

Allergan plc  
Form 10-Q  
November 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number	Exact name of registrant as specified in its charter, principal office and address and telephone number	State of incorporation or organization	I.R.S. Employer Identification No.
001-36867	Allergan plc  Clonshaugh Business and Technology Park  Coolock, Dublin, D17 E400, Ireland  (862) 261-7000	Ireland	98-1114402
001-36887	Warner Chilcott Limited  Cannon's Court 22 Victoria Street	Bermuda	98-0496358

Edgar Filing: Allergan plc - Form 10-Q

Hamilton HM 12  
 Bermuda  
 (441) 295-2244

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

Allergan plc YES  NO   
 Warner Chilcott Limited YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Allergan plc YES  NO   
 Warner Chilcott Limited YES  NO

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

Allergan plc	Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
	Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Warner Chilcott Limited	Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
	Non-accelerated filer (Do not check if a smaller reporting company)	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Allergan plc YES  NO   
 Warner Chilcott Limited YES  NO

Number of shares of Allergan plc’s Ordinary Shares outstanding on October 29, 2015: 394,124,530. There is no trading market for securities of Warner Chilcott Limited, all of which are indirectly wholly-owned by Allergan plc.

This Quarterly Report on Form 10-Q is a combined report being filed separately by two different registrants: Allergan plc and Warner Chilcott Limited. Warner Chilcott Limited is an indirect wholly-owned subsidiary of Allergan plc. The information in this Quarterly Report on Form 10-Q is equally applicable to Allergan plc and Warner Chilcott Limited, except where otherwise indicated. Warner Chilcott Limited meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and, to the extent applicable, is therefore filing this form with a reduced

disclosure format.

---

## TABLE OF CONTENTS

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

	PAGE
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <u>Consolidated Financial Statements (unaudited)</u>	3
<u>Consolidated Balance Sheets of Allergan plc as of September 30, 2015 and December 31, 2014</u>	3
<u>Consolidated Statements of Operations of Allergan plc for the three and nine months ended September 30, 2015 and September 30, 2014</u>	4
<u>Consolidated Statements of Comprehensive Income / (Loss) of Allergan plc for the three and nine months ended September 30, 2015 and September 30, 2014</u>	5
<u>Consolidated Statements of Cash Flows of Allergan plc for the nine months ended September 30, 2015 and 2014</u>	6
<u>Consolidated Balance Sheets of Warner Chilcott Limited as of September 30, 2015 and December 31, 2014</u>	7
<u>Consolidated Statements of Operations of Warner Chilcott Limited for the three and nine months ended September 30, 2015 and September 30, 2014</u>	8
<u>Consolidated Statements of Comprehensive Income / (Loss) of Warner Chilcott Limited for the three and nine months ended September 30, 2015 and September 30, 2014</u>	9
<u>Consolidated Statements of Cash Flows of Warner Chilcott Limited for the nine months ended September 30, 2015 and 2014</u>	10
<u>Notes to Consolidated Financial Statements</u>	11
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	83
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	114
Item 4. <u>Controls and Procedures</u>	115
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	117
Item 1A. <u>Risk Factors</u>	117
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	117
Item 6. <u>Exhibits</u>	117
<u>Signatures</u>	118

## PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS  
ALLERGAN PLC

## CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except par value)

	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$2,063.9	\$ 250.0
Marketable securities	7.0	1.0
Accounts receivable, net	2,143.2	1,107.9
Inventories	1,285.4	976.7
Prepaid expenses and other current assets	748.6	478.8
Current assets held for sale	3,802.1	3,819.2
Deferred tax assets	6,608.5	477.0
Total current assets	16,658.7	7,110.6
Property, plant and equipment, net	1,569.9	283.4
Investments and other assets	498.3	153.3
Non current assets held for sale	10,573.7	8,213.8
Deferred tax assets	67.2	34.7
Product rights and other intangibles	67,133.4	16,096.6
Goodwill	46,315.1	20,865.6
Total assets	\$ 142,816.3	\$ 52,758.0
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$4,513.5	\$ 2,995.7
Income taxes payable	84.7	33.9
Current portion of long-term debt and capital leases	2,035.4	693.4
Deferred revenue	32.9	17.8
Current liabilities held for sale	1,449.5	1,465.7
Deferred tax liabilities	17.0	41.0
Total current liabilities	8,133.0	5,247.5
Long-term debt and capital leases	40,648.1	14,837.7
Deferred revenue	26.8	26.3
Other long-term liabilities	1,135.1	227.0
Long-term liabilities held for sale	639.9	540.7
Other taxes payable	760.8	789.5
Deferred tax liabilities	13,992.5	2,753.8
Total liabilities	65,336.2	24,422.5

## Commitments and contingencies

## Equity:

Preferred shares, \$0.0001 par value per share, 5.1 million shares authorized,  
5.1 million and zero shares issued and outstanding, respectively

4,929.7 -

Ordinary shares; \$0.0001 par value per share; 1,000.0 million shares

authorized, 394.0 million and 265.9 million shares issued and

outstanding, respectively

- -

Additional paid-in capital

68,241.4 28,994.7

Retained Earnings / (accumulated deficit)

4,347.9 (198.2 )

Accumulated other comprehensive (loss)

(45.3 ) (465.4 )

Total shareholders' equity

77,473.7 28,331.1

Noncontrolling interest

6.4 4.4

Total equity

77,480.1 28,335.5

Total liabilities and equity

\$ 142,816.3 \$ 52,758.0

See accompanying Notes to Consolidated Financial Statements.

## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net revenues	\$4,088.9	\$2,150.8	\$10,873.5	\$4,323.3
Operating expenses:				
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	1,242.9	1,183.1	3,699.9	2,371.4
Research and development	1,260.5	276.6	1,927.9	368.6
Selling and marketing	721.8	540.2	2,130.4	799.3
General and administrative	351.4	422.9	1,222.7	740.4
Amortization	1,560.2	705.0	3,866.1	1,192.2
In-process research and development impairments	300.0	305.0	497.6	320.0
Asset sales and impairments, net	(4.4 )	-	3.1	(5.3 )
Total operating expenses	5,432.4	3,432.8	13,347.7	5,786.6
Operating (loss)	(1,343.5)	(1,282.0)	(2,474.2 )	(1,463.3)
Interest income	3.8	1.6	8.2	3.8
Interest expense	(340.2 )	(132.1 )	(852.0 )	(284.0 )
Other (expense) income, net	0.2	29.4	(238.1 )	15.3
Total other income (expense), net	(336.2 )	(101.1 )	(1,081.9 )	(264.9 )
(Loss) before income taxes and noncontrolling interest	(1,679.7)	(1,383.1)	(3,556.1 )	(1,728.2)
(Benefit) for income taxes	(824.9 )	(221.0 )	(1,456.9 )	(306.6 )
Net (loss) from continuing operations, net of tax	(854.8 )	(1,162.1)	(2,099.2 )	(1,421.6)
Income from discontinued operations, net of tax	6,157.4	119.3	6,647.9	524.3
Net income / (loss)	5,302.6	(1,042.8)	4,548.7	(897.3 )
(Income) attributable to noncontrolling interest	(1.4 )	-	(2.6 )	(0.3 )
Net income / (loss) attributable to shareholders	5,301.2	(1,042.8)	4,546.1	(897.6 )
Dividends on preferred shares	69.6	-	162.4	-
Net income / (loss) attributable to ordinary shareholders	\$5,231.6	\$(1,042.8)	\$4,383.7	\$(897.6 )
Income / (loss) per share attributable to ordinary shareholders - basic:				
Continuing operations	\$(2.35 )	\$(4.40 )	\$(6.31 )	\$(6.96 )
Discontinued operations	15.64	0.45	18.52	2.57
Net income / (loss) per share - basic	\$13.29	\$(3.95 )	\$12.21	\$(4.39 )
Income / (loss) per share attributable to ordinary shareholders - diluted:				
Continuing operations	\$(2.35 )	\$(4.40 )	\$(6.31 )	\$(6.96 )
Discontinued operations	15.64	0.45	18.52	2.57

Edgar Filing: Allergan plc - Form 10-Q

Net income / (loss) per share - diluted	\$13.29	\$(3.95	) \$12.21	\$(4.39	)
Weighted average shares outstanding:					
Basic	393.6	264.3	358.9	204.4	
Diluted	393.6	264.3	358.9	204.4	

See accompanying Notes to Consolidated Financial Statements.



## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

(Unaudited; in millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income / (loss)	\$5,302.6	\$(1,042.8)	\$4,548.7	\$(897.3 )
Other comprehensive (loss) / income				
Foreign currency translation (losses) / gains	(42.4 )	(308.3 )	409.0	(309.2 )
Unrealized gains / (losses), net of tax	7.5	(2.3 )	11.1	(1.6 )
Reclassification for gains included in				
net income, net of tax	-	-	-	-
Total other comprehensive (loss) / income, net of tax	(34.9 )	(310.6 )	420.1	(310.8 )
Comprehensive income / (loss)	5,267.7	(1,353.4)	4,968.8	(1,208.1)
Comprehensive (income) attributable				
to noncontrolling interest	(1.4 )	-	(2.6 )	(0.3 )
Comprehensive income / (loss) attributable to ordinary shareholders	\$5,266.3	\$(1,353.4)	\$4,966.2	\$(1,208.4)

See accompanying Notes to Consolidated Financial Statements.

## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Nine Months Ended September 30,	
	2015	2014
<b>Cash Flows From Operating Activities:</b>		
Net income / (loss)	\$4,548.7	\$(897.3 )
<b>Reconciliation to net cash provided by operating activities:</b>		
Depreciation	183.9	169.7
Amortization	4,192.8	1,720.7
Provision for inventory reserve	108.6	110.2
Share-based compensation	510.5	259.4
Deferred income tax benefit	(7,470.9 )	(412.5 )
In-process research and development impairments	497.6	321.3
Loss / (gain) on asset sales and impairments, net	57.2	34.2
Amortization of inventory step-up	1,019.8	703.3
Amortization of deferred financing costs	289.2	34.4
Accretion and contingent consideration	89.2	(24.2 )
Excess tax benefit from stock-based compensation	(54.0 )	(22.7 )
Non-cash impact of debt extinguishment	-	(91.7 )
Other, net	54.9	(19.1 )
<b>Changes in assets and liabilities (net of effects of acquisitions):</b>		
Decrease / (increase) in accounts receivable, net	(364.0 )	(365.6 )
Decrease / (increase) in inventories	(270.1 )	(266.7 )
Decrease / (increase) in prepaid expenses and other current assets	(3.3 )	69.3
Increase / (decrease) in accounts payable and accrued expenses	(290.6 )	292.3
Increase / (decrease) in income and other taxes payable	(103.4 )	(152.1 )
Increase / (decrease) in other assets and liabilities	(21.6 )	(31.5 )
Net cash provided by operating activities	2,974.5	1,431.4
<b>Cash Flows From Investing Activities:</b>		
Additions to property, plant and equipment	(350.7 )	(174.1 )
Additions to product rights and other intangibles	(91.1 )	(0.1 )
Additions to investments	(27.0 )	-
Proceeds from sale of investments and other assets	855.8	452.7
Proceeds from sales of property, plant and equipment	133.6	12.0
Acquisitions of businesses, net of cash acquired	(35,242.7)	(4,922.6)
Net cash (used in) investing activities	(34,722.1)	(4,632.1)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from borrowings of long-term indebtedness	26,456.4	8,076.2
Proceeds from borrowings on credit facility and other	2,882.0	80.0
Debt issuance and other financing costs	(310.8 )	(58.2 )
Payments on debt, including capital lease obligations	(4,326.7 )	(4,875.5)
Proceeds from issuance of preferred shares	4,929.7	-

Edgar Filing: Allergan plc - Form 10-Q

Proceeds from issuance of ordinary shares	4,071.1	-
Proceeds from stock plans	195.8	43.3
Payments of contingent consideration	(138.3 )	(12.6 )
Repurchase of ordinary shares	(108.2 )	(99.7 )
Dividends	(138.4 )	-
Excess tax benefit from stock-based compensation	54.0	22.7
Net cash provided by financing activities	33,566.6	3,176.2
Effect of currency exchange rate changes on cash and cash equivalents	(5.1 )	(2.1 )
Movement in cash held for sale	-	37.0
Net increase in cash and cash equivalents	1,813.9	10.4
Cash and cash equivalents at beginning of period	250.0	329.0
Cash and cash equivalents at end of period	\$2,063.9	\$339.4
Schedule of Non-Cash Investing and Financing Activities:		
Non-cash equity issuance for the Acquisition of Allergan net assets	\$34,687.2	\$-
Non-cash equity issuance for the Acquisition of Forest net assets	\$-	\$20,590.5

See accompanying Notes to Consolidated Financial Statements.

## WARNER CHILCOTT LIMITED

## CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions)

	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,045.7	\$ 244.3
Marketable securities	7.0	1.0
Accounts receivable, net	2,143.2	1,107.2
Receivable from Parents	323.9	269.8
Inventories	1,285.4	976.7
Prepaid expenses and other current assets	745.8	475.9
Current assets held for sale	3,802.1	3,819.2
Deferred tax assets	6,608.5	477.0
Total current assets	16,961.6	7,371.1
Property, plant and equipment, net	1,569.9	282.5
Investments and other assets	498.3	153.3
Non current assets held for sale	10,573.7	8,213.8
Deferred tax assets	67.2	34.7
Product rights and other intangibles	67,133.4	16,096.6
Goodwill	46,315.1	20,865.6
Total assets	\$ 143,119.2	\$ 53,017.6
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,477.3	\$ 2,992.6
Payables to Parents	1,212.0	521.1
Income taxes payable	84.7	33.9
Current portion of long-term debt and capital leases	2,035.4	693.4
Deferred revenue	32.9	17.8
Current liabilities held for sale	1,449.5	1,465.7
Deferred tax liabilities	17.0	41.0
Total current liabilities	9,308.8	5,765.5
Long-term debt and capital leases	40,648.1	14,837.7
Deferred revenue	26.8	26.3
Other long-term liabilities	1,135.1	227.1
Long-term liabilities held for sale	639.9	540.7
Other taxes payable	760.8	789.5
Deferred tax liabilities	13,992.5	2,753.8
Total liabilities	66,512.0	24,940.6
Commitments and contingencies		
Equity:		
Member's capital	73,004.8	29,455.9
Retained Earnings / (accumulated deficit)	3,641.3	(917.9)

Edgar Filing: Allergan plc - Form 10-Q

Accumulated other comprehensive (loss)	(45.3 )	(465.4 )
Total members' equity	76,600.8	28,072.6
Noncontrolling interest	6.4	4.4
Total equity	76,607.2	28,077.0
Total liabilities and equity	\$ 143,119.2	\$ 53,017.6

See accompanying Notes to Consolidated Financial Statements.

