70.4
Net actuarial loss	(46.0)
Balance as of December 31, 2016	**24.4**

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,	
	2016	2015
Discount rate	3.3%	3.8%
Salary growth rate	3.0%	3.7%

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,	
	2016	2015
Discount rate	3.8%	3.5%
Expected rate of return on plan assets	5.1%	4.6%
Salary growth rate	3.0%	3.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

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.

Other Post-Employment Benefit Plans

As a result of the Allergan and Forest acquisitions, the Company assumed post-retirement benefit plans. Accumulated benefit obligation and asset data for the defined benefit plans, were as follows ($ in millions):

	$
Accumulated benefit obligation as of December 31, 2014	**20.5**
Accumulated benefit obligation assumed as part of the Allergan Acquisition	60.2
Interest cost	(2.3)
Actuarial gain	(26.3)
Benefits paid	(2.0)
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**

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 contributions to these retirement plans for amounts included in continuing operations were $75.6 million and $26.6 million in the years ended December 31, 2016 and 2015, respectively. The Company's contributions to these retirement plans for amounts included in income from discontinued operations was $23.6 million in the year ended 2015.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

9 Inventories - continued

Inventories consisted of the following ($ in millions):

	December 31, 2016	December 31, 2015
	$	$
Raw materials	297.1	242.4
Work-in-process	145.4	149.7
Finished goods	357.7	451.9
	800.2	844.0
Less: inventory reserves	82.2	86.5
Total Inventories	**718.0**	**757.5**

10 Accounts payable and accrued expenses

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

	December 31, 2016	December 31, 2015
	$	$
Accrued expenses:		
Accrued payroll and related benefits	543.5	401.0
Interest payable	294.2	312.0
Accrued pharmaceutical fees	221.3	162.2
Accrued R&D expenditures	154.0	384.1
Royalties payable	146.6	119.1
Accrued selling and marketing expenditures	95.9	127.2
Accrued non-provision taxes	55.0	98.1
Legal fees	31.1	49.5
Dividends payable	23.2	24.0
Other accrued expenses	403.6	290.4
Total accrued expenses	1,968.4	1,967.6
Accounts payable	224.9	215.9
Total Accounts Payable and Accrued Expenses	**2,193.3**	**2,183.5**

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

($ in millions)	December 31, 2016	December 31, 2015
	$	$
Income taxes payable	57.8	54.2
Accrued other taxes	23.2	23.2
Social welfare taxes	12.1	33.7
Total	**93.1**	**111.1**

Contractual commitments consisted of the following for the year ended December 31, 2016:

Balance as of December 31, 2015	Net Additions	Payments	Balance as of December 31, 2016
$	$	$	$
-	264.9	-	264.9

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, 2016 and 2015 ($ in millions):

	Machinery and equipment	Research and laboratory equipment	Transportation/ Other	Land, buildings, and leasehold improvements	Construction in progress	Total
	$	$	$	$	$	$
At December 31, 2014	**950.3**	**155.5**	**451.1**	**907.1**	**150.7**	**2,614.7**
Additions	79.8	4.1	117.5	10.8	236.2	448.4
Additions due to acquisitions	224.4	19.1	73.3	585.2	312.5	1,214.5
Disposals/transfers/impairments	19.9	(6.3)	(32.7)	(20.3)	(118.1)	(157.5)
Transfer to assets held for sale	-	-	-	(4.5)	-	(4.5)
Currency translation	(42.7)	(0.5)	(13.2)	(38.4)	(2.9)	(97.7)
At December 31, 2015	**1,231.7**	**171.9**	**596.0**	**1,439.9**	**578.4**	**4,017.9**
Additions	55.1	4.9	25.7	8.7	237.0	331.4
Additions due to acquisitions	-	-	5.0	-	-	5.0
Disposals/Transfers/Others	(846.5)	(127.4)	(239.6)	(741.7)	(368.5)	(2,323.7)
Currency translation	(3.2)	(0.6)	(5.7)	(1.6)	(0.7)	(11.8)
At December 31, 2016	**437.1**	**48.8**	**381.4**	**705.3**	**446.2**	**2,018.7**
Accumulated Depreciation						
At December 31, 2014	415.3	130.8	260.8	213.1	-	1,020.0
Additions	65.7	8.3	91.0	53.3	-	218.3
Disposals/transfers/impairments	(22.6)	(8.3)	(29.3)	(60.5)	-	(120.7)
Transfer to assets held for sale	-	-	-	-	-	-
Currency translation	(16.2)	(0.7)	(6.0)	(6.3)	-	(29.2)
At December 31, 2015	**442.2**	**130.1**	**316.5**	**199.6**	**-**	**1,088.4**
Additions	56.2	5.8	66.4	27.4	-	155.8
Disposals/Transfers/Other	(349.3)	(111.5)	(215.9)	(151.7)	-	(828.4)
Currency translation	(0.7)	(0.4)	(2.5)	(4.8)	-	(8.4)
At December 31, 2016	**148.4**	**24.0**	**164.5**	**70.5**	**-**	**407.4**

The net book value of property, plant and equipment reflected in continuing operations and discontinued operations as of December 31, 2016 and 2015 consisted of the following ($ in millions):

	Machinery and Equipment	Research and Laboratory Equipment	Transportation/ Other	Land, Buildings and Leasehold Improvements	Construction in Progress	Total
	$	$	$	$	$	$
At December 31, 2015	**789.5**	**41.8**	**279.5**	**1,240.3**	**578.4**	**2,929.5**
Continuing Operations	253.4	17.8	186.7	652.1	421.3	1,531.3
Discontinued Operations	536.1	24.0	92.8	588.2	157.1	1,398.2
At December 31, 2016	**288.7**	**24.7**	**216.9**	**634.8**	**446.2**	**1,611.3**

Depreciation expense for continuing operations was $153.7 million and $124.6 million in the years ended December 31, 2016 and 2015, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12 Other assets

Prepaid expenses and other current assets consisted of the following ($ in millions):

	December 31, 2016	December 31, 2015
	$	$
Prepaid taxes	957.4	240.5
Prepaid insurance	25.7	24.1
Royalty receivables	94.3	13.8
Sales and Marketing	42.5	36.7
Other	263.5	180.2
Total prepaid expenses and other current assets	**1,383.4**	**495.3**

Other assets consisted of the following ($ in millions):

	December 31, 2016	December 31, 2015
	$	$
Legacy Allergan Deferred executive compensation investments	111.7	118.1
Taxes receivable	36.0	39.6
Other assets	30.7	113.7
Total other assets	**178.4**	**271.4**

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, 2016	December 31, 2015
	$	$
Investments – marketable securities:		
Short-term investments	8,062.3	-
Teva shares	3,439.2	9.3
Total investments – marketable securities	11,501.5	9.3
Investments and other assets:		
Equity method investments	12.8	17.3
Cost method investments	15.0	16.7
Other long-term investments	67.2	78.2
Total investments	95.0	112.2

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, 2016 included the following:

	Investments in Securities as of December 31, 2016:					
Level 1	**Carrying amount**	**Unrecognized gain**	**Unrecognized loss**	**Estimated fair value**	**Cash & cash equivalents**	**Marketable securities**
	$	**$**	**$**	**$**	**$**	**$**
Money market funds	1,238.9	-	-	1,238.9	1,238.9	-
Total	**1,238.9**	**-**	**-**	**1,238.9**	**1,238.9**	**-**
Level 2	**Carrying amount**	**Unrecognized gain**	**Unrecognized loss**	**Estimated fair value**	**Cash & cash equivalents**	**Marketable securities**
Commercial paper	3,909.7	0.2	-	3,909.9	-	3,909.9
Investment in Teva ordinary shares	5,038.6	-	(1,599.4)	3,439.2	-	3,439.2
Certificates of deposit	4,152.4	-	-	4,152.4	-	4,152.4
Total	**13,100.7**	**0.2**	**(1,599.4)**	**11,501.5**	**-**	**11,501.5**

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.

Marketable securities and investments consist of available-for-sale investments in U.S. treasury and agency securities and debt and equity 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. 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.

The Company 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 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, 2014	**0.1**	**54.2**
Additions	-	20.0
Acquired from the Allergan Acquisition	17.3	15.0
Other	(0.1)	5.7
Balance at December 31, 2015	**17.3**	**94.9**
Additions	-	-
Other	(4.5)	(12.7)
Balance at December 31, 2016	**12.8**	**82.2**

13 Goodwill, Product Rights and Other Intangible Assets

Goodwill

During 2016, there was a strategic shift in the business to streamline our operations. Under the new organizational structure being reported, the Company organized its business into the following segments: US Specialized Therapeutics, US General Medicine and International. The Company recast goodwill by segment as a result of this change.

Goodwill for the Company's reporting segments consisted of the following ($ in millions):

	US Brands	US Medical Aesthetics	US Specialized Therapeutics	US General Medicine	International	Total
	$	$		$	$	$
Balance as of December 31, 2014	20,603.7	-	-	-	207.6	20,811.3
Additions through acquisitions	15,435.5	4,006.7	-	-	8,283.8	27,726.0
Measurement period and other adjustments	68.3	-	-	-	-	68.3
Held for Sale	-	-	-	-	(2,385.8)	(2,385.8)
Foreign exchange and other adjustments	-	-	-	-	245.4	245.4
Balance as of December 31, 2015	**36,107.5**	**4,006.7**	**-**	**-**	**6,351.0**	**46,465.2**
Allocation to current segments	(36,107.5)	(4,006.7)	18,347.2	21,340.5	426.5	0.0
Additions through acquisitions	-	-	86.0	112.7	-	198.7
Foreign exchange and other adjustments	-	-	-	(26.6)	(281.2)	(307.8)
Balance as of December 31, 2016	**-**	**-**	**18,433.2**	**21,426.6**	**6,496.3**	**46,356.1**

As of December 31, 2016 and 2015, the gross balance of goodwill, pre-impairments, was and $46,373.4 million and $46,482.5 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

The following items had a significant impact on goodwill in the year ended December 31, 2016:

- An increase in goodwill of $112.7 million resulting from the Tobira Acquisition.
- An increase in goodwill of $34.4 million resulting from the Vitae Acquisition.
- An increase in goodwill of $51.6 million resulting from the ForSight Acquisition.

Product Rights and Other Intangible Assets

Product rights and other intangible assets consisted of the following for the years ended December 31, 2016 and 2015 ($ 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 related 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 related intangibles	76,184.2	2,267.1	(743.9)	-	(217.1)	(240.6)	**77,249.7**

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 related 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 related 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

- 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 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, if any. 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
- During the year ended December 31, 2016, 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

Product rights and other intangible assets consisted of the following for the year ended December 31, 2015 ($ in millions):

Cost Basis	Balance as of December 31, 2014	Acquisitions	Impairments	IPR&D to CMP Transfers	Disposals/ Held for Sale/ Other	Foreign Currency Translation	Balance as of December 31, 2015
	$	$	$	$	$	$	$
Intangibles with definite lives:							
Product rights and other related intangibles	15,127.5	47,163.8	(242.2)	3,128.5	(975.5)	163.9	**64,366.0**
Trade name	-	690.0	-	-	-	-	**690.0**
Total definite-lived intangible assets	15,127.5	47,853.8	(242.2)	3,128.5	(975.5)	163.9	**65,056.0**
Intangibles with indefinite lives:							
IPR&D	4,116.4	10,714.4	(511.6)	(3,128.5)	(38.8)	(23.7)	**11,128.2**
Trade name	-	-	-	-	-	-	**-**
Total indefinite- lived intangible assets	4,116.4	10,714.4	(511.6)	(3,128.5)	(38.8)	(23.7)	**11,128.2**
Total product rights and related intangibles	19,243.9	58,568.2	(753.8)	-	(1,014.3)	140.2	**76,184.2**

Accumulated Amortization	Balance as of December 31, 2014	Amortization	Impairments	Disposals/ Held for Sale/ Other	Foreign Currency Translation	Balance as of December 31, 2015
	$	$	$	$	$	$
Intangibles with definite lives:						
Product rights and other related intangibles	(3,258.4)	(5,384.2)	(7.5)	361.7	(0.1)	**(8,288.5)**
Trade name	-	(59.5)	-	-	-	**(59.5)**
Total definite-lived intangible assets	(3,258.4)	(5,443.7)	(7.5)	361.7	(0.1)	**(8,348.0)**
Total product rights and related intangibles	(3,258.4)	(5,443.7)	(7.5)	361.7	(0.1)	**(8,348.0)**
Net Product Rights and Other Intangibles	15,985.5					67,836.2

The following items had a significant impact on net product rights and other intangibles in the year ended December 31, 2015:

- The Company acquired intangible assets in connection with the Allergan Acquisition of $54,750.5 million, including product rights and other related intangibles, trade name and IPR&D assets of $44,360.5 million, $690.0 million, and $9,700.0 million, respectively;
- The Company acquired IPR&D assets of $286.0 million in connection with the Oculeve Acquisition;
- The Company acquired CMP and IPR&D assets of $2,120.0 million and $320.0 million, respectively, in connection with the Kythera Acquisition;
- The Company acquired CMP and IPR&D assets of $221.0 million and $302.0 million, respectively, in connection with the AqueSys Acquisition;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

- The Company acquired CMP and IPR&D assets of $19.5 million and $13.6 million, respectively, in connection with Northwood Acquisition;
- In the year ended December 31, 2015, the Company divested Doryx® resulting in a reduction of intangible assets of approximately $46.6 million;
- In the year ended December 31, 2015, the Company recognized $511.6 million in IPR&D impairments which reduced product rights and other intangibles. As part of IPR&D impairments, the Company made the decision to abandon a select IPR&D asset (acquired in connection with the Allergan Acquisition) based on the review of research studies, resulting in an impairment of the full asset value of $300.0 million. The Company recorded an impairment of $192.1 million related to a reduction in cash flows for women's healthcare portfolio products acquired in the Warner Chilcott Acquisition as planned promotional initiatives on these future products has been reduced. The Company also recorded an impairment of $14.0 million due to the expected delay in the launch of a product acquired as part of the Allergan Acquisition;
- In the year ended December 31, 2015, the Company recorded an impairment to CMP $206.1 million related to the abandonment of an surgical product line;
- In the year ended December 31, 2015, the Company wrote off the value of royalty rights that expired in connection with the Respiratory Sale of $38.8 million; and
- In the year ended December 31, 2015, the Company recognized an out-of-period adjustment in intangible assets relating to the Forest Acquisition of $135.0 million relating to a contract termination.

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, 2016 over each of the next five years is estimated to be as follows ($ in millions):

	Amortization Expense
	$
2017	6,624.0
2018	6,231.5
2019	6,188.7
2020	5,963.6
2021	5,105.9

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 estimate, potential impairments, accelerated amortization or other events.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases

Debt consisted of the following ($ in millions):

	Balance As of		Fair Market Value As of	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	$	$	$	$
Senior Notes:				
Floating Rate Notes				
$500.0 million floating rate notes due September 1, 2016	-	500.0	-	500.5
$500.0 million floating rate notes due March 12, 2018	500.0	500.0	502.5	499.6
$500.0 million floating rate notes due March 12, 2020	500.0	500.0	509.4	496.2
	1,000.0	1,500.0	1,011.9	1,496.3
Fixed Rate Notes				
$800.0 million 5.750% notes due April 1, 2016	-	800.0	-	808.4
$1,000.0 million 1.850% notes due March 1, 2017	1,000.0	1,000.0	1,001.1	1,001.5
$500.0 million 1.300% notes due June 15, 2017	500.0	500.0	499.7	496.3
$1,200.0 million 1.875% notes due October 1, 2017	1,200.0	1,200.0	1,202.5	1,196.0
$3,000.0 million 2.350% notes due March 12, 2018	3,000.0	3,000.0	3,018.0	3,004.6
$250.0 million 1.350% notes due March 15, 2018	250.0	250.0	248.4	244.9
$1,050.0 million 4.375% notes due February 1, 2019	1,050.0	1,050.0	1,090.0	1,099.5
$500.0 million 2.450% notes due June 15, 2019	500.0	500.0	501.2	494.4
$400.0 million 6.125% notes due August 15, 2019	400.0	400.0	437.7	444.2
$3,500.0 million 3.000% notes due March 12, 2020	3,500.0	3,500.0	3,541.8	3,505.1
$650.0 million 3.375% notes due September 15, 2020	650.0	650.0	663.6	656.6
$750.0 million 4.875% notes due February 15, 2021	750.0	750.0	803.3	807.4
$1,200.0 million 5.000% notes due December 15, 2021	1,200.0	1,200.0	1,297.7	1,299.4
$3,000.0 million 3.450% notes due March 15, 2022	3,000.0	3,000.0	3,030.7	3,006.8
$1,700.0 million 3.250% notes due October 1, 2022	1,700.0	1,700.0	1,693.1	1,669.6
$350.0 million 2.800% notes due March 15, 2023	350.0	350.0	335.6	327.7
$1,200.0 million 3.850% notes due June 15, 2024	1,200.0	1,200.0	1,211.7	1,202.6
$4,000.0 million 3.800% notes due March 15, 2025	4,000.0	4,000.0	3,995.6	3,984.6
$2,500.0 million 4.550% notes due March 15, 2035	2,500.0	2,500.0	2,458.5	2,462.2
$1,000.0 million 4.625% notes due October 1, 2042	1,000.0	1,000.0	967.6	956.1
$1,500.0 million 4.850% notes due June 15, 2044	1,500.0	1,500.0	1,496.4	1,483.6
$2,500.0 million 4.750% notes due March 15, 2045	2,500.0	2,500.0	2,466.9	2,452.7
	31,750.0	32,550.0	31,961.1	32,604.2
Total Senior Notes Gross	**32,750.0**	**34,050.0**	**32,973.0**	**34,100.5**
Unamortized premium	171.2	225.9	-	-
Unamortized discount	(95.8)	(107.4)	-	-
Total Senior Notes Net	**32,825.4**	**34,168.5**	**32,973.0**	**34,100.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

	Balance As of		Fair Market Value As of	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	$	$	$	$
Term Loan Indebtedness:				
WC Term Loan				
WC Three Year Tranche variable rate debt maturing October 1, 2016	-	191.5		
WC Five Year Tranche variable rate debt maturing October 1, 2018	-	498.8		
	-	690.3		
ACT Term Loan				
2017 Term Loan variable rate debt maturing October 31, 2017	-	572.1		
2019 Term Loan variable rate debt maturing July 1, 2019	-	1,700.0		
	-	2,272.1		
AGN Term Loan				
AGN Three Year Tranche variable rate debt maturing March 17, 2018	-	2,750.0		
AGN Five Year Tranche variable rate debt maturing March 17, 2020	-	2,543.8		
	-	5,293.8		
Total Term Loan Indebtedness	**-**	**8,256.2**		
Other Indebtedness				
Revolver Borrowings	-	200.0		
Debt Issuance Costs	(144.6)	(195.8)		
Other	85.5	97.4		
Total Other Borrowings	**(59.1)**	**101.6**		
Capital Leases	**2.4**	**4.1**		
Total Indebtedness	**32,768.7**	**42,530.4**		

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

Floating Rate Notes

On March 4, 2015, Actavis 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 floating rate notes due 2016 (the "2016 Floating Rate Notes"), floating rate notes due 2018 (the "2018 Floating Rate Notes"), floating rate notes due 2020 (the "2020 Floating Rate Notes"), 1.850% notes due 2017 (the "1.850% 2017 Notes"), 2.350% notes due 2018 (the "2.350% 2018 Notes"), 3.000% notes due 2020 (the "3.000% 2020 Notes"), 3.450% notes due 2022 (the "3.450% 2022 Notes"), 3.800% notes due 2025 (the "3.800% 2025 Notes"), 4.550% notes due 2035 (the "4.550% 2035 Notes") and 4.750% notes due 2045 (the "4.750% 2045 Notes"). The notes are fully and unconditionally guaranteed by Actavis Funding SCS's indirect parents, Warner Chilcott Limited and Actavis Capital S.a.r.l. ("Actavis Capital"), and by Allergan Finance, LLC (formerly known as Actavis, Inc.), a subsidiary of Actavis Capital, on an unsecured and unsubordinated basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Floating Rate Notes – continued

The 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%. The 2018 Floating Rate Notes and the 2020 Floating Rate Notes bear interest at a floating rate equal to three-month LIBOR plus 1.080% and 1.255% per annum, respectively. Interest on the 2018 Floating Rate Notes and the 2020 Floating Rate Notes is payable quarterly on March 12, June 12, September 12 and December 12 of each year, and began on June 12, 2015.

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. comprised of the $350.0 million 2.800% senior notes due 2023, the $650.0 million 3.375% senior notes due 2020, the $250.0 million 1.350% senior notes due 2018 and the $800.0 million 5.750% senior notes due 2016. Interest payments are due on the $350.0 million senior notes semi-annually on the principal amount of the notes at a rate of 2.80% per annum, and 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, if the redemption occurs prior to December 15, 2022 (three months prior to the maturity of the 2023 senior notes). If the redemption occurs on or after December 15, 2022, then such redemption is not subject to the make-whole provision. Interest payments are due on the $650.0 million senior notes semi-annually on the principal amount of the notes at a rate of 3.375% per annum, and 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. Interest payments are due on the $250.0 million senior notes semi-annually on the principal amount of the notes at a rate of 1.350% per annum, and 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. Interest payments were due on the $800.0 million senior notes semi-annually on the principal amount of the notes at a rate of 5.750% per annum. 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 $800.0 million 5.750% senior notes were paid in full on April 1, 2016 with proceeds from the first quarter of 2016 borrowings under the revolving credit facility of $900.0 million at maturity.

Acquired Forest Notes

On July 1, 2014 in connection with the Forest Acquisition, the Company acquired the indebtedness of Forest comprised of the $1,050.0 million 4.375% senior notes due 2019, the $750.0 million 4.875% senior notes due 2021 and the $1,200.0 million 5.000% senior notes due 2021 (together the "Acquired Forest Notes"). Interest payments are due on the $1,050.0 million senior notes semi-annually in arrears on February 1 and August 1 beginning August 1, 2014. Interest payments are due on the $750.0 million senior notes due 2021 semi-annually in arrears on February 15 and August 15 beginning August 15, 2014. Interest payments are due on the $1,200.0 million senior note due 2021 semi-annually in arrears on June 15 and December 15, beginning December 15, 2014. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Floating Rate Notes – continued

Allergan Acquisition Notes

In connection with the Allergan Acquisition, Actavis Funding SCS issued the $1,000.0 million 1.850% notes due March 1, 2017, the $3,000.0 million 2.350% notes due March 12, 2018, the $3,500.0 million 3.000% notes due March 12, 2020, the $3,000.0 million 3.450% notes due March 15, 2022, the $4,000.0 million 3.800% notes due March 15, 2025, the $2,500.0 million 4.550% notes due March 15, 2035 and the $2,500.0 million 4.750% notes due March 15, 2045. These fixed rate securities were issued, in part, to finance the Allergan Acquisition. The guarantors of the debt are Warner Chilcott Limited, Actavis Capital S.a.r.l., and Allergan Finance, LLC.

2014 Notes Issuance

On June 10, 2014, Actavis Funding SCS issued the $500.0 million 1.300% notes due 2017, $500.0 million 2.450% notes due 2019, $1,200.0 million 3.850% notes due 2024 and $1,500.0 million 4.850% notes due 2044 (the "2014 New Notes"). Interest payments are due on the 2014 New Notes on June 15 and December 15 semi-annually, beginning on December 15, 2014. The guarantors of the debt are Warner Chilcott Limited, Actavis Capital S.a.r.l., and Allergan Finance, LLC.

Actavis, Inc. Supplemental Indenture

On October 1, 2013, the Company, Allergan Finance, LLC, a wholly owned subsidiary of the Company, and Wells Fargo Bank, National Association, as trustee, entered into a fourth supplemental indenture (the "Fourth Supplemental Indenture") to the indenture, dated as of August 24, 2009 (the "Base Indenture" and, together with the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture (each as defined below), the "Indenture"), as supplemented by the first supplemental indenture, dated as of August 24, 2009 (the "First Supplemental Indenture"), the second supplemental indenture, dated as of May 7, 2010 (the "Second Supplemental Indenture"), and the third supplemental indenture, dated as of October 2, 2012 (the "Third Supplemental Indenture"). Pursuant to the Fourth Supplemental Indenture, the Company has provided a full and unconditional guarantee of Actavis, Inc.'s obligations under its then outstanding $450.0 million 5.000% senior notes due August 15, 2014, (the "2014 Notes"), its $400.0 million 6.125% senior notes due August 15, 2019 (the "2019 Notes"), its $1,200.0 million 1.875% senior notes due October 1, 2017 (the "2017 Notes"), its $1,700.0 million 3.250% senior notes due October 1, 2022 (the "2022 Notes") and its $1,000.0 million 4.625% Senior Notes due October 1, 2042 (the "2042 Notes").

WC Supplemental Indenture

On October 1, 2013, the Company, WCCL (defined below), Warner Chilcott Finance LLC (the "Co-Issuer" and together with WC Company, the "Issuers") and Wells Fargo Bank, National Association, as trustee (the "WC Trustee"), entered into a third supplemental indenture (the "Supplemental Indenture") to the indenture, dated as of August 20, 2010 (the "WC Indenture"), among the Issuers, the guarantors party thereto and the WC Trustee, with respect to the Issuers' WC Notes. Pursuant to the Supplemental Indenture, the Company had provided a full and unconditional guarantee of the Issuers' obligations under the WC Notes and the WC Indenture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Floating Rate Notes – continued

On July 21, 2014, the Company redeemed the WC Notes for $1,311.8 million, which includes a make-whole premium of $61.8 million and the principal amount of the WC Notes of $1,250.0 million. As a result of the transaction, the Company recognized a gain in July of 2014 of $29.9 million, which includes the write-off of the then outstanding unamortized premium.

2012 Notes Issuance

On October 2, 2012, Allergan Finance, LLC issued the 2017 Notes, the 2022 Notes, and the 2042 Notes (collectively the "2012 Senior Notes"). Interest payments are due on the 2012 Senior Notes semi-annually in arrears on April 1 and October 1 beginning April 1, 2013. Net proceeds from the offering of the 2012 Senior Notes 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 the 2014 Notes and the 2019 Notes (collectively the "2009 Senior Notes"). Interest payments are due on the 2009 Senior Notes semi-annually in arrears on February 15 and August 15, respectively, beginning February 15, 2010. Net proceeds from the offering of 2009 Senior Notes 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.