7

---

## WARNER CHILCOTT LIMITED

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net revenues	\$4,088.9	\$2,150.8	\$10,873.5	\$4,323.3
Operating expenses:				
Cost of sales (excludes amortization and impairment of				
acquired intangibles including product rights)	1,242.9	1,183.1	3,699.9	2,371.4
Research and development	1,260.5	276.6	1,927.9	368.6
Selling and marketing	721.8	540.2	2,130.4	799.3
General and administrative	346.1	420.4	1,209.6	731.0
Amortization	1,560.2	705.0	3,866.1	1,192.2
In-process research and development impairments	300.0	305.0	497.6	320.0
Asset sales and impairments, net	(4.4 )	-	3.1	(5.3 )
Total operating expenses	5,427.1	3,430.3	13,334.6	5,777.2
Operating (loss)	(1,338.2)	(1,279.5)	(2,461.1 )	(1,453.9)
Non-operating income (expense):				
Interest income	3.8	1.6	8.2	3.8
Interest expense	(340.2 )	(132.1 )	(852.0 )	(284.0 )
Other income (expense), net	0.2	29.4	(238.1 )	15.3
Total other income (expense), net	(336.2 )	(101.1 )	(1,081.9 )	(264.9 )
(Loss) before income taxes and				
noncontrolling interest	(1,674.4)	(1,380.6)	(3,543.0 )	(1,718.8)
(Benefit) for income taxes	(824.9 )	(215.8 )	(1,456.9 )	(308.1 )
Net (loss) from continuing operations, net of tax	(849.5 )	(1,164.8)	(2,086.1 )	(1,410.7)
Income from discontinued operations, net of tax	6,157.4	119.3	6,647.9	524.3
Net income / (loss)	5,307.9	(1,045.5)	4,561.8	(886.4 )
(Income) attributable to noncontrolling interest	(1.4 )	-	(2.6 )	(0.3 )
Net income / (loss) attributable to members	\$5,306.5	\$(1,045.5)	\$4,559.2	\$(886.7 )

See accompanying Notes to Consolidated Financial Statements.

## WARNER CHILCOTT LIMITED

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

(Unaudited; in millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income / (loss)	\$5,307.9	\$(1,045.5)	\$4,561.8	\$(886.4 )
Other comprehensive (loss) / income				
Foreign currency translation (losses) / gains	(42.4 )	(308.3 )	409.0	(309.2 )
Unrealized gains / (losses), net of tax	7.5	(2.3 )	11.1	(1.6 )
Reclassification for gains included in net income, net of tax	-	-	-	-
Total other comprehensive (loss) / income, net of tax	(34.9 )	(310.6 )	420.1	(310.8 )
Comprehensive income / (loss)	5,273.0	(1,356.1)	4,981.9	(1,197.2)
Comprehensive (income) attributable				
to noncontrolling interest	(1.4 )	-	(2.6 )	(0.3 )
Comprehensive income / (loss) attributable to members	\$5,271.6	\$(1,356.1)	\$4,979.3	\$(1,197.5)

See accompanying Notes to Consolidated Financial Statements.

## WARNER CHILCOTT LIMITED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Nine Months Ended September 30,	
	2015	2014
<b>Cash Flows From Operating Activities:</b>		
Net income / (loss)	\$4,561.8	\$(886.4 )
Reconciliation to net cash provided by operating activities:		
Depreciation	183.9	169.7
Amortization	4,192.8	1,720.7
Provision for inventory reserve	108.6	110.2
Share-based compensation	510.5	259.4
Deferred income tax benefit	(7,470.9 )	(412.5 )
In-process research and development impairments	497.6	321.3
Loss / (gain) on asset sales and impairments, net	57.2	34.2
Amortization of inventory step-up	1,019.8	703.3
Amortization of deferred financing costs	289.2	34.4
Accretion and contingent consideration	89.2	(24.2 )
Non-cash impact of debt extinguishment	-	(91.7 )
Other, net	54.9	(19.1 )
Changes in assets and liabilities (net of effects of acquisitions):		
Decrease / (increase) in accounts receivable, net	(363.3 )	(365.7 )
Decrease / (increase) in inventories	(270.1 )	(266.7 )
Decrease / (increase) in prepaid expenses and other current assets	(3.2 )	69.3
Increase / (decrease) in accounts payable and accrued expenses	(257.5 )	276.1
Increase / (decrease) in income and other taxes payable	(103.4 )	(140.9 )
Increase / (decrease) in other assets and liabilities, including receivable / payable	6.5	(89.2 )
with Parents		
Net cash provided by operating activities	3,103.6	1,402.2
<b>Cash Flows From Investing Activities:</b>		
Additions to property, plant and equipment	(350.7 )	(174.1 )
Additions to product rights and other intangibles	(91.1 )	(0.1 )
Additions to investments	(27.0 )	-
Proceeds from the sale of investments and other assets	855.8	452.7
Proceeds from sales of property, plant and equipment	133.6	12.0
Acquisitions of businesses, net of cash acquired	(35,242.7)	(4,922.6)
Net cash (used in) investing activities	(34,722.1)	(4,632.1)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from borrowings of long-term indebtedness	26,456.4	8,076.2
Proceeds from borrowings on credit facility and other	2,882.0	80.0
Debt issuance and other financing costs	(310.8 )	(58.2 )
Payments on debt, including capital lease obligations	(4,326.7 )	(4,875.5)



Edgar Filing: Allergan plc - Form 10-Q

Payments of contingent consideration	(138.3 )	(12.6 )
Dividend to Parent	(138.4 )	-
Contribution from Parent	9,000.8	-
Net cash provided by financing activities	33,425.0	3,209.9
Effect of currency exchange rate changes on cash and cash equivalents	(5.1 )	(2.1 )
Movement in cash held for sale	-	37.0
Net increase in cash and cash equivalents	1,801.4	14.9
Cash and cash equivalents at beginning of period	244.3	323.5
Cash and cash equivalents at end of period	\$2,045.7	\$338.4

See accompanying Notes to Consolidated Financial Statements

ALLERGAN PLC AND WARNER CHILCOTT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 — General

Allergan plc is a global specialty pharmaceutical company engaged in the development, manufacturing, marketing, and distribution of brand name (“brand”, “branded” or “specialty brand”), medical aesthetics, generic, branded generic, biosimilar and over-the-counter (“OTC”) pharmaceutical products. The Company has operations in more than 100 countries. Warner Chilcott Limited is a wholly-owned subsidiary of Allergan plc and has the same principal business activities. As a result of the Allergan Acquisition (defined below) which closed on March 17, 2015, the Company expanded its franchises to include ophthalmology, neurosciences and medical aesthetics/dermatology/plastic surgery, which complements the Company’s existing central nervous system, gastroenterology, women’s health and urology franchises. The combined company benefits significantly from Allergan, Inc’s. (“Legacy Allergan”) global brand equity and consumer awareness of key products, including Botox® and Restasis®. The Allergan Acquisition 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.

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 for approximately \$40.5 billion (the “Teva Transaction”). Under the Teva Agreement, upon the closing of the Teva Transaction, we will receive \$33.75 billion in cash and approximately \$6.75 billion in Teva stock in exchange for which Teva will acquire 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 R&D unit, our international over-the-counter (OTC) commercial unit (excluding OTC eye care products) and some established international brands. The transaction is subject to customary closing conditions and expected to close in the first quarter of 2016. As a result of the transaction, 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 to be divested as held for sale. Further, the financial results of the business held for sale have been reclassified to discontinued operations for all periods presented in our condensed consolidated financial statements.