WC Term Loan Agreement

On December 17, 2014, Allergan plc and certain of its subsidiaries entered into a second amendment agreement (the "WC Term Loan Amendment") among Allergan plc, Warner Chilcott Limited, Warner Chilcott Finance, LLC, Actavis WC 2 S.à r.l. ("Actavis WC 2"), Warner Chilcott Company, LLC ("WCCL"), Warner Chilcott Corporation ("WC Corporation" and together with Actavis WC 2 and WCCL, the "WC Borrowers"), Bank of America, N.A. ("BofA"), as administrative agent, and the lenders party thereto. The WC Term Loan Amendment amends and restates Allergan plc's existing amended and restated WC term loan credit and guaranty agreement, dated as of June 9, 2014 (such agreement, prior to its amendment and restatement pursuant to the WC Term Loan Amendment, the "2014 WC Term Loan Agreement" and the 2014 WC Term Loan Agreement as amended and restated by the WC Term Loan Amendment, the "WC Term Loan Agreement"), among the WC Borrowers, Allergan plc, Warner Chilcott Limited, Warner Chilcott Finance, LLC, the lenders from time to time party thereto and BofA, as administrative agent, which amended and restated Allergan plc's existing WC term loan credit and guaranty agreement, dated as of August 1, 2013 (such agreement, prior to its amendment and restatement, the "Existing WC Term Loan Agreement") among the WC Borrowers, Warner Chilcott Finance, LLC, Actavis Limited, BofA, as administrative agent and a syndicate of banks participating as lenders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Credit Facility Indebtedness – continued

Pursuant to the Existing WC Term Loan Agreement, on October 1, 2013 (the "WC Closing Date"), the lenders party thereto provided term loans in a total aggregate principal amount of $2.0 billion, comprised of (i) a $1.0 billion tranche that will mature on October 1, 2016 (the "WC Three Year Tranche") and (ii) a $1.0 billion tranche that will mature on October 1, 2018 (the "WC Five Year Tranche"). The proceeds of borrowings under the Existing WC Term Loan Agreement, together with $41.0 million of cash on hand, were used to finance the repayment in full of all amounts outstanding under Warner Chilcott's then-existing Credit Agreement, dated as of March 17, 2011, as amended by Amendment No. 1 on August 20, 2012, among the WC Borrowers, Warner Chilcott Holdings Company III, Limited, BofA, as administrative agent and a syndicate of banks participating as lenders.

Borrowings under the WC Term Loan Agreement bear interest at the applicable borrower's choice of a per annum rate equal to either (a) a base rate plus an applicable margin per annum varying from (x) 0.00% per annum to 0.75% per annum under the WC Three Year Tranche and (y) 0.125% per annum to 0.875% per annum under the WC Five Year Tranche, depending on the publicly announced debt ratings for non-credit-enhanced, senior unsecured long-term indebtedness of Allergan plc (such applicable debt rating the "Debt Rating") or (b) a Eurodollar rate, plus an applicable margin varying from (x) 1.00% per annum to 1.75% per annum under the WC Three Year Tranche and (y) 1.125% per annum to 1.875% per annum under the WC Five Year Tranche, depending on the Debt Rating. The outstanding principal amount of loans under the WC Three Year Tranche is not subject to quarterly amortization and shall be payable in full on the three year anniversary of the WC Closing Date. The outstanding principal amount of loans under the WC Five Year Tranche is payable in equal quarterly amounts of 2.50% per quarter prior to the fifth anniversary of the WC Closing Date, with the remaining balance payable on the fifth year anniversary of the WC Closing Date.

ACT Term Loan

On December 17, 2014, Allergan plc and certain of its subsidiaries entered into a third amendment agreement (the "ACT Term Loan Amendment") among Allergan plc, Warner Chilcott Limited, Actavis Capital, Allergan Finance, LLC, Actavis Funding SCS, BofA, as administrative agent, and the lenders party thereto. The ACT Term Loan Amendment amends and restates Allergan plc's existing second amended and restated Allergan term loan credit and guaranty agreement, dated as of March 31, 2014 (such agreement, prior to its amendment and restatement pursuant to the ACT Term Loan Amendment, the "2014 ACT Term Loan Agreement" and together with the Existing ACT Term Loan Agreement (defined below), the "ACT Term Loan") among Actavis Capital, Allergan plc, Warner Chilcott Limited, Allergan Finance, LLC, Actavis Funding SCS, BofA, as administrative agent, and the lenders from time to time party thereto, which amended and restated Allergan plc's existing amended and restated Allergan term loan credit and guaranty agreement, dated as of October 1, 2013 (such agreement, prior to its amendment and restatement pursuant to the ACT Term Loan Amendment, the "Existing ACT Term Loan Agreement") among Actavis Capital, Allergan plc, Allergan Finance, LLC, BofA, as administrative agent, and the lenders from time to time party thereto.

The Existing ACT Term Loan Agreement amended and restated Allergan Finance, LLC's $1,800.0 million senior unsecured term loan credit facility, dated as of June 22, 2012. At the closing of the Existing ACT Term Loan Agreement, an aggregate principal amount of $1,572.5 million was outstanding (the "2017 Term Loan").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Credit Facility Indebtedness – continued

On March 31, 2014, Allergan plc, Actavis Capital, Allergan Finance, LLC, BofA, as Administrative Agent, and a syndicate of banks participating as lenders entered into the 2014 ACT Term Loan Agreement to amend and restate the Existing ACT Term Loan Agreement. On July 1, 2014, in connection with the Forest Acquisition, the Company borrowed $2.0 billion of term loan indebtedness under tranche A-2 of the 2014 ACT Term Loan Agreement, which was due July 1, 2019 (the "2019 Term Loan").

Loans under the ACT Term Loan bore interest, at the Company's choice, of a per annum rate equal to either (a) a base rate, plus an applicable margin per annum varying from (x) 0.00% per annum to 1.00% per annum with respect to the 2017 term-loan and (y) 0.125% per annum to 0.875% per annum with respect to the 2019 term-loan, depending on the Debt Rating or (b) a Eurodollar rate, plus an applicable margin varying from (x) 1.00% per annum to 2.00% per annum with respect to the 2017 term-loan and (y) 1.125% per annum to 1.875% per annum with respect to the 2019 term-loan, depending on the Debt Rating.

AGN Term Loan

On December 17, 2014, Allergan, Inc., and certain of its subsidiaries entered into a senior unsecured term loan credit agreement (the "AGN Term Loan"), among Actavis Capital, as borrower, Allergan plc, Warner Chilcott Limited, Allergan Finance, LLC, Actavis Funding SCS, the lenders from time to time party thereto (the "Term Lenders"), JPMorgan Chase Bank, N.A. ("JPMCB"), as administrative agent and the other financial institutions party thereto. Under the AGN Term Loan, the Term Lenders provided (i) a $2.75 billion tranche maturing on March 17, 2018 (the "AGN Three Year Tranche") and (ii) a $2.75 billion tranche and maturing on March 17, 2020 (the "AGN Five Year Tranche"). The proceeds of borrowings under the AGN Term Loan were used to finance, in part, the cash component of the Allergan Acquisition consideration and certain fees and expenses incurred in connection with the Allergan Acquisition.

Borrowings under the AGN Term Loan bore interest at our choice of a per annum rate equal to either (a) a base rate plus an applicable margin per annum varying from (x) 0.00% per annum to 1.00% per annum under the AGN Three Year Tranche and (y) 0.125% per annum to 1.250% per annum under the AGN Five Year Tranche, depending on the Debt Rating or (b) a Eurodollar rate, plus an applicable margin varying from (x) 1.00% per annum to 2.00% per annum under the AGN Three Year Tranche and (y) 1.125% per annum to 2.250% per annum under the AGN Five Year Tranche, depending on the Debt Rating. The outstanding principal amount of loans under the AGN Three Year Tranche was not subject to quarterly amortization and was payable in full on the maturity date. The outstanding principal amount of loans under the AGN Five Year Tranche was payable in equal quarterly amounts of 2.50% per quarter prior to March 17, 2020, with the remaining balance payable on March 17, 2020.

Bridge Loan Facility

On December 17, 2014, Allergan and certain of its subsidiaries entered into a 364-day senior unsecured bridge credit agreement (the "Bridge Loan Facility"), among Actavis Capital, as borrower, Allergan plc, Warner Chilcott Limited, Allergan Finance, LLC, Actavis Funding SCS, the lenders from time to time party thereto, JPMCB, as administrative agent and the other financial institutions party thereto. No amounts were borrowed under the Bridge Loan Facility and the commitments under the Bridge Loan Facility expired on March 17, 2015 upon the closing of the Allergan Acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Credit Facility Indebtedness – continued

Cash Bridge Loan Facility

On March 11, 2015, Allergan and certain of its subsidiaries entered into a 60-day senior unsecured bridge credit agreement (the "Cash Bridge Loan Facility"), among Actavis Capital, as borrower, Allergan plc, Warner Chilcott Limited, Allergan Finance, LLC, Actavis Funding SCS, the lenders from time to time party thereto (the "Cash Bridge Lenders"), JPMCB, as administrative agent and the other financial institutions party thereto. Under the Cash Bridge Loan Facility, the Cash Bridge Lenders committed to provide, subject to certain conditions, unsecured bridge financing, of which $2.8 billion was drawn to finance the Allergan Acquisition on March 17, 2015. The outstanding balance of the Cash Bridge Loan Facility was repaid on April 9, 2015.

Borrowings under the Cash Bridge Loan Facility bore 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 1.00% per annum to 2.00% per annum, depending on the Debt Rating.

Annual Debt Maturities

As of December 31, 2016, annual debt maturities were as follows ($ in millions):

	Total Payments
	$
2017	2,700.0
2018	3,750.0
2019	1,950.0
2020	4,650.0
2021	1,950.0
2022 and after	17,750.0
Total Senior Notes Gross	32,750.0
Capital leases	2.4
Other borrowings and debt issuance costs	(59.1)
Unamortized premium	171.2
Unamortized discount	(95.8)
Total Indebtedness	**32,768.7**

Amounts represent total anticipated cash payments assuming scheduled repayments.

Total interest expense in the years ended December 31, 2016 and 2015 was $1,295.6 million and $1,427.2 million, respectively. Interest on indebtedness which had a maturity in excess of five years from December 31, 2016 was approximately $808.8 million ($72.2 million relating to the 2021 Notes, $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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Credit Facility Indebtedness – continued

relating to the 2045 Notes). Interest on indebtedness which had a maturity in excess of five years from December 31, 2015 was approximately $718.2 million ($96.8 million relating to the 2021 Notes, $138.7 million relating to the 2022 Notes, $7.8 million relating to the 2023 Notes, $46.3 million relating to the 2024 Notes, $122.3 million relating to the 2025 Notes, $91.5 million relating to the 2035 Notes, $46.3 million relating to the 2042 Notes, $72.9 million relating to the 2044 Notes and $95.6 million relating to the 2045 Notes).

During the years ended December 31, 2016 and 2015, the following components were included within interest expense ($ in millions):

	Years Ended December 31,	
($ in millions)	**2016**	**2015**
	$	**$**
Fixed Rate Notes	1,140.0	1,003.1
AGN Term Loan	74.9	79.1
Floating Rate Notes	21.7	18.8
ACT Term Loan	34.9	50.8
WC Term Loan	6.4	17.4
Revolving Credit Facility	2.6	4.8
Bridge loan commitment fee	-	264.9
Interest rate lock	-	(31.0)
Other	15.1	19.3
Interest expense and similar items	**1,295.6**	**1,427.2**

Interest Expense on Indebtedness

Interest expense increased for the year ended December 31, 2016 over the prior year primarily due to a full year's interest from the senior notes indebtedness incurred as part of the Allergan Acquisition, offset, in part, by interest savings due to the repayment of term loan indebtedness on August 2, 2016 in connection with the Teva Transaction.

Bridge Loan Commitment Fee

During the year ended December 31, 2015, we incurred costs associated with bridge loan commitments in connection with the Allergan Acquisition of $264.9 million.

Interest rate lock

During the year ended December 31, 2015, the Company entered into interest rate locks on a portion of the $21.0 billion of debt issued as part of the Allergan Acquisition. As a result of the interest rate locks, the Company recorded income of $31.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Leases - continued

Credit Facility Indebtedness – 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 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, 2016 and 2015 was $47.7 million and $49.9 million, respectively. The Company also has deminimis capital leases for certain facilities and equipment. The future minimum lease payments under both capital and operating leases that have remaining terms in excess of one year are ($ in millions):

	Leases
	$
2017	48.1
2018	37.1
2019	37.8
2020	29.1
2021	27.2
Thereafter	172.8
Total minimum lease payments	352.1

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, 2016	December 31, 2015
	$	$
Legacy Allergan deferred executive compensation	111.7	117.9
Long-term contractual obligations	25.3	26.4
Deferred Revenue	15.7	18.2
Other long-term liabilities	19.5	26.0
Total other long-term liabilities	**172.2**	**188.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15 Other Long-Term Liabilities - continued

The Company has the following select provisions as of December 31, 2016 and 2015 considered long-term in nature ($ in millions):

	December 31, 2016	December 31, 2015
	$	$
Acquisition related contingent consideration liabilities	661.1	788.1
Long-term pension and post retirement liability	201.6	222.1
Long-term severance and restructuring liabilities	22.0	34.9
Product warranties	28.1	28.4
Total other long-term provisions	**912.8**	**1,073.5**

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 projects 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 profit and loss accounts. 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.

16 Income Taxes

For the years ended December 31, 2016 and 2015, foreign losses before taxes were $1,502.8 million and $4,291.7 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

The Company's (benefit)/provision for income taxes consisted of the following ($ in millions):

	Years Ended December 31,	
	2016	2015
	$	$
Current (benefit) provision:		
U.S. federal	(17.5)	14.4
U.S. state	-	9.7
Non-U.S.	166.2	225.6
Total current (benefit) provision	148.7	249.7
Deferred (benefit) provision:		
U.S. federal	(1,218.5)	(1,370.2)
U.S. state	(132.1)	(58.7)
Non-U.S.	(695.1)	(426.7)
Total deferred (benefit) provision	(2,045.7)	(1,855.6)
Total (benefit) / provision for income taxes	**(1,897.0)**	**(1,605.9)**

The exercise of certain equity based awards resulted in a tax benefit that has been reflected as an increase to additional paid-in capital. The benefits recorded were $20.4 million and $76.1 million for the years ended December 31, 2016 and 2015, respectively.

The reconciliations for the years ended December 31, 2016 and 2015 between the statutory Irish and Bermuda income tax rates for Allergan plc and Warner Chilcott Limited, respectively, and the effective income tax rates were as follows:

	Allergan plc Years Ended December 31,	
	2016	2015
Statutory rate	(12.5%)	(12.5%)
Earnings subject to the U.S. federal and state tax rates [1] [3]	(37.5%)	(18.6%)
Earnings subject to rates different than the statutory rate [2][3]	(18.3%)	(2.2%)
Tax reserves and audit outcomes	(0.7%)	0.3%
Non-deductible expenses	3.1%	1.3%
Impact of acquisitions and reorganizations	3.1%	4.0%
Tax credits and U.S. manufacturing deduction	(3.1%)	(0.5%)
Rate changes[4]	(7.4%)	0.0%
Valuation allowances[5]	6.5%	(6.5%)
Other	(0.2%)	(0.6%)
Effective income tax rate	**(67.0%)**	**(35.3%)**

(1) Earnings subject to U.S. federal and state tax had a larger impact on the effective tax rate for the period ended December 31, 2016 compared to the period ended December 31, 2015 due to an increase in expenses in 2016. These expenses included a full year of amortization expense related to intangibles acquired as part of the Allergan Acquisition and incremental costs associated with the acquisition related financing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

(2) Earnings subject to tax rates different than the statutory rate had a larger impact on the effective tax rate for the period ended December 31, 2016 compared to the period ended December 31, 2015. This was primarily driven by the inclusion of a full year of Allergan post-acquisition operating income earned in jurisdictions with tax rates lower than the Irish statutory rate and changes to the earnings mix resulting from restructuring associated with the sale of the global generics business.

(3) In 2016, the Company recorded $6.5 billion of amortization expense. A significant portion of this amount was incurred in jurisdictions with tax rates higher than the statutory rate resulting in a $482.3 million favorable impact on the effective tax rate.

(4) In the fourth quarter of 2016, a tax rate change was enacted in France resulting in a $209.0 million tax benefit.

(5) In 2016, the Company recorded a tax expense of $183.8 million predominately related to a change in the valuation allowance on U.S. capital loss carryforwards resulting from restructuring associated with the sale of the global generics business.

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,	
	2016	2015
	$	$
Benefits from net operating and capital losses and tax credit carryforwards	702.0	$ 1,305.8
Differences in financial statement and tax accounting for:		
Inventories, receivables and accruals	433.6	1,005.4
Outside basis differences	-	5,738.8
Share-based and other compensation	530.1	598.0
Other	64.0	97.9
Total deferred tax asset, gross	1,729.7	8,745.9
Less: Valuation allowance	(183.9)	(196.2)
Total deferred tax asset, net	1,545.8	8,549.7
Differences in financial statement and tax accounting for:		
Property, equipment and intangible assets	(12,419.6)	(14,046.8)
Outside basis differences	(1,793.7)	(2,422.2)
Other	(68.3)	-
Total deferred tax liabilities	(14,281.6)	(16,469.0)
Total deferred taxes	**(12,735.8)**	**(7,919.3)**

During the years ended December 31, 2016 and 2015, respectively, the Company recorded deferred tax liabilities of approximately $604.9 million and $12,911.5 million related to acquired entities.

During the year ended December 31, 2016, the Company's net deferred tax liability increased by $4,816.5 million primarily due to the reversal of a deferred tax asset of $5,276.6 million, as adjusted for activity during 2016, related to investments in certain U.S. subsidiaries. This was partially offset by the reversal of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

deferred tax liabilities of $769.3 million related to investments in certain non-U.S. subsidiaries. Refer to "NOTE 7 – Discontinued Operations" for further discussion and additional disclosures related to our income tax provision reported as part of discontinued operations.

The Company had the following carryforward tax attributes at December 31, 2016:

- $954.5 million U.S. federal net operating losses ("NOL") and other tax attributes which begin to expire in 2019;
- $147.9 million of U.S. tax credits which begin to expire in 2017;
- $791.8 million U.S. state tax NOLs which begin to expire in 2017;
- $46.0 million non-U.S. tax NOLs which begin to expire in 2017 and $1,183.6 million non-U.S. NOLs which are not subject to expiration.

Net operating loss and tax credit carryforwards of $954.5 million and $103.0 million, respectively, are subject to an annual limitation under Internal Revenue Code Section 382.

During the year ended December 31, 2016, the Company established a valuation allowance of $183.8 million predominately related to a U.S. capital loss carryforward. The tax expense was recorded as a component of income from continuing operations and the balance sheet as part of liabilities held for sale. As of December 31, 2016, a valuation allowance balance of $183.9 million is recorded due to the uncertainty of realizing net operating losses ($75.1 million), tax credits ($103.7 million) and other deferred tax assets ($5.1 million).

As of December 31, 2016, deferred income taxes have not been provided on approximately $7,837.1 million of undistributed earnings of certain non-Irish subsidiaries as these amounts are intended to be indefinitely reinvested in non-Irish operations. The undistributed earnings would be subject to withholding tax and in certain circumstances U.S. income tax of approximately $456.2 million if amounts were distributed to Allergan plc.

In making this assertion, the Company evaluates, among other factors, the profitability of its Irish and non-Irish operations and the need for cash within and outside Ireland, including cash requirements for capital improvement, acquisitions and market expansion.

As of December 31, 2016, the Company has accrued income taxes, including withholding taxes, of $1,396.3 million for certain pre-acquisition earnings primarily related to the Forest and Allergan acquisitions. The amount determined was generally based on the amount of cash and other assets available to be distributed or otherwise repatriated by Forest and Allergan's non-U.S. subsidiaries. It is intended that these cash balances would eventually be remitted to the U.S. (and ultimately to Ireland) effectively to refinance a portion of the debt related to the acquisition of Forest Laboratories, Inc. and Allergan, Inc. by Allergan plc. The Company continues to evaluate its global cash needs but expects to repatriate these earnings as financing related to these acquisitions ultimately become payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

The deferred tax provisions movement for the years ended December 31, 2016 and 2015 is analyzed as follows:

($ in millions)	$
Balance December 31, 2014	**(2,794.8)**
Provisions	1,787.4
Other	(6,961.4)
Balance December 31, 2015	**(7,968.8)**
Provisions	(1,764.7)
Other	(3,235.6)
Balance December 31, 2016	**(12,969.1)**

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,	
	2016	2015
	$	$
Balance at the beginning of the year	781.7	712.2
Increases for current year tax positions	100.7	41.2
Increases for prior year tax positions	40.5	19.7
Increases due to acquisitions	0.0	115.5
Decreases for prior year tax positions	(77.9)	(41.4)
Settlements	(30.8)	(60.6)
Lapse of applicable statute of limitations	(2.9)	(3.2)
Foreign exchange	(0.1)	(1.7)
Balance at the end of the year	**811.2**	**781.7**

If these benefits were subsequently recognized, $757.9 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, 2016 and 2015, the company recognized approximately $2.0 million and $(0.5) million in interest and penalties, respectively. At December 31, 2016 and 2015, the Company had accrued $65.3 million (net of tax benefit of $35.4 million) and $63.3 million (net of tax benefit of $34.2 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 U.S. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

Accounting for Uncertainty in Income Taxes – continued

are in accordance with the accounting standard, the final outcome with a tax authority may result in a tax liability 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.

Due to our numerous acquisitions, the Company has several concurrent audits still pending with the IRS as set forth below:

IRS Audits	Taxable Years
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 and 2013
Anterios, Inc.	2014

17 Equity

Share Repurchases

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 announced that the Board of Directors approved a $10.0 billion accelerated share repurchase program, which was initiated in November 2016. Under the accelerated share repurchase program, the Company received $8.0 billion of repurchased shares during the year ended December 31, 2016. During the year ended December 31, 2016, the Company repurchased a total of 61.6 million shares of ordinary shares under the share repurchase programs. The amount of shares, if any, to be received from the remaining $2.0 billion of repurchases is subject to the volume weighted average share price over the term of the agreement. Additionally, a portion of the accelerated share repurchase program is subject to a collar which would set the cap and floor of the share price for the transaction.

Quarterly Dividend

On November 2, 2016, the Company announced that its Board of Directors approved the initiation of a regular quarterly cash dividend for holders of the Company's ordinary shares. In February 2017, a quarterly dividend of $0.70 per share was authorized with the first payment on March 28, 2017 to shareholders of record at the close of business on February 28, 2017.

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 will be 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 may pay declared dividends in cash, by delivery of our ordinary shares or by delivery of any combination of cash and our ordinary shares, as determined by us in our sole discretion, subject to certain limitations, 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 will automatically convert on March 1, 2018, into between 2.8345 and 3.4722 ordinary shares, subject to anti-dilution adjustments, including adjustments related to our new quarterly dividend. The number of our ordinary shares issuable on conversion of the Mandatory Convertible Preferred Shares will be determined based on the volume weighted average price per ordinary share over the 20 consecutive trading day period beginning on and including the 22nd scheduled trading day immediately preceding March 1, 2018, the mandatory conversion date. At any time prior to March 1, 2018, other than during a fundamental change conversion period as defined, holders of the Mandatory Convertible Preferred Shares may elect to convert each Mandatory Convertible Preferred Share into our ordinary shares at the minimum conversion rate of 2.8345 ordinary shares per Mandatory Convertible Preferred Share, subject to anti-dilution adjustments. In addition, holders may elect to convert any Mandatory Convertible Preferred Shares during a specified period beginning on the fundamental change effective date, in which case such Mandatory Convertible Preferred Shares will be converted into our ordinary shares at the fundamental change conversion rate and converting holders will also be entitled to receive a fundamental change dividend make-whole amount and accumulated dividend amount.

In the year ended December 31, 2016 and 2015, the Company paid $278.4 million and $208.1 million of dividends on preferred shares, respectively.

2015 Ordinary Shares Offering

On March 2, 2015, in connection with the Allergan Acquisition, the Company issued 14,513,889 of its ordinary shares for an actual public offering price of $288.00 per share. The net proceeds of $4,071.1 million were used, in part, to finance the Allergan Acquisition.

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. The movements in accumulated other comprehensive (loss) for the years ended December, 2016 and 2015 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, 2014	**(434.4)**	**(31.0)**	**(465.4)**
Other comprehensive (loss) before reclassifications into general and administrative	(129.9)	101.2	(28.7)
Total other comprehensive (loss)	(129.9)	101.2	(28.7)
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 (loss)	1,099.0	(1,643.3)	(544.3)
Balance as of December 31, 2016	**534.7**	**(1,573.1)**	**(1,038.4)**

Called Up Share Capital ($ amount in thousands)

	Year Ended December 31,	
	2016	2015
	$	$
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
334.9 million and 394.5 million ordinary shares of $0.0001 par value	33.6	39.6
	88.6	**94.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments

During 2016, Allergan announced a realignment of its businesses to streamline operations. Prior to the realignment, the Company operated and managed its business as four distinct operating segments: US Brands, US Medical Aesthetics, International and Anda Distribution. Under the new organizational structure being reported, and the result of our decision to sell our Anda Distribution business, the Company organized its businesses 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. Prior period results have been recast to align to the current segment presentation.

The operating segments are organized as follows:

- The US Specialized Therapeutics segment includes sales and expenses relating to certain branded products within the US, including Medical Aesthetics, Medical Dermatology, Eye Care, Neurosciences and Urology therapeutic products.
- The US General Medicine segment includes sales and expenses relating to branded products within the US 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 US.

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 are product sales that were sold through our former 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 our Anda Distribution business from results of continuing operations prior to October 3, 2016. 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, 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. In March 2015, as a result of the Allergan Acquisition, we began to promote Restasis®, Lumigan®/Ganfort®, Alphagan®/Combigan®, Botox®, Fillers, other aesthetic products and other eye care products.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

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.

Segment net revenues, segment operating expenses and segment contribution information consisted of the following for the years ended December 31, 2016 and 2015 ($ in millions):

	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

	Year Ended December 31, 2015			
	US Specialized Therapeutics	US General Medicine	International	Total
	$	$	$	$
Net revenues	4,309.8	6,338.4	2,187.3	12,835.5
Operating expenses:				
Cost of sales[1]	235.8	909.5	350.9	1,496.2
Selling and marketing	772.8	1,194.7	569.2	2,536.7
General and administrative	68.3	105.3	107.6	281.2
Segment Contribution	**3,232.9**	**4,128.9**	**1,159.6**	**8,521.4**
Contribution margin	***75.0%***	***65.1%***	***53.0%***	***66.4%***
Corporate				3,066.6
Research and development				2,358.5
Selling, general and administrative excluded from segments and corporate designation				6,227.3
Other (income)				(0.1)
Interest (income)				(10.6)
Interest expense and similar items				1,427.2
(Loss) before taxes				(4,547.5)

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

The following is a reconciliation of net revenues for the operating segments to the Company's net revenues for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
	2016	2015		
	$	$	$	%
Segment net revenues	14,616.9	12,835.5	1,781.4	13.9%
Corporate revenues	(46.3)	(147.4)	101.1	(68.6)%
Net revenues	14,570.6	12,688.1	1,882.5	14.8%

No country represents ten percent or more of net revenues outside of the United States. 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, 2016 and 2015 ($ in millions):

	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
Fillers	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
Asacol®/Delzicol®	-	360.8	53.7	-	414.5
Lo Loestrin®	-	403.5	-	-	403.5
Estrace® Cream	-	379.4	-	-	379.4
Eye Drops	186.5	-	276.2	-	462.7
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 Products Revenues	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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