The accompanying consolidated financial statements should be read in conjunction with the Company’s annual report on Form 10-K for the year ended December 31, 2014 (“Annual Report”). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles (“GAAP”) have been condensed or omitted from the accompanying consolidated financial statements. The accompanying year end consolidated balance sheet was derived from the audited financial statements included in the Annual Report. The accompanying interim financial statements are unaudited and reflect all adjustments which are in the opinion of management necessary for a fair statement of the Company’s consolidated financial position, results of operations, comprehensive income/(loss) and cash flows for the periods presented. Unless otherwise noted, all such adjustments are of a normal, recurring nature. All intercompany transactions and balances

have been eliminated in consolidation. The Company's results of operations, comprehensive income / (loss) and cash flows for the interim periods are not necessarily indicative of the results of operations, comprehensive income/(loss) and cash flows that it may achieve in future periods.

References throughout to "we," "our," "us," the "Company" or "Allergan" refer to financial information and transactions of Allergan plc. References to "Warner Chilcott Limited" refer to Warner Chilcott Limited, the Company's indirect wholly-owned subsidiary, and, unless the context otherwise requires, its subsidiaries.

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 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.

NOTE 2 – Reconciliation of Warner Chilcott Limited results to Allergan plc results

Warner Chilcott Limited is an indirect wholly-owned subsidiary of Allergan plc (together with other Warner Chilcott Limited parents, the "Parent"), the ultimate parent of the group. The results of Warner Chilcott Limited are consolidated into the results of

Edgar Filing: Allergan plc - Form 10-Q

Allergan plc. Due to the de minimis activity between Allergan plc and Warner Chilcott Limited, references throughout this filing relate to both Allergan plc and Warner Chilcott Limited. Warner Chilcott Limited representations relate only to itself and not to any other company.

Except where otherwise indicated, and excluding certain insignificant cash and non-cash transactions at the Allergan plc level, these notes relate to the consolidated financial statements for both separate registrants, Allergan plc and Warner Chilcott Limited. In addition to certain inter-company payable and receivable amounts between the entities, the following is a reconciliation of the results of Warner Chilcott Limited to Allergan plc (\$ in millions):

	September 30, 2015			December 31, 2014		
	Warner			Warner		
	Chilcott			Chilcott		
	Allergan plc	Warner	Difference	Allergan plc	Warner	Difference
Cash and cash equivalents	\$2,063.9	\$2,045.7	\$ 18.2	\$250.0	\$244.3	\$ 5.7
Accounts receivable, net	2,143.2	2,143.2	-	1,107.9	1,107.2	0.7
Prepaid expenses and other current assets	748.6	745.8	2.8	478.8	475.9	2.9
Property, plant and equipment, net	1,569.9	1,569.9	-	283.4	282.5	0.9
Accounts payable and accrued liabilities	4,513.5	4,477.3	36.2	2,995.7	2,992.6	3.1

  

	Three Months Ended			Nine Months Ended		
	September 30, 2015			September 30, 2015		
	Warner			Warner		
	Chilcott			Chilcott		
	Allergan plc	Warner	Difference	Allergan plc	Warner	Difference
General and administrative expenses	\$351.4	\$346.1	\$ 5.3	\$1,222.7	\$1,209.6	\$ 13.1
Operating (loss)	(1,343.5)	(1,338.2)	(5.3 )	(2,474.2)	(2,461.1)	(13.1 )
(Loss) before income taxes and noncontrolling interest	(1,679.7)	(1,674.4)	(5.3 )	(3,556.1)	(3,543.0)	(13.1 )
(Benefit) for income taxes	(824.9 )	(824.9 )	-	(1,456.9)	(1,456.9)	-
Net (loss) from continuing operations, net of tax	(854.8 )	(849.5 )	(5.3 )	(2,099.2)	(2,086.1)	(13.1 )
Dividends on preferred stock	69.6	-	69.6	162.4	-	162.4

  

	Three Months Ended			Nine Months Ended		
	September 30, 2014			September 30, 2014		
	Warner			Warner		
	Chilcott			Chilcott		
	Allergan plc	Warner	Difference	Allergan plc	Warner	Difference

Edgar Filing: Allergan plc - Form 10-Q

General and administrative expenses	\$422.9	\$420.4	\$ 2.5	\$740.4	\$731.0	\$ 9.4
Operating (loss)	(1,282.0)	(1,279.5)	(2.5 )	(1,463.3)	(1,453.9)	(9.4 )
(Loss) before income taxes and noncontrolling interest	(1,383.1)	(1,380.6)	(2.5 )	(1,728.2)	(1,718.8)	(9.4 )
(Benefit) for income taxes	(221.0 )	(215.8 )	(5.2 )	(306.6 )	(308.1 )	1.5
Net (loss) from continuing operations, net of tax	(1,162.1)	(1,164.8)	2.7	(1,421.6)	(1,410.7)	(10.9 )

NOTE 3 — Summary of Significant Accounting Policies

The following are interim updates to certain of the policies described in “Note 4” of the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2014 included in the Annual Report.

Revenue Recognition Including Multiple-Element Arrangements

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, billback adjustments, 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.

## Provisions 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 accrued liabilities are also reduced and/or increased by the SRA amount depending on whether we have the right of offset with the customer. These provisions are estimated based on historical payment experience, historical relationship of the deductions to gross product revenues, government regulations, estimated utilization or redemption rates, estimated customer inventory levels and current contract sales terms. The estimation process used to determine our SRA provision has been applied on a consistent basis and no material revenue adjustments have been necessary 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 provision and related reserve varies with changes in product mix, changes in customer pricing and changes to estimated wholesaler inventories. The provision 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 accrual quarterly through a review of the inventory reports obtained from our largest wholesale customers. This customer inventory information is used to verify the estimated liability for future chargeback claims based on historical chargeback and contract rates. These large wholesalers represent the vast majority of the recipients of the Company's chargeback payments. We continually monitor current pricing trends and wholesaler inventory levels to ensure the liability for future chargebacks is fairly stated.

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

**Cash Discounts** — Cash discounts are provided to customers that pay within a specific period. The provision 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 provision for returns and other allowances include returns, pricing adjustments, promotional allowances, loyalty cards and billback adjustments.

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 returns of product are generally not resalable. The Company's estimate of the provision 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 provision, including levels of inventory in the distribution channel, as well as significant market

changes which may impact future expected returns.

Pricing adjustments, which includes shelf stock adjustments, (primarily relate to our generics business held for sale) 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 is based upon specific terms with the Company's customers and includes estimates of existing customer inventory levels based upon their historical purchasing patterns. We regularly monitor all price changes to evaluate the Company's reserve balances. The adequacy of these reserves is readily determinable as pricing adjustments and shelf stock adjustments are negotiated and settled on a customer-by-customer basis.

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.

Billback adjustments, which primarily relate to our generics business held for sale, 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 is a difference between the customer's direct and indirect contract price. The provision for billbacks is estimated based upon historical

purchasing patterns of qualified customers who purchase product directly from us and supplement their purchases indirectly through our wholesale customers.

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.

Accounts receivable balances in the Company's consolidated financial statements are presented net of SRA estimates. SRA balances in accounts receivable were \$198.5 million and \$157.3 million at September 30, 2015 and December 31, 2014, respectively. SRA balances within accounts payable and accrued expenses were \$1,604.5 million and \$1,155.4 million at September 30, 2015 and December 31, 2014, respectively. The movements in the SRA reserve balances for continuing operations in the nine months ended September 30, 2015 are as follows (in millions):

Balance as of December 31, 2014	\$1,312.7
Acquired reserves in the Allergan Acquisition (defined below)	429.5
Provision to reduce gross product sales to net product sales	3,982.7
Payments and other	(3,921.9)
Balance as of September 30, 2015	\$1,803.0

The provisions recorded to reduce gross product sales to net product sales, excluding discontinued operations, were as follows (\$ in millions):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Gross product sales	\$5,577.5	\$2,925.0	\$14,729.5	\$5,676.6
Provisions to reduce gross product sales to net product sales	(1,543.2)	(792.4)	(3,982.7)	(1,410.0)
Net product sales	\$4,034.3	\$2,132.6	\$10,746.8	\$4,266.6
Percentage of provisions to gross sales	27.7	% 27.1	% 27.0	% 24.8

The Company also had SRA reserves relating to discontinued operations of \$1,335.6 million and \$1,666.2 million as of September 30, 2015 and December 31, 2014, respectively. The reclassification to discontinued operations is reflected in payments and other above.

The movement in the percentage of provisions to gross sales is a result of changes in product mix, competition and channels of distribution.

Warranties



As a result of the Allergan Acquisition, 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 nine months ended September 30, 2015 was \$2.8 million. The liability is included in both current and long-term liabilities in the Company's consolidated balance sheets and amounted to \$7.6 million and \$29.7 million, respectively, as of September 30, 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.

## Goodwill and Intangible Assets with Indefinite-Lives

### General

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

### Annual Testing

During 2015, we performed our annual impairment assessment of goodwill. We also assessed IPR&D intangible assets and trade name intangible assets with indefinite lives for impairment. The Company utilized a discount rate for its reporting units of 10.0% and long-term growth rates ranging from 0.0% to 5.0% in its estimation of fair value. The factors used in evaluating goodwill for impairment are subject to change and are tracked against historical results by management. Changes in the key assumptions by management can change the results of testing. The Company determined there was no impairment associated with goodwill or trade name intangible assets.

During the nine months ended September 30, 2015, the Company recorded a \$197.6 million impairment related to IPR&D for select projects as the Company revised its sales forecast of certain assets as well as the timing of the launch of certain projects in connection with the Company's annual review. In addition, during the three and nine months ended September 30, 2015, the Company made the decision to abandon a select IPR&D asset (acquired in connection with the Allergan Acquisition) based on review of research studies, resulting in an impairment of the full

asset value of \$300.0 million. During the three and nine months ended September 30, 2014, the Company recorded an impairment charge of \$165.0 million related to the abandonment of certain R&D projects and an impairment charge of \$140.0 million related to acquired IPR&D due to the U.S. Food and Drug Administration's ("FDA") Cardiovascular and Renal Drugs Advisory Committee ("CRDAC") voting to recommend against approval of Actavis' New Drug Application ("NDA") for the fixed-dose combination of nebivolol and valsartan for the treatment of hypertension.

#### 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 ASC 450. Refer to "NOTE 20 — Commitments and Contingencies" for more information.

## Earnings Per Share (“EPS”)

The Company computes 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 net (loss) / income by the weighted average ordinary shares outstanding during a period. Diluted EPS is based on the treasury stock method and includes the effect from potential issuance of ordinary shares, such as shares issuable pursuant to the exercise of stock options and restricted stock units. Diluted EPS also includes the impact of ordinary share equivalents to be issued upon the mandatory conversion of the Company’s preferred shares. Ordinary share equivalents have been excluded where their inclusion would be anti-dilutive.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>Net income:</b>				
Net (loss) from continuing operations, net, (income) attributable to noncontrolling interest, and dividends on preferred shares	\$(925.8 )	\$(1,162.1 )	\$(2,264.2 )	\$(1,421.9 )
Income from discontinued operations, net of tax	6,157.4	119.3	6,647.9	524.3
Net income / (loss) attributable to ordinary shareholders	\$5,231.6	\$(1,042.8 )	\$4,383.7	\$(897.6 )
Basic weighted average ordinary shares outstanding	393.6	264.3	358.9	204.4
<b>Basic EPS:</b>				
Continuing operations	\$(2.35 )	\$(4.40 )	\$(6.31 )	\$(6.96 )
Discontinued operations	\$15.64	\$0.45	\$18.52	\$2.57
Net income / (loss) per share	\$13.29	\$(3.95 )	\$12.21	\$(4.39 )
Diluted weighted average ordinary shares outstanding	393.6	264.3	358.9	204.4
<b>Diluted EPS:</b>				
Continuing operations	\$(2.35 )	\$(4.40 )	\$(6.31 )	\$(6.96 )
Discontinued operations	\$15.64	\$0.45	\$18.52	\$2.57
Net income / (loss) per share	\$13.29	\$(3.95 )	\$12.21	\$(4.39 )

Stock awards to purchase 5.1 million and 5.2 million ordinary shares for the three and nine months ended September 30, 2015, respectively, were outstanding, but not included in the computation of diluted EPS, because the awards were anti-dilutive for continuing operations and as such the treatment for discontinued operations is also anti-dilutive. The weighted average impact of ordinary share equivalents of 17.6 million and 13.6 million for the three and nine months ended September 30, 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.

Stock awards to purchase 3.1 million and 2.2 million ordinary shares for the three and nine months September 30, 2014, respectively, were outstanding, but not included in the computation of diluted EPS, because the awards were

anti-dilutive for continuing operations and as such the treatment for discontinued operations is also anti-dilutive.

#### 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 September 25, 2015, the FASB issued Accounting Standards Update 2015-16 (ASU 2015-16), which changes the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that measurement period adjustments be recognized in the reporting period in which the adjustment amount is determined. This includes the cumulative impact of measurement period adjustments on current and prior periods. The cumulative adjustment would be reflected within the respective financial statement line items affected. The guidance is effective for fiscal years beginning after December 15, 2015. The Company does not expect the pronouncement to have a material impact on our financial statements

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. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Management believes that the adoption of this guidance will not have a material impact on our financial statements.

## NOTE 4 — Acquisitions and Other Agreements

During the nine months ended September 30, 2015 and the year ended December 31, 2014, the Company acquired material assets and businesses. The pro forma results of the businesses acquired that materially impacted the reported results of the Company are as follows (unaudited; \$ in millions except per share information):

	Nine Months Ended September 30, 2015		
	As reported	Allergan	Pro
		Acquisition	Forma
Net Revenue	\$10,873.5	\$ 1,523.0	\$12,396.5
Net income / (loss) attributable to ordinary shareholders	\$4,383.7	\$ 377.7	\$4,761.4
Net income / (loss) per share			
Basic	\$12.21		\$11.58
Diluted	\$12.21		\$11.58

  

	Three Months Ended September 30, 2014		
	As reported	Allergan	Pro
		Acquisition	Forma
Net Revenue	\$2,150.8	\$ 1,818.6	\$3,969.4
Net income / (loss) attributable to ordinary shareholders	\$(1,042.8)	\$ (684.3 )	\$(1,727.1)
Net income / (loss) per share			
Basic	\$(3.95 )		\$(4.43 )
Diluted	\$(3.95 )		\$(4.43 )

	Nine Months Ended September 30, 2014			
	As reported	Allergan Acquisition	Forest Acquisition	Pro Forma
Net Revenue	\$4,323.3	\$ 5,325.8	\$ 2,307.8	\$11,956.9
Net income / (loss) attributable to ordinary shareholders	\$(897.6 )	\$(2,465.8 )	\$ 142.4	\$(3,221.0 )
Net income / (loss) per share				
Basic	\$(4.39 )			\$(7.67 )
Diluted	\$(4.39 )			\$(7.67 )

Pro forma net (loss) per share includes the impact of share issuances as part of the respective acquisitions.