	Year Ended December 31, 2015				
	US Specialized Therapeutics	US General Medicine	International	Corporate	Total
	$	$	$	$	$
Botox®	1,386.4	-	584.4	-	1,970.8
Restasis®	999.6	-	48.2	-	1,047.8
Fillers	304.4	-	269.5	-	573.9
Lumigan®/Ganfort®	260.7	-	283.4	-	544.1
Linzess®/Constella®	-	454.8	4.5	-	459.3
Bystolic® / Byvalson®	-	644.8	1.3	-	646.1
Namenda XR®	-	759.3	-	-	759.3
Alphagan®/Combigan®	285.0	-	126.1	-	411.1
Asacol®/Delzicol®	-	552.9	65.5	-	618.4
Lo Loestrin®	-	346.5	3.1	-	349.6
Estrace® Cream	-	326.2	-	-	326.2
Eye Drops	177.0	-	220.6	-	397.6
Breast Implants	175.0	-	125.5	-	300.5
Viibryd®/Fetzima®	-	327.6	-	-	327.6
Minastrin® 24	-	272.4	0.6	-	273.0
Ozurdex ®	56.1	-	112.3	-	168.4
Carafate ® / Sulcrate ®	-	213.1	-	-	213.1
Aczone®	170.8	-	-	-	170.8
Zenpep®	-	167.4	-	-	167.4
Canasa®/Salofalk®	-	137.1	18.5	-	155.6
Saphris®	-	186.7	-	-	186.7
Armour Thyroid	-	130.8	-	-	130.8
Teflaro®	-	137.6	-	-	137.6
Rapaflo®	115.2	-	10.9	-	126.1
SkinMedica®	76.6	-	-	-	76.6
Savella®	-	106.4	-	-	106.4
Tazorac®	92.3	-	1.4	-	93.7
Vraylar™	-	-	-	-	-
Viberzi®	-	12.3	-	-	12.3
Latisse®	63.2	-	10.0	-	73.2
Lexapro®	-	71.6	-	-	71.6
Namzaric®	-	11.2	-	-	11.2
Kybella® / Belkyra®	3.2	-	-	-	3.2
Dalvance®	-	16.8	-	-	16.8
Avycaz®	-	22.6	-	-	22.6
Liletta®	-	14.8	-	-	14.8
Enablex®	-	69.2	-	-	69.2
Namenda® IR	-	556.3	-	-	556.3
Other Products Revenues	144.3	800.0	301.5	10.0	1,255.8
Less product sold through our former Anda Distribution business	n.a.	n.a.	n.a.	(157.4)	(157.4)
Total Net Revenues	**4,309.8**	**6,338.4**	**2,187.3**	**(147.4)**	**12,688.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19 Business Restructuring Charges

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
Acquired liability	-	-	-	-
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 2015, activity related to our business restructuring and facility rationalization activities primarily related to the cost optimization initiatives in conjunction with the Allergan and Forest acquisitions. Restructuring activities for the year ended December 31, 2015 as follows ($ in millions):

	Severance and Retention	Share-Based Compensation	Other	Total
	$	$	$	$
Reserve balance at December 31, 2014	111.1	-	-	111.1
Acquired liability	27.9	-	29.2	57.1
Charged to expense:				
Cost of sales	9.3	19.8	23.4	52.5
Research and development	77.7	104.6	-	182.3
Selling and marketing	71.5	47.0	-	118.5
General and administrative	128.6	293.3	42.4	464.3
Total expense	287.1	464.7	65.8	817.6
Cash payments	(312.3)	(127.1)	(59.1)	(498.5)
Other reserve impact	(19.0)	(337.6)	12.7	(343.9)
Reserve balance at December 31, 2015	**94.8**	**-**	**48.6**	**143.4**

During the years ended December 31, 2016 and 2015, the Company recognized restructuring charges related to continuing operations of $106.1 million and $817.6 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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.

Foreign Currency Derivatives

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.

Primarily as a result of the Allergan Acquisition and from time to time, the Company enters into foreign currency derivatives to reduce current and future earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on its core business issues. Accordingly, the Company enters into various contracts which change in value as foreign exchange rates change 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. The Company enters into foreign currency derivatives in amounts between minimum and maximum anticipated foreign exchange exposures. The Company does not designate the current derivative instruments as accounting hedges.

The Company uses foreign currency derivatives, which provide for the sale or purchase or the option for sale or purchase of foreign currencies to economically hedge the currency exchange risks associated with probable but not firmly committed transactions that arise in the normal course of the Company's 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. The foreign currency derivatives are entered into to reduce the volatility of earnings generated in currencies other than the U.S. dollar. While these instruments are subject to fluctuations in value, such fluctuations are anticipated to offset changes in the value of the underlying exposures.

The Company recognized realized and unrealized (gains) on such contracts of $(4.0) million and $(1.4) million, respectively, during the years ended December 31, 2016 and 2015.

The fair value of outstanding foreign currency derivatives are recorded in "Prepaid expenses and other current assets," "investments and other assets" or "Accounts payable and accrued expenses." At December 31, 2016 and 2015, foreign currency derivative assets associated with the foreign exchange option contracts of $0.1 million and $25.0 million, respectively, were included in "Prepaid expenses and other current assets." At December 31, 2015, foreign currency derivative assets associated with the foreign exchange option contracts of $48.5 million were included in "investments and other assets." At December 31, 2016, there were no foreign currency derivative liabilities associated with the foreign exchange option contracts. At December 31, 2015, there was $0.3 million in foreign currency derivative liabilities associated with the foreign exchange forward contracts were included in "Accounts payable and accrued expenses."

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 Fair Value Measurement

Assets and liabilities are measured at fair value using Fair Value Leveling or disclosed at fair value on a recurring basis as of December 31, 2016 and 2015 consisted of the following ($ in millions):

	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	-	-
Marketable securities	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.

	Fair Value Measurements as of December 31, 2015 Using:			
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Assets:				
Marketable securities	29.9	29.9	-	-
Deferred executive compensation investments	118.1	102.3	15.8	-
Foreign currency derivatives	73.2	-	73.2	-
Investments and other	112.2	112.2	-	-
Total assets	**333.4**	**244.4**	**89.0**	**-**
Liabilities:				
Deferred executive compensation liabilities	117.9	102.1	15.8	-
Contingent consideration obligations	868.0	-	-	868.0
Total liabilities	**985.9**	**102.1**	**15.8**	**868.0**

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. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 Fair Value Measurement - continued

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.

Foreign Currency Contracts

At December 31, 2016 and 2015, the notional principal and fair value of the Company's outstanding foreign currency derivative financial instruments were as follows ($ in millions, except average contract rate or strike amount):

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Notional Principal	Average Contract Rate or Strike Amount	Notional Principal	Average Contract Rate or Strike Amount
	$		$	
Foreign currency forward contracts:				
(Receive U.S. dollar/pay foreign currency)				
Russian ruble	22.5	61.02	18.8	72.97
	22.5		18.8	
Estimated fair value	0.1		(0.3)	
Foreign currency sold – put options:				
Euro	-	0.00	340.5	1.41
	-		340.5	
Estimated fair value	-		73.5	

The notional principal amounts provide one measure of the transaction volume outstanding as of December 31, 2016 and 2015, and do not represent the amount of the Company's exposure to market loss. The estimates of fair value are based on applicable and commonly used pricing models using prevailing financial market information as of December 31, 2016 and 2015. The amounts ultimately realized upon settlement of these financial instruments, together with the gains and losses on the underlying exposures, will depend on actual market conditions during the remaining life of the instruments.

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 proit and loss accounts as follows ($ in millions):

	Years ended December 31,	
Expense / (income)	**2016**	**2015**
	$	**$**
Cost of sales	(17.4)	58.5
Research and development	(71.1)	37.7
General and administrative	24.3	(0.5)
Total	**(64.2)**	**95.7**

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.

During the year ended December 31, 2015, the Company recorded additional contingent consideration of $29.8 million in connection with the approval of Viberzi™, $81.4 million in connection with the approval of Liletta® and $6.4 million in connection with the approval of Dalvance®. Offsetting these amounts were gains from fair value of adjustments related to the Forest Acquisition of $32.3 million and the Allergan Acquisition of $8.2 million.

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, 2016 and 2015 ($ in millions):

	Balance as of December 31, 2015	Net transfers in to (out of) Level 3	Purchases and settlements, net	Net accretion and fair value adjustments	Foreign currency translation	Balance as of December 31, 2016
	$	$	$	$	$	$
Liabilities:						
Contingent consideration obligations	868.0	-	368.3	(64.2)	-	1,172.1

	Balance at December 31, 2014	Net transfers in to (out of) Level 3	Purchases and settlements, net	Net accretion and fair value adjustments	Foreign currency translation	Balance at December 31, 2015
	$	$	$	$	$	$
Liabilities:						
Contingent consideration obligations	373.8	-	405.1	95.7	(6.6)	868.0

During the year ended December 31, 2016, the following activity in contingent consideration obligations by acquisition was incurred ($ in millions):

	Balance as of December 31, 2015	Acquisitions	Fair Value Adjustments and Accretion	Payments and Other	Balance as of December 31, 2016
	$	$	$	$	$
Allergan Acquisition	329.7	-	(90.1)	(40.0)	199.6
AqueSys Acquisition	193.5	-	10.4	(100.0)	103.9
Medicines 360 acquisition	144.1	-	(14.7)	(1.9)	127.5
Oculeve Acquisition	90.0	-	9.5	-	99.5
Metrogel acquisition	30.9	-	(8.4)	(7.5)	15.0
Forest Acquisition	20.4	-	(7.8)	(1.6)	11.0
Uteron acquisition	8.2	-	-	-	8.2
Durata Acquisition	24.5	-	2.2	(26.7)	-
ForSight Acquisition	-	79.8	(14.3)	(0.1)	65.4
Tobira Acquisition	-	479.0	35.3	0.1	514.4
Other	26.7	-	13.7	(12.8)	27.6
Total	**868.0**	**558.8**	**(64.2)**	**(190.5)**	**1,172.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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, 2016, the Company's consolidated balance sheet includes accrued loss contingencies of approximately $70.0 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.

In matters involving the defense of the Company's intellectual property, the Company believes it has meritorious claims and intends to vigorously 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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

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.

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.

Doryx® Litigation. In July 2012, Mylan Pharmaceuticals Inc. ("Mylan") filed a complaint against Warner Chilcott and Mayne Pharma International Pty. Ltd. ("Mayne") in federal court in Pennsylvania alleging that Warner Chilcott and Mayne prevented or delayed Mylan's generic competition to Warner Chilcott's Doryx® products in violation of U.S. federal antitrust laws and tortiously interfered with Mylan's prospective economic relationships under Pennsylvania state law. In the complaint, Mylan seeks unspecified treble and punitive damages and attorneys' fees. Warner Chilcott and Mylan filed motions for summary judgment on March 10, 2014. On April 16, 2015, the court issued an order granting Warner Chilcott and Mayne's motion for summary judgment, denying Mylan's summary judgment motion and entering judgment in favor of Warner Chilcott and Mayne on all counts. Mylan appealed the district court's decision to the Third Circuit Court of Appeals. On September 28, 2016, the Court of Appeals issued its decision and affirmed the ruling of the district court. On November 30, 2016 the Third Circuit Court of Appeals denied Mylan's petition for a rehearing *en banc*. Mylan has filed a motion to extend its deadline to file a petition for certiorari with the United States Supreme Court until April 28, 2017.

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'

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

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.

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 counts one and three, respectively, of their complaint.

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. The company and Apotex have agreed to settle this matter.

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.

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 and 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 statute of limitation affirmative defense and the company filed a cross motion for summary judgment on all claims on February 23, 2017. In addition, plaintiff in this action filed a second motion for class certification on February 28, 2017. 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 off-label marketing scheme and paid illegal kickbacks to physicians to induce prescriptions of Celexa® and Lexapro®. Forest's 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, plaintiff in this action filed a motion for class certification.

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.

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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 have moved to intervene 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.

Prescription Drug Abuse Litigation. The Company has been named as a defendant in three 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 in the suit. The California plaintiffs filed an amended complaint on June 9, 2014. 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. Both the California and Chicago complaints allege that the manufacturer defendants engaged in a deceptive campaign to promote their products in violation of state and local laws. Each of the complaints seeks unspecified monetary damages, penalties and injunctive relief. Defendants have moved to dismiss the complaints in each action. On May 8, 2015, the court in the Chicago litigation 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. In the California action, 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 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.

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

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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 plaintiffs' 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 the September 8, 2016. Discovery is in the early stages.

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.

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 to the complaint and the parties are now engaged in discovery.

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

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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. A tentative settlement has been reached which remains subject to court approval.

Patent Litigation

Patent Enforcement Matters

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. Post-trial briefing concluded on April 8, 2016. 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. 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.

Canasa®. In July 2013, Aptalis Pharma US, Inc. and Aptalis Pharma Canada Inc. brought actions for infringement of U.S. Patent Nos. 8,217,083 (the "'083 patent") and 8,436,051 (the "'051 patent") in the U.S. District Court for the District of New Jersey against Mylan and Sandoz. These companies have notified Aptalis that they have filed ANDAs with the FDA seeking to obtain approval to market generic versions of Canasa® before these patents expire. Amended complaints were filed against these companies in November 2013 adding claims for infringement of U.S. Patent No. 7,854,384 (the "'384 patent"). The '083, '051, and '384 patents expire in June 2028. On November 11, 2015, Aptalis entered into a settlement agreement with Mylan. Under the terms of the settlement agreement, Mylan may launch its generic version of Canasa® on December 15, 2018, or earlier under certain circumstances. On March 22, 2016, Aptalis entered into a settlement agreement with Sandoz.