#### 2015 Transactions

The following are the material transactions that were entered into / completed in the nine months ended September 30, 2015.

## Acquisitions

### AqueSys

On October 16, 2015, the Company acquired AqueSys, Inc. (“AqueSys”), a private clinical stage medical device company focused on developing ocular implants that reduce intraocular pressure (IOP) associated with glaucoma, in an all-cash transaction. Under the terms of the agreement, the Company acquired AqueSys for a \$300.0 million upfront payment and regulatory approval and commercialization milestone payments related to AqueSys' lead development programs, including XEN45, a soft shunt that is implanted in the subconjunctival space in the eye through a minimally invasive procedure with a single use, pre-loaded proprietary injector. The Company will include the financial impact of the transaction in the fourth quarter of 2015.

### Kythera

On October 1, 2015, the Company acquired Kythera Biopharmaceuticals (“Kythera”), for \$75 per share, or approximately \$2.1 billion (the “Kythera Acquisition”). Kythera is focused on the discovery, development and commercialization of novel prescription aesthetic products. Kythera’s lead product is Kybella® injection, the first and only Federal Drug Administration (“FDA”) approved, non-surgical treatment for moderate to severe submental fullness, commonly referred to as double chin. The Company will include the financial impact of the transaction in the fourth quarter of 2015.

### Oculeve

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 \$1.6 million in cash plus \$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. As of September 30, 2015, certain amounts relating to the valuation of tax related matters, contingent consideration and intangible assets have not been finalized. The finalization of these matters may result in changes to goodwill.

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

Preliminary  
Values

as of

September  
30, 2015



Cash and cash equivalents	\$ 1.6
IPR&D intangible assets	286.0
Goodwill	36.3
Other assets and liabilities	(1.9 )
Contingent consideration	(90.0 )
Deferred tax liabilities, net	(97.5 )
Net assets acquired	\$ 134.5

#### 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 and identifiable 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 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 9.9% 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 \$36.3 million was assigned to the US Brands segment.

#### 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

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 United Kingdom (“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 being divested in the Teva Transaction and are included as a component of income from discontinued operations. In addition the acquired financial position is included in assets and liabilities held for sale.

## 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. As of September 30, 2015, certain amounts relating to the valuation of tax-related matters, intangible assets and inventory have not been finalized. The following table summarizes the preliminary fair values of the tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date and reflecting purchase accounting adjustments identified during the quarter (\$ in millions):

	Preliminary Values as of September 30, 2015
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&amp;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.

## Allergan

On March 17, 2015, the Company acquired Allergan, Inc. 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 Allergan Inc.'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 will also benefit significantly from Legacy Allergan's global brand equity and consumer awareness of key products, including Botox® and Restasis®. The transaction also expands 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. As of September 30, 2015, certain amounts relating to the valuation of tax related matters, SRAs, inventories and intangible assets have not been finalized. The finalization of these matters may result in changes to goodwill. The Company expects to finalize such matters by the end of 2015.

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

	Preliminary Values as of March 31, 2015	Measurement Period Adjustments	Preliminary Values as of September 30, 2015
Cash and cash equivalents	\$ 5,424.5	\$ -	\$ 5,424.5
Accounts receivable	962.7	(14.0 )	948.7
Inventories	1,223.2	(4.6 )	1,218.6
Other current assets	318.8	-	318.8
Property, plant and equipment, net	1,202.5	12.0	1,214.5
Other long-term assets	189.3	-	189.3
IPR&D intangible assets	11,010.0	(1,100.0 )	9,910.0
Intangible assets	45,050.5	-	45,050.5
Goodwill	26,368.5	757.0	27,125.5
Current liabilities	(1,212.2 )	(9.9 )	(1,222.1 )
Contingent consideration	(379.1 )	(4.6 )	(383.7 )
Deferred tax liabilities, net	(12,512.9 )	364.1	(12,148.8 )
Other taxes payable	(82.4 )	-	(82.4 )
Other long-term liabilities	(622.0 )	-	(622.0 )
Outstanding indebtedness	(2,183.5 )	-	(2,183.5 )
Net assets acquired	\$ 74,757.9	\$ -	\$ 74,757.9

The measurement period adjustments for IPR&D intangible assets relate to the Company's review of patent lives and revised cash flow assumptions.

#### 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. 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 \$61.8 million and \$456.7 million in three and nine months ended September 30, 2015, respectively.

#### Inventories

The fair value of inventories acquired included an acquisition accounting fair market value step-up of \$923.9 million. In the three and nine months ended September 30, 2015, the Company recognized \$274.5 million and \$778.9 million, respectively, 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 September 30, 2015, was \$145.0 million, 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.

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

	Amount recognized as of the acquisition date	Weighted average useful lives (years)
<b>Definite-lived assets</b>		
Restasis <sup>®</sup>	\$ 3,970.0	4.0
Refresh <sup>®</sup> / Optive <sup>®</sup>	2,720.0	7.6
Other Eye Care Products	6,690.0	4.2
Botox <sup>®</sup>	22,600.0	8.0
Aczone <sup>®</sup>	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
<b>In-process research and development</b>		
Eye Care	5,700.0	
Botox <sup>®</sup>	810.0	
Aesthetics	2,280.0	
Other	1,120.0	
Total IPR&D	9,910.0	
Total intangible assets	\$ 54,960.5	

#### 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. Goodwill from the Allergan Acquisition of \$15,389.2 million, \$3,798.0 million, and \$7,938.3 million was assigned to the US Brands, US Medical Aesthetics, and International Brands segments, respectively.

#### 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 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. 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 de minimis service costs in its statement of operations.

#### 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.



## Acquisition-Related Expenses

As a result of the acquisition, the Company incurred the following transaction and integration costs in the three and nine months ended September 30, 2015 (\$ in millions):

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Cost of sales		
Stock-based compensation acquired for Legacy		
Allergan employees	\$ 4.7	\$ 18.9
Acquisition, integration and restructuring related		
charges	0.3	12.4
Research and development		
Stock-based compensation acquired for Legacy		
Allergan employees	16.6	108.2
Acquisition, integration and restructuring related		
charges	17.5	83.7
Selling and marketing		
Stock-based compensation acquired for Legacy		
Allergan employees	23.6	86.5
Acquisition, integration and restructuring related		
charges	5.4	65.9
General and administrative		
Stock-based compensation acquired for Legacy		
Allergan employees	16.8	243.0
Acquisition-related expenditures	-	65.5
Acquisition, integration and restructuring related		
charges	65.7	231.4
Other (expense) income		
Bridge loan facilities expense	-	(264.9 )
Interest rate lock	-	30.9
Total transaction and integration costs	\$ 150.6	\$ 1,149.5

## Licenses and Asset Acquisitions

Naurex

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 of up to \$1.15 billion, which was accounted for as an asset acquisition with cash consideration recognized as a component of R&D expenses in the three and nine months ended September 30, 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 6, 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. This 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 expenses in the three and nine months ended September 30, 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 Company paid \$125.0 million in the three and nine months ended September 30, 2015 and the remaining \$125.0 million is payable on April 1, 2016. Additionally, Merck will be owed contingent payments based on commercial and development milestones of up to \$965.0 million as well as royalties.

## Divestitures

### Teva

On July 26, 2015, we entered into the Teva Agreement, which is further described in Note 1 - General.

### Australia

On May 1, 2015, the Company divested its Australian generics business to Amneal Pharmaceuticals LLC for upfront consideration of \$5.0 million plus future royalties, (the "Australia Transaction"). As a result of holding the assets for sale as of March 31, 2015, the Company, as a component of income from discontinued operations, impaired intangible assets of \$36.1 million and miscellaneous assets and goodwill allocated to the business of \$2.5 million in the nine months ended September 30, 2015. In addition, the Company recognized a loss on the sale of the business of \$13.6 million in discontinued operations in the nine months ended September 30, 2015 included in discontinued operations.

### 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 the 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 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. As a result of the final terms of the agreement, in the nine months ended September 30, 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 nine months ended September 30, 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 second quarter of 2015, the Company completed the divestiture of the Pharmatech business.

### 2014 Transactions

The following are the material transactions that were completed in the year ended December 31, 2014.

### Durata Therapeutics

On November 17, 2014, the Company completed its tender offer to purchase all of the outstanding shares of Durata Therapeutics, Inc. ("Durata"), an innovative pharmaceutical company focused on the development and

commercialization of novel therapeutics for patients with infectious diseases and acute illnesses (the “Durata Acquisition”). Allergan purchased all outstanding shares of Durata, which were valued at approximately \$724.5 million, including the assumption of debt. Additionally, there is one contingent value right (“CVR”) per share, entitling the holder to receive additional cash payments of up to \$5.00 per CVR if certain regulatory or commercial milestones related to Durata’s lead product Dalvance™ are achieved. The CVR had an acquisition date fair value of \$49.0 million.

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

The Durata 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):

	Final Values
Cash and cash equivalents	\$ 17.8
Inventory	21.0
IPR&D intangible assets	249.0
Intangible assets	480.0
Goodwill	75.8
Other assets and liabilities	(30.2 )
Contingent consideration	(49.0 )
Deferred tax liabilities, net	(39.9 )
Outstanding indebtedness	(67.0 )
Net assets acquired	\$ 657.5

## IPR&amp;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 9.5% and for IPR&D intangible assets was 10.5% 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.

## Contingent Consideration

At the time of the acquisition, additional consideration was conditionally due to the seller based upon the approval of Dalvance™ in Europe, the approval of a single dose indication or the product reaching certain sales milestones. The Company estimated the acquisition accounting fair value of the contingent consideration to be \$49.0 million using a probability weighted 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 the payment, and probability of success rates and discount adjustments on the related cash flows. On March 2, 2015, the Company announced that the European Commission has granted Allergan's subsidiary Durata Therapeutics International B.V., marketing authorization for Xydalba™ (dalbavancin) for the treatment of acute bacterial skin and skin structure infections (ABSSSI) in adults. The approval triggered the first CVR payment. The difference between the fair value of the CVR on the date of acquisition of \$24.5 million and the payment made of \$30.9 million, or \$6.4 million, was recorded as an operating expense in the nine months ended September 30, 2015.

## Furiex

On July 2, 2014, the Company acquired Furiex Pharmaceuticals, Inc. (“Furiex”) in an all-cash transaction (the “Furiex Acquisition”) valued at \$1,156.2 million (including the assumption of debt) and up to approximately \$360.0 million in a CVR that may be payable based on which controlled substance schedule designation (if any) that eluxadoline, Furiex’s lead product, receives following approval (if any), which had an acquisition accounting fair value of \$88.0 million on the date of acquisition (included in the value of \$1,156.2 million). In the second quarter of 2015, the Company received approval from the FDA of the eluxadoline product, Viberzi®.

Viberzi® is a first-in-class, locally-acting mu opioid receptor agonist and delta opioid receptor antagonist for treating symptoms of diarrhea-predominant irritable bowel syndrome (IBS-d), a condition that affects approximately 28 million patients in the United States and Europe.

In connection with the close of the Furiex Acquisition, the Company further announced that it closed the transaction related to the sale of Furiex’s royalties on Alogliptin and Priligy® to Royalty Pharma for \$408.6 million in cash consideration.

## Contingent Consideration

Additional consideration was conditionally due to the seller based upon the status of eluxadoline as a controlled drug, if any. The Company estimated the acquisition accounting fair value of the contingent consideration to be \$88.0 million using a probability weighted 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 the payment, and probability of success rates and discount adjustments on the related cash flows.

As of September 30, 2015, Company anticipated scheduling as a C-IV product from the Drug Enforcement Agency (“DEA”) for Viberzi<sup>®</sup> and recognized an expense of \$59.3 million and \$29.8 million as a component of R&D expense in the three and nine months ended September 30, 2015, respectively, based on the estimated payment to CVR shareholders versus the prior probability weighted outcomes. The final CVR is based on the status of Viberzi<sup>®</sup>, as a schedule C-IV controlled substance, for \$10 in cash for each CVR totaling \$118.5 million which is recorded in accrued expenses.

## Forest Laboratories

On July 1, 2014, the Company acquired Forest Laboratories, Inc. (“Legacy Forest”) for \$30.9 billion including outstanding indebtedness assumed of \$3.3 billion, equity consideration of \$20.6 billion, which includes outstanding equity awards, and cash consideration of \$7.1 billion (the “Forest Acquisition”). Under the terms of the transaction, Legacy Forest shareholders received 89.8 million Allergan plc (formerly Actavis plc) ordinary shares, 6.1 million Allergan plc non-qualified stock options and 1.1 million Allergan plc share units. Legacy Forest was a leading, fully integrated, specialty pharmaceutical company largely focused on the United States market. Legacy Forest marketed a portfolio of branded drug products and developed new medicines to treat patients suffering from diseases principally in the following therapeutic areas: central nervous system, cardiovascular, gastrointestinal, respiratory, anti-infective, and cystic fibrosis. A portion of the assets acquired are being divested as part of the Teva Transaction.

## 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):

	Final Values
Cash and cash equivalents	\$ 3,424.2
Accounts receivable	496.2
Inventories	1,455.8
Other current assets	261.2
Current assets held for sale	87.1
Property, plant and equipment, net	221.1
Other long-term assets	84.1
IPR&D intangible assets	1,362.0
Intangible assets	11,515.5
Goodwill	16,403.6
Current liabilities	(1,372.1 )
Deferred tax liabilities, net	(2,277.3 )

Edgar Filing: Allergan plc - Form 10-Q

Other taxes payable	(618.4 )
Other long-term liabilities	(120.0 )
Outstanding indebtedness	(3,261.9 )
Net assets acquired	\$ 27,661.1

In the quarter ended September 30, 2015, the Company noted an out-of-period adjustment in the final valuation of Forest stated in the table above relating to the valuation of an acquired currently marketed product. The Company over valued the asset and undervalued goodwill based on information available as of the acquisition date. The Company corrected this error as of September 30, 2015 by decreasing the value of intangible assets and increasing the value of goodwill by \$135.0 million. There was no impact to the statement of operations and the Company did not consider the amount material to prior periods.

#### Consideration

The total consideration for the Forest Acquisition of \$27.7 billion is comprised of the equity value of shares that were outstanding and vested prior to July 1, 2014 of \$20.0 billion, the portion of outstanding equity awards deemed to have been earned as



of July 1, 2014 of \$568.1 million and cash of \$7.1 billion. The portion of outstanding equity awards deemed not to have been earned of \$570.4 million as of July 1, 2014 will be expensed over the remaining future vesting period, including \$26.6 million and \$114.4 million in the three and nine months ended September 30, 2015, respectively and \$206.7 million in the three and nine months ended September 30, 2014.