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On December 14, 2015, Aptalis brought an action for infringement of the ’083, ’051, and ’384 patents in the U.S. District Court for the District of New Jersey against Pharmaceutical Sourcing Partners, Inc. (“PSP”). PSP had notified Aptalis that it had filed an ANDA with the FDA seeking to obtain approval to market generic versions of Canasa® before certain of these patents expire. This lawsuit triggered an automatic stay of approval of PSP’s ANDA that expires no earlier than May 2018 (unless a court issues a decision adverse to Aptalis sooner). On December 23 and 27, 2015, Aptalis brought actions for infringement of the ’083, ’051, and ’384 patents in the U.S. District Courts for the District of New Jersey and the District of Delaware, respectively, against Delcor Asset Corp., Renaissance Pharma, Inc. and Renaissance Acquisition Holdings, LLC (collectively, “Delcor”). Delcor has notified Aptalis that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Canasa before certain of these patents expire. These lawsuits triggered an automatic stay of approval of Delcor’s ANDA that expires no earlier than May 2018 (unless there is a final court decision adverse to Aptalis sooner). On March 14, 2016, Aptalis filed a motion to dismiss PSP’s Seventh and Eighth counterclaims alleging unfair competition and tortious interference under state law, or in the alternative, to bifurcate the trial and stay discovery relating to PSP’s Seventh and Eighth counterclaims. Trial is scheduled for November 2017 in the PSP action. On April 8, 2016, Aptalis entered into a settlement agreement with Delcor. On May 27, 2016, the court denied Aptalis’ motion to the extent that it concerns dismissal of PSP’s Seventh and Eighth counterclaims, denied without prejudice to the extent that the motion concerns bifurcation and a stay and granted leave to Aptalis to move again concerning bifurcation and a stay. On June 24, 2016, Aptalis filed an answer to PSP’s counterclaims. On October 13, 2016, Aptalis entered into a settlement agreement with PSP, and the case was dismissed on October 20, 2016.

On January 30, 2017, Aptalis brought an action for infringement of the ’083, ’051, and ’384 patents in the U.S. District Court for the District of New Jersey against Zydus Pharmaceuticals (USA) Inc., Zydus Healthcare USA LLC and Cadila Healthcare Limited (collectively “Zydus”). Zydus has notified Aptalis that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Canasa® before certain of these patents expire. This lawsuit triggered an automatic stay of approval of Zydus’s ANDA that expires no earlier than June 2019 (unless a court issues a decision adverse to Aptalis sooner). No 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 invalidity and non-infringement 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

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'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 on January 17, 2017, and Allergan filed a notice of cross appeal on January 27, 2017. On March 1, 2017, Sandoz filed its opening brief. Oral argument has not yet been scheduled.

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 is 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). On December 16, 2015, Mylan filed a motion to dismiss for failure to state a claim, lack of personal jurisdiction, and improper venue. Trial is 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. In May 2016, Plaintiffs filed a first amended complaint against Mylan and a first amended and second amended complaint against Teva. In June 2016, Plaintiffs filed a second amended complaint against Mylan and a third amended complaint against Teva. On June 27, 2016, Teva filed an answer and counterclaims and Mylan filed a motion to dismiss the second amended complaint for failure to state a claim, lack of personal jurisdiction, and improper venue. On June 9, 2016, Zydus filed an answer and counterclaims.

On July 21, 2016, the Plaintiffs filed an answer to Teva's counterclaim and to Zydus's counterclaim. 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 January 19, 2017, the Magistrate Judge issued a Report and Recommendation denying Mylan's motion to dismiss, which was adopted by the district court on February 14, 2017.

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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.

Gelnique® 10% gel. In October 2015, Actavis Laboratories, UT, Inc. filed a complaint in the U.S. District Court for the District of Delaware for infringement of U.S. Patent Nos. 7,029,694 ("'694 Patent"), 7,179,483 ("'483 Patent"), 8,241,662 ("'662 Patent"), and 8,920,392 ("'392 Patent") against Par Pharmaceutical, Inc. ("Par"). Par notified plaintiff that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Gelnique® 10% gel before the '694 Patent, '483 Patent, '662 Patent, and the '392 Patent expires. The '694, '483, and '662 Patents expire in April 2020, and the '392 Patent expires in March 2031. This lawsuit triggered an automatic stay of approval of Par's ANDA that expires no earlier than February 19, 2018 (unless there is a final court decision adverse to Plaintiff sooner). In June and July 2016, the court entered stipulations and orders staying this litigation. On October 4, 2016, the parties entered into a settlement agreement, and the case was dismissed.

Lastacaft®. In May 2016, Allergan, Inc. and Vistakon Pharmaceuticals, LLC ("Vistakon") filed a complaint in the U.S. District Court for the District of Delaware for infringement of U.S. Patent No. 8,664,215 ("'215 Patent") against Somerset Therapeutics, LLC ("Somerset"). Somerset notified Allergan Inc. and Vistakon that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Lastacaft® before the '215 Patent expires. On October 18, 2016, the parties entered into a settlement agreement, and the case was dismissed.

Latisse® III. In December 2014, Allergan and Duke University filed a complaint for declaratory judgment of infringement of U.S. Patent Nos. 8,906,962 ("'962 Patent") against Apotex. In January 2015, Allergan and Duke subsequently filed an amended complaint against Apotex to assert infringement of U.S. Patent Number 8,926,953 ("'953 Patent"). In March 2015, Allergan and Duke filed a second amended complaint asserting only the '953 Patent. Apotex filed a motion to dismiss for failure to state a claim with respect to the '953 Patent. On August 31, 2015, the court issued an order and judgment dismissing the case with prejudice in favor of Apotex, Sandoz and Akorn on all of Allergan's claims alleging infringement of the '953 patent. In the Sandoz and Akorn matters, the court also declared and adjudged the '953 patent invalid as obvious, and collaterally estopped Allergan from asserting the '953 patent against Sandoz or Akorn or contesting the invalidity of the '953 patent. In late September, the court entered a final judgment that declared and adjudged the claims of the '953 patent invalid as obvious and collaterally estopped Allergan from asserting the claims of the '953 patent against Apotex and Akorn or contesting the invalidity of the claims of the '953 patent. On September 30, 2015, Allergan filed a Notice of Appeal to the Court of Appeals for the Federal Circuit. On October 19, 2015, the U.S. Court of Appeals for the Federal Circuit docketed the appeal filed by Allergan. In March 2016, Allergan filed its opening brief. In June 2016, Akorn, Apotex, Hi-Tech and Sandoz filed their response brief. In July 2016, Allergan filed its reply brief. Sandoz launched "at risk" a generic version of Latisse® in December 2016. Oral was held on February 8, 2017. On March 17, 2017, the Federal Circuit affirmed the district court's opinion on collateral estoppel and invalidity with respect to asserted claims 8, 23 and 26 of the '953 patent as applied to Sandoz, but reversed with respect to unasserted claims 1-7, 9-22, and 24-25 of the '953 patent.

Linzess®. In October 2016, the Company and Ironwood received Paragraph IV certification notice letters from Teva Pharmaceuticals USA, Inc. ("Teva") indicating that it had submitted to FDA an ANDA seeking

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approval to manufacture and sell a generic version of LINZESS® 145 mcg and 290 mcg capsules ("LINZESS") before the expiration of the nine patents 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"). In October 2016, the Company and Ironwood also received Paragraph IV certification notice letters from Aurobindo Pharma Ltd. ("Aurobindo") 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. (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 and Aurobindo 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, 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 Teva Pharmaceuticals USA, Inc., Mylan Pharmaceuticals Inc., Sandoz, Inc., Aurobindo Pharma Ltd., and Aurobindo Pharma USA, Inc. 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. No schedule has been set.

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,

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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, 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 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. On August 24, 2016, the U.S. Court of Appeals for the Federal Circuit docketed the appeal filed by the Company. The Company filed its opening brief on December 8, 2016. Teva filed its responsive brief on February 1, 2017. The Company filed its reply brief on March 17, 2017. Oral argument has not yet been scheduled. The Company believes that its arguments on appeal are substantial and meritorious. On September 29, 2016, the Company issued a press release following announcement of ANDA approvals, including FDA final approval by Lupin. 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.

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

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‘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.

Namzaric®. On August 27, 2015, Forest Laboratories, LLC, 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 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

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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). No schedule has been set.

Pylera®. On November 18, 2016, Aptalis Pharma Canada ULC, Forest Laboratories, LLC, and Allergan USA, Inc. (collectively, "Allergan") brought an action for infringement of U.S. Patent No. 6,350,468 (the "'468 patent") in the U.S. District Court for the District of Delaware against Par Pharmaceutical, Inc. ("Par"). Par notified Allergan that it filed an ANDA with the FDA seeking to obtain approval to market a generic version of Pylera® before the '468 patent expires in December 2018. This lawsuit triggered an automatic stay of approval of Par's ANDA until at least the expiration of the '468 patent (unless a court issues a decision adverse to Allergan sooner). No schedule has been set.

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 and remain pending. Pursuant to the provisions of the Hatch-Waxman Act, the FDA is precluded from granting final approval to the generic applicants prior to April 8, 2016.

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;

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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 29, 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 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 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. 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.

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

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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. A hearing is expected on August 17, 2017. 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.

Saphris®. Between September 2014 and May 2015, Forest Laboratories, LLC, 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.

Savella®. Between September 2013 and February 2014, Forest Laboratories, Inc., Forest Laboratories Holdings Ltd. (collectively, "Forest") and Royalty Pharma Collection Trust ("Royalty"), Forest's licensor for Savella®, 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 against Amneal, Apotex, First Time US Generics, Glenmark, Hetero, Lupin, Mylan, Par, Ranbaxy, and Sandoz, and related subsidiaries and affiliates thereof. These companies have notified Forest and Royalty that they have filed ANDAs with the FDA seeking to obtain approval to market generic versions of Savella before these patents expire. (The '342 patent expires in November 2021, the '911 patent expires in January 2023, and the '220 patent expires in September 2029.) These lawsuits triggered an automatic stay of approval of the applicable ANDAs until July 14, 2016 (unless a court issues a decision adverse to Forest and Royalty Pharma sooner). On March 7, 2014, Forest and Royalty voluntarily dismissed, without prejudice, all claims against Sandoz. On March 20, 2014, the district court consolidated all of the remaining pending

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actions for all purposes and issued a scheduling order setting a trial date in January 2016. On May 12, 2014, Forest and Royalty entered into a settlement agreement with First Time US Generics. Under the terms of the settlement agreement, and subject to review of the settlement terms by the U.S. Federal Trade Commission, Forest will provide a license to First Time that will permit it to launch its generic version of Savella® as of the date that is the later of (a) six (6) -calendar months prior to the expiration date of the last to expire of the '911 patent, the '342 patent, and the '220 patent, including any extensions and/or pediatric exclusivities; or (b) the date that First Time obtains final FDA approval of its ANDA, or earlier in certain circumstances. On December 15, 2014, Forest and Royalty entered into a settlement agreement with Ranbaxy. On April 8, 2015, Defendants filed a motion to dismiss for lack of standing. On or about April 29, 2015, Forest entered into a settlement agreement with Par that will permit Par to launch its generic version of Savella® as of the date that is the later of (a) six (6) calendar months prior to the expiration date of the last to expire of the '911 patent, the '342 patent, and the '220 patent, including any extensions and/or pediatric exclusivities; or (b) the date that Par obtains final FDA approval of its ANDA, or earlier in certain circumstances. On December 11, 2015, Forest and Royalty entered into settlement agreements with Hetero and Glenmark. On January 8, 2016, Forest and Royalty entered into a settlement agreement with Amneal. On January 19, 2016, Forest and Royalty entered into a settlement agreement with Apotex. The defendants under these agreements may enter the market as of March 19, 2026. A bench trial concluded on January 26, 2016. Post-trial briefing concluded on April 26, 2016. In June 2016, Forest and Royalty entered into a settlement agreement with Lupin. On July 11, 2016, the court 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 August 9, 2016, Mylan filed a notice of appeal. On September 30, 2016, Forest and Royalty entered into a settlement agreement with Mylan, and the appeal was dismissed. Pursuant to the settlement agreement, Mylan may enter the market as of March 19, 2026, or earlier under certain circumstances.

Teflaro®. In January 2015, Forest Laboratories, LLC, Forest Laboratories Holdings Ltd., and Cerexa, Inc. (collectively, "Forest") and Takeda Pharmaceutical Company Limited ("Takeda"), Forest's licensor for Teflaro®, brought an action for infringement of some or all of U.S. Patent Nos. 6,417,175 (the "'175 patent"), 6,906,055 (the "'055 patent"), 7,419,973 (the "'973 patent") and 8,247,400 (the "'400 patent") in the U.S. District Court for the District of Delaware against Apotex and Sandoz, and related subsidiaries and affiliates thereof. These companies have notified Forest and Takeda that they have filed ANDAs with the FDA seeking to obtain approval to market generic versions of Teflaro® before some or all of the '175, '055, '973 and '400 patents expire. (The '175 patent expires in April 2022, the '055 and '973 patents expire in December 2021, and the '400 patent expires in February 2031.) These lawsuits triggered an automatic stay of approval of the applicable ANDAs until April 29, 2018 (unless a court issues a decision adverse to Forest and Takeda sooner). On June 24, 2015, the District Court issued a scheduling order setting a trial date in June 2017.

In April 2016, Forest filed a complaint for infringement of the '175 patent in the U.S. District Court for the District of Delaware against Apotex. Apotex had notified Forest and Takeda that they have filed an ANDA with the FDA seeking to obtain approval to market generic versions of Teflaro® before the '175 patent expires in April 2022. This lawsuit triggered an automatic stay of approval of the applicable ANDA with respect to the '175 patent until September 8, 2018 (unless a court issues a decision adverse to Forest and Takeda sooner). In May 2016, Apotex filed an answer and counterclaim as to the '175 patent and Forest filed an answer to Apotex's counterclaims. On June 14, 2016, Allergan filed a motion for consolidation and

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the court entered an order consolidating *C.A. 1:16-cv-00269-GMS*, into *C.A. 1:15-cv-00018-GMS,* (the "Lead" case). On July 27, 2016, Forest and Takeda dismissed the '055 and '973 patents with respect to Sandoz. On August 5, 2016, Forest and Takeda dismissed the '175 patent as to Sandoz, leaving the '400 patent as the only patent asserted against Sandoz. On November 11, 2016, the parties filed a stipulation of dismissal with respect to Sandoz, which the court ordered on November 17, 2016. The '175 patent and the '400 patent continued to be asserted against Apotex. On January 13, 2017, Forest and Takeda entered into a settlement agreement with Apotex. The Apotex matter was dismissed on January 17, 2017.

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 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. Trial is scheduled for January 2018.

Product Liability Litigation

Actonel® Litigation. Warner Chilcott is a defendant in approximately 164 cases and a potential defendant with respect to approximately 373 unfiled claims involving a total of approximately 446 plaintiffs and potential plaintiffs 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. All of the cases have been filed in either federal or state courts in the United States. Warner Chilcott is in the initial stages of discovery in these litigations. In addition, Warner Chilcott is aware of four purported product liability class actions that were brought against Warner Chilcott in provincial courts in Canada alleging, among other things, that Actonel® caused the plaintiffs and the proposed class members who ingested Actonel® to suffer atypical fractures or other side effects. It is expected that these plaintiffs 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.

Benicar® Litigation. Forest is named in approximately 1,733 actions involving allegations that Benicar®, a treatment for hypertension that Forest co-promoted with Daiichi Sankyo between 2002 and 2008, caused

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

certain gastrointestinal injuries. Under Forest's Co-Promotion Agreement, Daiichi Sankyo is defending us in these lawsuits.

Celexa®/Lexapro® Litigation. Forest are defendants in approximately 179 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 recently reached an agreement in principle 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.

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® and AndroGel®, a product that a subsidiary of the Company had co-promoted for another pharmaceutical company defendant. There are approximately 562 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. These cases are in the initial stages and discovery is ongoing. The Company anticipates that additional suits will be filed.

Government Investigations, Government Litigation and Qui Tam Litigation

Forest. Forest received a subpoena dated August 5, 2013 from the U.S. Department of Health and Human Services, Office of Inspector General. The subpoena requests documents relating to the marketing and promotion of Bystolic®, Savella®, and Namenda®, including with respect to speaker programs for these products. In February 2014, the U.S. District Court for the Eastern District of Wisconsin unsealed a *qui tam* complaint which asserts claims under the False Claims Act and contains allegations regarding off-label promotion of Bystolic® and Savella® and "kickbacks" provided to physicians to induce prescriptions of Bystolic®, Savella®, and Viibryd®. Forest moved to dismiss the complaint. On January 6, 2015, the court granted Forest's motion to dismiss the complaint. On February 5, 2016, the relator filed a second amended complaint. The U.S. Attorney's Office declined to intervene in this action but has reserved the right to do so at a later date. The Company reached an agreement with the Department of Justice, all fifty states and the District of Columbia as well as the relator that resolved both the government's investigation and the *qui tam* action.

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 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.

In April 2014, the federal district court in Massachusetts unsealed a *qui tam* complaint which asserts claims under the False Claims Act and contains allegations regarding off-label promotion of Namenda®. The Company filed a motion to dismiss the relator's Second Amended Complaint and the court granted in part and denied in part Forest's motion, dismissing the False Claims Act conspiracy claim only. While this case is still in its early stages, on October 7, 2016, the Company filed a second motion to dismiss the relator's Second Amended Complaint based on newly discovered evidence. The U.S. Attorney's Office declined to intervene in this action but has reserved the right to do so at a later date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

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. Discovery is ongoing in these actions. Forest and the other defendants filed a motion to dismiss Utah's amended complaint. This motion to dismiss was denied in part, and discovery is proceeding. 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 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 May 3, 2016, the court issued an order staying this action. An additional complaint then was filed in state court in Pennsylvania on behalf an individual indirect purchaser containing similar allegations to the class complaint.

Allergan. In December 2011, the federal district court in Pennsylvania issued an order partially unsealing the second amended *qui tam* complaint, filed by relators Herbert J. Nevyas, M.D. and Anita Nevyas-Wallace, M.D., to be informally provided to Allergan, Inc. The complaint asserts claims under Federal and State False Claims Acts and Federal and State Anti-Kickback Acts. On December 16, 2013, the court entered an order to unseal this *qui tam* action. On April 1, 2014, Allergan filed a motion to dismiss. On May 26, 2015, the court issued a ruling granting, in part, the motion to dismiss and denying it in part. Allergan filed an answer to the remaining claims on June 25, 2015. In May 2016, the parties reached a settlement, which remains subject to approval by various Federal and State agencies.

On November 25, 2014, prior to the completion of its merger with Actavis plc ("Actavis"), Allergan, Inc. received a request for documents and information from the United States Securities and Exchange Commission ("SEC") related to Actavis or Salix Pharmaceuticals, Inc. ("Salix"). On June 30, 2015, Allergan, Inc. received a subpoena from the SEC requesting documents related to Actavis or Salix. On June 30, 2015, Actavis received a subpoena from the SEC requesting documents related to Allergan. In January 2016, the SEC began meeting with current and former employees of Allergan and Actavis and indicated that its review focused on the content of Allergan, Inc.'s disclosures during the pendency of the tender offer by Valeant Pharmaceuticals International for Allergan, Inc.'s common stock. The company recently reached an agreement with the SEC to resolve the SEC's review of legacy Allergan's disclosures during the Valeant tender offer period.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Matters Relating to the Company's Divested Generics Business

The following matters relate to the former generics business of the Company which was sold to Teva effective August 2, 2016, but are included herein because the Company or one of its current subsidiaries have been named as a party in such matter. The Master Purchase Agreement under which the global generics business was sold provides for assumption by Teva of liabilities and claims relating to the generics business and indemnification by Teva for losses imposed on, sustained, incurred or suffered by or asserted against the Company for third party claims relating to the generics business. The Company believes it has substantial and meritorious claims for indemnification by Teva for these matters and failing same, substantial and meritorious defenses with respect to the underlying claims against the Company and/or its current subsidiaries; and in each case the Company intends to assert and/or defends claims vigorously. However, it is impossible to predict with certainty the outcome of any litigation or indemnity claims.

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.

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. Additional complaints have been filed in other federal district courts. On February 2, 2017, the actions were consolidated in the federal district court in New Jersey. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

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.

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 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 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. 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 Purchase Agreement.

23 Employees

The average number of employees for the year was as follows:

	Years Ended December 31,	
	2016	2015
	Number	Number
Cost of Goods Sold	5,593	15,724
Sales, marketing and distribution	14,117	7,917
Research and development	3,348	2,720
General, finance and administration	1,978	3,279
	25,036	29,640

The following table represents compensation costs, including restructuring, for the years ended December 31, 2016 and 2015 ($ in millions):

	Year Ended December 31,	
	2016	2015
	$	$
Wages and salaries	2,108.7	2,252.3
Restructuring	83.7	832.4
Stock-based compensation	375.1	362.4
Other retirement benefit costs	156.8	99.9
Social insurance costs	165.0	185.1
Other benefits	321.0	271.6
Total	**3,210.3**	**4,003.7**
Amount included in continuing operations	2,641.1	2,788.1
Amount included in discontinued operations	569.2	1,215.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23 Employees - continued

On a global basis, the amount of compensation costs capitalized into inventory approximated $193.0 million and $130.4 million as of December 31, 2016 and 2015, respectively. All other compensation costs were expensed in the periods.

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, on a global basis, which accounted for 10% or more of our annual revenues 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	2016	2015
McKesson Corporation	23%	27%
Cardinal Health, Inc.	18%	20%
AmerisourceBergen Corporation	18%	19%

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.

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 59% and 72% of the gross accounts receivable balance are concentrated among the Company's three largest customers as of December 31, 2016 and 2015, 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, 2016.

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, 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

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

the United States Securities and Exchange Commission on February 24, 2017. The primary differences between these statutory financial statements and our consolidated financial statements 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,	
	2016	2015
($ in millions)	$	$
Emoluments(1)	9.0	45.9
Benefits under long-term incentive schemes(2)	3.0	2.5
Contributions to retirement benefit schemes:		
- Defined benefit scheme	-	-
- Defined contribution scheme(3)	0.1	0.2
Gain on the exercise of options by a director	0.3	1.0
	12.4	**49.6**

(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 all the directors who were full time employees, with the Company, under defined contribution schemes.

27 Auditors' Remuneration

	Year Ended December 31,	
	2016	2015
($ in millions)	$	$
Auditors' remuneration paid to PricewaterhouseCoopers Ireland and its affiliates as follows:		
Auditors' remuneration	37.8	51.2

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,	
	2016	2015
	$	$
Auditors' remuneration - Group:		
Statutory audit of group financial statements	1,780.9	1,496.2
Other assurance services	200.7	28.1
Tax advisory services	753.1	511.2
Other non-audit services	-	-
	2,734.7	2,035.5

All fees paid to the Company's auditors are approved by the Company's audit committee.

28 Other Income (expense)

Our other income (expense) was comprised of the following for the years ended December 31, 2016 and 2015 ($ in millions):

	Years Ended December 31,		Change	
($ in millions)	**2016**	**2015**	**Dollars**	**%**
	$	$	$	
Pfizer termination fee	150.0	-	150.0	100.0%
Dividend income	68.2	-	68.2	100.0%
Other income (expense)	1.0	0.1	0.9	n.m.
Other income (expense)	**219.2**	**0.1**	**219.1**	**n.m.**

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, Pfizer agreed to pay the Company $150.0 million for reimbursement of expenses associated with the transaction, which was reported as other income during the year ended December 31, 2016.

Dividend income

Dividend income in the year ended December 31, 2016 is a result of the Company's investment in Teva ordinary shares received in the Teva Transaction. Teva shares currently pay dividends quarterly.

29 Related Party Transactions

There were no related party transactions requiring disclosure during the years December 31, 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

30 Subsequent Events

Editas Medicine, Inc.

On March 14, 2017, the Company entered into a strategic alliance and option agreement with Editas Medicine ("Editas") for early stage, first-in-class eye care programs for an upfront payment of $90.0 million to develop potentially license up to five of Editas' gene-editing programs in eye care, including its lead program for Leber Congenital Amaurosis (LCA) currently in pre-clinical development. Under the terms of the agreement, Editas is eligible to receive potential research and development and commercial milestones plus royalties based on net sales.

SER-120

During the first quarter of 2017, the Company notified Serenity Pharmaceuticals, LLC of its intent to terminate the License, Transfer and Development Agreement for SER-120 (nocturia). The Company has $140.0 million of intangible asset obtained as part of the Allergan Acquisition relating to nocturia.

ZELTIQ® Aesthetics, Inc.

On February 13, 2017 the Company entered into a definitive agreement to acquire ZELTIQ® Aesthetics, Inc. ("ZELTIQ") a price of $56.50 per share, or $2.475 billion. ZELTIQ is focused on developing and commercializing products utilizing its proprietary controlled-cooling technology platform for. The transaction is expected to close in the second half of 2017 and is subject to customary closing conditions.

LifeCell Corporation

On February 1, 2017, the Company completed the acquisition of LifeCell Corporation ("LifeCell"), a regenerative medicine company, for approximately $2.9 billion in cash. The 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 aesthetics, breast implants and tissue expanders.

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 GI development programs. Under the terms of 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, which will be recorded as a component of R&D expense in the year ending December 31, 2017. 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.

Lysosomal Therapeutics, Inc.

On January 9, 2017 the Company entered into a definitive agreement 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 option agreement, Allergan purchased an option right directly from LTI shareholders to acquire LTI following completion of a Phase 1b trial for LTI-291 as well as an upfront research and development payment. The aggregate payment of $145.0 million will be recorded as a component of R&D expense in the year ending December 31, 2017. Allergan and LTI will establish a joint development committee to oversee the development activities for LTI-291.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings

As of December 31, 2016 the Company had the following subsidiaries:

Name	Registered Office	Principal activities	Portion of equity held
Actavis Acquisition 1 S.à r.l. (f/k/a Watson Pharma S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Actavis Acquisition 2 S.à r.l. (f/k/a Watson Pharma Actavis S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Actavis Capital S.à r.l. (f/k/a Actavis WC Holding S.a r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Actavis Capital S.à r.l., Luxembourg, Zweigniederlassung Zug Branch	c/o MME Compliance AG, Gubelstrasse 11, 6300 Zug, Switzerland	Branch	100%
Actavis Finance S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Actavis Funding SCS	46a, avenue J.F. Kennedy, L-1855 Luxembourg	Other	100%
Actavis International Holding S.à r.l. (f/k/a Watson PhHldg.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Actavis Ireland Holding Limited	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding company	100%
Actavis Luxembourg International S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Actavis Pharma Holding S.à r.l. (f/k/a WatsonPharma Holding 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
Actavis W.C. Holding Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Actavis WC 1 S.a r.l. (f/k/a WC Luxembourg S. a r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Actavis WC 2 S.a r.l. (f/k/a WC Luxco S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Actavis WC 3 S.a r.l. (f/k/a WC Luxco Holdings S.à r.l.)	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Actavis, Inc. II SCS	2, rue Joseph Hackin, L-1746 Luxembourg	Holding Company	100%
Actavis, Inc. SCS (f/k/a Watson Pharmaceuticals, Inc. SCS)	2, rue Joseph Hackin, L-1746 Luxembourg	Holding Company	100%
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Akarna Therapeutics, Limited	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, England	Research & Development	100%
Allergan (Thailand) Limited	973 President Tower, 8th and 10th-11th Floors, Room No. 8E, 10I, 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 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%
Allergan Asia Limited	Suites 1307-10, Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Island East, Hong Kong	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
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., Eden 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%
Allergan Bulgaria EOOD	1000 Sofia, Sredets district, 14 Tsar Osvoboditel Blvd., 5th floor, office 501, Republic of Bulgaria	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan C.I.S. SARL	Russia, 115191, Moscow, Kholodilny pereulok, 3, korp. 1, bld. 4, Russian Federation	Pharmaceutical Distribution and Research & Development	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%
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
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%
Allergan Egypt Scientific Office	53 El Shikh Mohammed El Nady St., Nasr City, Cairo, Egypt	Other	owner
Allergan EquiCo BV	Keizerstraat 13, 4811 HL Breda, The Netherlands	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%
Allegran GI Corp.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Research & Development	100%
Allergan Healthcare India Private Limited	Level 2, Prestige Obelisk, No 3, Kasturba Road, Bangalore -560001 India	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 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, Unlimited	Cannon’s Court, 22 Victoria Street, Hamilton HM 12 Bermuda	Holding Company	100%
Allergan Holdings B2 Unlimited	Cannon’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
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 Unlimied 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%
Allergan Hungary Kft.	1097 Budapest, Konyves Kalman korut 11/C. A. epulet, Hungary	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
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 YK	Yebisu Garden Place Tower, 4-20-3 Ebisu, Shibuya-ku, Tokyo, Japan	Other	100%
Allergan Ireland Holdings Ltd.	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Allergan Israel Limited	c/o Aminut Financial Services, 12 Ha'yetzira St , Ra'anana, 43663, Israel	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 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%
Allergan Limited	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, United Kingdom	Pharmaceutical Distribution and Research & Development	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 Medical Pty Ltd.	Level 4, 810 Pacific Highway, Gordon NSW 2072 Australia	Dormant	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Middle East FZ-LLC	603-606 Building 26, Dubair Healthcare City, Dubai, United Arab Emirates	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%
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 Optical Irvine, Inc.	2525 Dupont Drive, Irvine, CA 92612	Other	100%
Allergan Pharma Co. (f/k/a Actavis Specialty Pharmaceuticals Co., and Watson Pharma Co.)	1959 Upper Water Street, Suite 900, Halifax NS, Canada, B3J 3N2	Pharmaceutical Distribution and Research & Development	100%
Allergan Pharma Limited (f/k/a Aptalis Pharma Ltd., f/k/a Allergan Pharmaceuticals International Ltd.)	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
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%
Allergan Pharmaceuticals International Limited (f/k/a Aptalis Pharma Ltd.).	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Allergan Pharmaceuticals Ireland	Castlebar Road, Westport, Co Mayo, Ireland	Pharmaceutical Distribution and Manufacturing	100%
Allergan Pharmaceuticals Ireland	Zephyr House, 122 Mary Street, PO Box 709, Grand Cayman KY1-1107, Cayman Islands	Dormant	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Property Holdings, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
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.	2525 Dupont Drive, Irvine, California 92612	Pharmaceutical Distribution	100%
Allergan Sales, LLC	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 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 Specialty Therapeutics, 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
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%
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.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Manufacturing	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, 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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
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 Holdings, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	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 GmbH	Westhafenplatz 6/8, Brückengebäude, 60327 Frankfurt, Germany	Other	100%
Aptalis Pharma S.r.l.	Pessano con Bornago (MI) via Martin Luther King 13, 20060, Milan, Italy	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Aptalis Pharma UK Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Other	100%
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 19802	Pharmaceutical Distribution and Research & Development	100%
Axcan EU LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19803	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 19802	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
Commack Properties, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Del Mar Indemnity Company, LLC	c/o Marsh Management Services, Inc., P.O. Box 4238, Honolulu, Hawaii 96813-4238	Insurance	100%
Development Partners, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Dogwood Pharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Holding Company	100%
Durata Therapeuctics U.S. Limited	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19803	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Durata Therapeutics Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Other	100%
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 Cincinnati I 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
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%
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 Unlimited Company	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 Products Corp.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Dormant	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Forest Laboratories, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Holding Company	100%
Forest Pharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Pharmaceutical Distribution and Manufacturing	100%
Forest Research Institute, Inc.	The Corporation Trust Center, 820 Bear Tavern Rd., West Trenton, New Jersey 08628	Other	100%
ForSight VISION5, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Research & Development	100%
FRX Churchill Holdings, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Furiex Pharmaceuticals, LLC	3900 Paramount Parkway Suite 150, Morrisville, North Carolina 27560	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%
GenuPro, LLC	3900 Paramount Parkway Suite 150, Morrisville, North Carolina 27560	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Herbert Laboratories	2525 Dupont Drive, Irvine, California 92612	Dormant	100%
Inamed Corporation	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Dormant	100%
Inamed Development Corporation	2525 Dupont Drive, Irvine, California 92612	Dormant	100%
Inamed Do Brazil Ltda	Brazil	Other	100%
Inamed, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Inwood Laboratories, Inc.	400 Interpace Parkway, Parsippany, NJ 07054	Other	100%
Ireland Actavis Finance Ltd.	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Other	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%
Kythera Biopharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Kythera Holdings Ltd.	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda	Holding Company	100%
M8 Holdings LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
MAP Pharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
McGahn Ireland Holdings Ltd.	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
McGahn Limited (In liquidation)	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
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 19802	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 19802	Research & Development	100%
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 19802	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Pharmax Holding Limited	Riverbridge House, Anchor Boulevard, Crosways, Dartford Kent, DA2 6SL UK	Holding Company	100%
Seabreeze LP Holdings, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Holding Company	100%
Seabreeze Silicone Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Silicone Engineering Inc.	2525 Dupont Drive, Irvine, California 92612	Dormant	100%
SourceCF Inhalation Systems, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Other	100%
Tango US Holdings Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Holding Company	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 19802	Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Topokine Therapeutics, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Research & Development	100%
Tosara Exports Unlimited Company	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Other	100%
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, Inc	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Holding Company	100%
Vitae Pharmaceuticals, Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Research & Development	100%
Warner Chilcott (US), LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Pharmaceutical Distribution	100%
Warner Chilcott Corporation	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Holding Company	100%
Warner Chilcott Deutschland GmbH	Dr. Otto-Röhm-Str 2-4 D-64331 Weiterstadt Germany	Pharmaceutical Distribution, Manufacturing and Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
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%
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 19802	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	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19802	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
WC Pharmaceuticals I Limited	Icom House 1/5 Irish Town, Suite 3, Second Floor P.O. Box 883 Gibraltar	Holding Company	100%

32 Approval of the financial statements

The financial statements were approved by the directors on April 6, 2017.

PARENT COMPANY BALANCE SHEET
As of December 31, 2016

(all amounts in millions)	Notes	2016 $	2015 $
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		1,393.1	1,462.3
Cash at bank and in hand		10.7	59.6
		2,828.6	1,521.9
Creditors: amounts falling due within one year			
Amounts owed to subsidiaries	10	10,012.7	(439.6)
Accrued liabilities		(2.5)	(29.2)
Total current liabilities		10,015.2	(468.8)
Net current (liabilities) / assets		(7,186.6)	1,053.1
Total assets less current liabilities		82,078.1	90,317.8
Creditors: amounts falling due after one year			
Amounts owed to subsidiaries	10	(3,964.0)	-
Called up share capital presented as liability	6	(3,858.0)	(5,206.7)
Net Assets		74,256.1	85,111.1
Capital and reserves			
Called up share capital presented as equity	4	0.1	0.1
Share premium account	5	172.1	79,014.2
Other Reserves	5	1,270.5	992.0
Profit and loss account	5	72,813.4	5,104.8
Total equity		74,256.1	85,111.1

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, 2016

(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 2015		0.1	45,776.8	343.5	(88.6)	46,031.8
Loss for the financial year		-	-	-	(596.8)	(596.8)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the financial year		-	-	-	(596.8)	(596.8)
Credit relating to equity settled share-based payments		-	-	648.5	-	648.5
Proceeds from shares issued						
- Issuance of shares to Legacy Allergan shareholders		-	34,686.5	-	-	34,686.5
- Issuance of ordinary shares – Allergan		-	4,071.1	-	-	4,071.1
- Issuance of shares – others		-	270.0	-	-	270.0
Capital reduction	5	-	(5,790.2)	-	5,790.2	-
Total transactions recognised directly in equity		-	33,237.4	648.5	5,790.2	39,706.1
Balance at 31 December 2015		**0.1**	**79,014.2**	**992.0**	**5,104.8**	**85,111.1**
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 loss 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						
- Issuance of shares post group reorganization		-	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**

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 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 accordance with Irish GAAP (accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and the Companies Act 2014.

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 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 / (loss) for the years ended December 31, 2016 and 2015 determined in accordance with Irish GAAP was $1,694.4 million and $(596.8) 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.

iv) Exemption from the requirement of FRS 102 paragraph 33.7 to disclose key management personnel compensation in total.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies - continued

Basis of preparation – continued

The company is able to take advantage of the disclosure exemptions above as:

i. its shareholders have been notified in writing on April 24, 2015 and have not objected to the use of the exemptions;

ii. it otherwise applies the recognition, measurement and disclosure requirements of FRS 102; and

iii. 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.

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.

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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies - continued

Basis of preparation – continued

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, 2016 or 2015.

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 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies - continued

Financial instruments – continued

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.

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.

The Company does not operate any material cash-settled share-based payment schemes or share-based payment transactions with cash alternatives.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies - continued

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

($ in millions)	**$**
At December 31, 2014	**45,785.4**
Contribution of Allergan to Warner Chilcott	43,687.3
Receipt of dividend from subsidiary out of pre-acquisition profits	(208.0)
At December 31, 2015	**89,264.7**

The investment in subsidiary at December 31, 2016 is $89,264.7 million. There was no change in investment in subsidiary for the year ended December 31, 2016.

Details of subsidiary

Name	Principal activities	Registered office	Portion of ordinary shares held
Warner Chilcott plc (subsequent to December 31, 2016, the Company changed its name to Allergan WC Holdings Ireland Limited)	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, 2014 – 265,902,877 ordinary shares of $0.0001 par value, and 40,000 deferred ordinary shares of €1.00 par value		81.7
14,513,889 ordinary shares of $0.0001 par value issued as part of the Allergan Acquisition	3/17/2015	1.5
111,291,368 ordinary shares of $0.0001 par value issued to Legacy Allergan shareholders as part of the Allergan Acquisition	3/17/2015	11.1
763,479 ordinary shares of $0.0001 par value issued for stock-based compensation	1/1/2015 / 12/31/2015	0.1
2,408,026 ordinary shares of $0.0001 par value issued for option exercises	1/1/2015 / 12/31/2015	0.2
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**

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, 61,916,889 ordinary shares, par value $0.0001, were cancelled. In line with the requirements of Irish law, the par value of the cancelled shares totaling $6,192 was transferred to a capital redemption reserve fund account in equity. The cumulative amount within Other Reserves was $6,341 as of December 31, 2016. 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 in Allergan plc, the legal entity by $79,014.2 million. On March 13, 2015, the Irish High Court approved the creation of distributable profits through a capital reduction which lowered share premium and increased profit and loss reserves in Allergan plc, the legal entity by $5,790.2 million.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

5 Reserves - continued

Share Repurchases

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 announced that the Board of Directors approved a $10.0 billion accelerated share repurchase program, which was initiated in November 2016. Under the accelerated share repurchase program, the Company received $8.0 billion of repurchased shares during the year ended December 31, 2016. During the year ended December 31, 2016, the Company repurchased a total of 61.6 million shares of ordinary shares under the share repurchase programs. The amount of shares, if any, to be received from the remaining $2.0 billion of repurchases is subject to the volume weighted average share price over the term of the agreement and is classified as "Debtors - Derivative financial instruments." As of December 31, 2016, the fair value of the remaining repurchases is $1,424.8 million. The fair value of $1,424.8 million was derived using a standard derivative pricing model. This is based on observable inputs such as the Company's stock price as of December 31, 2016, risk free interest rates, volatility and an assumed dividend yield. In addition, the Company factored in contract specific terms relating to the accelerated share repurchase program. Additionally, a portion of the accelerated share repurchase program is subject to a collar which would set the cap and floor of the share price for the transaction.

Quarterly Dividend

On November 2, 2016, the Company announced that its Board of Directors approved the initiation of a regular quarterly cash dividend for holders of the Company's ordinary shares. In February 2017, a quarterly dividend of $0.70 per share was authorized with the first payment on March 28, 2017 to shareholders of record at the close of business on February 28, 2017.

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 will be 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 may pay declared dividends in cash, by delivery of our ordinary shares or by delivery of any combination of cash and our ordinary shares, as determined by us in our sole discretion, subject to certain limitations, 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 will automatically convert on March 1, 2018, into between 2.8345 and 3.4722 ordinary shares, subject to anti-dilution adjustments, including adjustments related to our new quarterly dividend. The number of our ordinary shares issuable on conversion of the Mandatory Convertible Preferred Shares will be determined based on the volume weighted average price per ordinary share over the 20 consecutive trading day period beginning on and including the 22nd scheduled trading day immediately preceding March 1, 2018, the mandatory conversion date. At any time prior to March 1, 2018, other than during a fundamental change conversion period as defined, holders of the Mandatory Convertible

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

6 Called up share capital as presented as liability - continued

Preferred Shares may elect to convert each Mandatory Convertible Preferred Share into our ordinary shares at the minimum conversion rate of 2.8345 ordinary shares per Mandatory Convertible Preferred Share, subject to anti-dilution adjustments. In addition, holders may elect to convert any Mandatory Convertible Preferred Shares during a specified period beginning on the fundamental change effective date, in which case such Mandatory Convertible Preferred Shares will be converted into our ordinary shares at the fundamental change conversion rate and converting holders will also be entitled to receive a fundamental change dividend make-whole amount and accumulated dividend amount.

In the year ended December 31, 2016 and 2015, the Company paid $278.4 million and $208.1 million of dividends, respectively, on the Mandatory Convertible Preferred shares, which reduced the liability and was recorded through profit and loss.

The instruments are treated as indebtedness and are 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 is $3,858.0 million and $5,206.7 million as of December 31, 2016 and 2015, 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.

The disclosure of directors' remuneration is in Note 26 of the consolidated financial statements of the Company.

8 Auditors' remuneration

In the years ended December 31, 2016 and 2015, $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, 2016, a consolidated subsidiary Warner Chilcott Limited, an indirect wholly owned subsidiary of Allergan plc had $13.3 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 year ended December 31, 2016 was $41.2 million.

11 Approval of financial statements

The directors approved the financial statements on April 6, 2017.