#### Inventories

The fair value of inventories acquired included an acquisition accounting fair market value step-up of \$1,036.3 million. In the three and nine months ended September 30, 2015, the Company recognized \$15.4 million and \$202.0 million, respectively, as a component of cost of sales as the inventory acquired on July 1, 2014 was sold to the Company's customers in addition to a write-off associated with the Respiratory Sale. Included in cost of sales for the three and nine months ended September 30, 2014, was \$479.5 million as the inventory acquired on July 1, 2014 was sold to the Company's customers. These amounts include \$14.3 million and \$26.7 million related to discontinued operations in the nine months ended September 30, 2015 and 2014, respectively.

Included in finished goods inventory as of September 30, 2015 was \$42.6 million, relating to the remaining fair value step-up associated with the Forest Acquisition.

#### Acquisition-Related Expenses

As a result of the Forest Acquisition, the Company incurred the following transaction and integration costs in the three and nine months ended September 30, 2015 (\$ in millions):

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Cost of sales		
Stock-based compensation acquired for Forest		
employees	\$ 0.9	\$ 3.6
Severance-related charges	-	1.1
Research and development		
Stock-based compensation acquired for Forest		
employees	5.5	30.0
Severance-related charges	0.4	9.2
Selling and marketing		
Stock-based compensation acquired for Forest		
employees	9.4	37.8
Severance-related charges	0.4	17.3
General and administrative		
Stock-based compensation acquired for Forest		
employees	10.7	43.0
Other integration charges	17.9	47.6

Edgar Filing: Allergan plc - Form 10-Q

Severance-related charges	1.7	19.2
Total transaction and integration costs	\$ 46.9	\$ 208.8

Edgar Filing: Allergan plc - Form 10-Q

As a result of the transaction, the Company incurred the following transaction and integration costs in the three and nine months ended September 30, 2014 (\$ in millions):

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Cost of sales		
Stock-based compensation acquired for Forest		
employees	\$ 6.1	\$ 6.1
Severance-related charges	7.6	7.6
Research and development		
Stock-based compensation acquired for Forest		
employees	38.8	38.8
Severance-related charges	19.1	19.1
Selling and marketing		
Stock-based compensation acquired for Forest		
employees	37.9	37.9
Severance-related charges	38.8	42.2
Other integration costs	1.6	3.4
General and administrative		
Stock-based compensation acquired for Forest		
employees	123.9	123.9
Severance-related charges	49.1	59.3
Other integration costs	53.6	80.5
Financing related charges	0.6	9.3
Other income (expense)		
Bridge loan facilities	2.8	25.8
Total transaction and integration costs	\$ 379.9	\$ 453.9

#### Western European Divestiture

During the year ended December 31, 2013, the Company held for sale its then current commercial infrastructure in France, Italy, Spain, Portugal, Belgium, Germany and the Netherlands, including products, marketing authorizations and dossier license rights. On April 1, 2014, the Company divested the assets in Western Europe to Aurobindo Pharma Limited for a loss of \$20.9 million which is included as a component of income from discontinued operations.

#### 2013 Transactions

The following are the material transactions that were completed in the year ended December 31, 2013.

#### Warner Chilcott

On October 1, 2013, the Company acquired Warner Chilcott plc (“Warner Chilcott”) in a stock for stock transaction for a value, including the assumption of debt, of \$9.2 billion (the “Warner Chilcott Acquisition”). Warner Chilcott was a leading specialty pharmaceutical company focused on the women’s healthcare, gastroenterology, urology and dermatology segments of the branded pharmaceuticals market, primarily in North America.

#### Inventories

In the nine months ended September 30, 2015, the Company recognized \$1.9 million of fair value step-up as a component of cost of sales as the inventory acquired on October 1, 2013 was sold to the Company’s customers. In the three and nine months ended September 30, 2014, the Company recognized \$13.8 million and \$223.3 million as a component of cost of sales, respectively, as the inventory acquired on October 1, 2013 was sold to the Company’s third party customers. These amounts include zero and \$11.4 million relating to the discontinued operations in the nine months ended September 30, 2015 and 2014, respectively.

## NOTE 5 — Discontinued Operations

## Global Generics Business

On July 27, 2015, the Company announced that it entered into the Teva Transaction. Under the Teva Agreement, Teva will acquire 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 over-the-counter (OTC) commercial unit (excluding OTC eye care products) and some established international brands.

Allergan will retain its global branded pharmaceutical and medical aesthetics businesses, as well as its biosimilars development programs, certain over the counter products, and the Anda Distribution business. The Company will also have continuing involvement with Teva after the close of the transaction. As a result of the Teva Transaction, the Company will hold equity in Teva, continue to distribute Teva products through our Anda Distribution segment as well as purchase product manufactured by Teva for sale in our US Brands segment as part of ongoing transitional service and contract manufacturing agreements.

Financial results of the global generics business are presented as "Income from discontinued operations" on the Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014; and assets and liabilities of the global generics business to be disposed of are presented as "Current assets held for sale", "Non current assets held for sale", "Current liabilities held for sale" and "Long term liabilities held for sale" on the Consolidated Balance Sheet as of September 30, 2015 and December 31, 2014.

The following table presents key financial results of the global generics business included in "Income from discontinued operations" for the three and nine months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Third party revenues	\$1,365.4	\$1,532.3	\$4,570.0	\$4,682.1
Related party sales	65.1	57.8	198.9	179.7
Net revenues	1,430.5	1,590.1	4,768.9	4,861.8
Operating expenses:				
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	775.8	757.7	2,296.1	2,280.8
Research and development	98.9	115.2	317.4	352.7
Selling and marketing	121.1	167.0	429.0	482.5
General and administrative	191.7	144.4	493.6	372.8
Amortization	33.7	168.6	326.7	528.5
In-process research and development impairments	-	-	-	1.3
Asset sales and impairments, net	3.2	7.3	54.1	18.0
Total operating expenses	1,224.4	1,360.2	3,916.9	4,036.6
Operating income	206.1	229.9	852.0	825.2
Other (expense) income, net	-	2.5	(8.4)	(14.2)
(Benefit) / provision for income taxes	(5,951.3)	113.1	(5,804.3)	286.7
Net income from discontinued operations	\$6,157.4	\$119.3	\$6,647.9	\$524.3

Related party revenues represent the sale of products to the Company's Anda Distribution segment.

For the period ended September 30, 2015, the company recorded a deferred tax benefit of \$5,985.4 million related to investments in certain subsidiaries as our intention is not to hold these subsidiaries indefinitely. The recognition of this benefit has been reflected in income from discontinued operations, net of tax with the deferred tax asset reflected in current deferred tax assets on the balance sheet.

The following table presents the aggregate carrying amounts of the major classes of assets and liabilities related to the global generics business to be disposed of (\$ in millions):

	September 30, 2015	December 31, 2014
<b>Assets:</b>		
Accounts receivable, net	\$ 1,955.8	\$ 1,493.3
Inventories	1,163.1	1,098.8
Prepaid expenses and other current assets	314.9	254.6
Current deferred tax assets	354.7	23.3
Property, plant and equipment, net	1,333.7	1,347.5
Investments and other assets	35.0	82.1
Non-current deferred tax assets	124.2	72.7
Product rights and other intangibles	2,992.1	3,091.8
Goodwill	6,093.3	3,655.9
<b>Total assets</b>	<b>\$ 14,366.8</b>	<b>\$ 11,120.0</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,357.9	\$ 1,403.8
Income taxes payable	38.7	16.5
Current deferred tax liabilities	39.4	6.3
Debt and capital leases	6.6	12.6
Deferred revenue	16.5	21.7
Other long-term liabilities	87.2	108.8
Other taxes payable	70.0	102.7
Long-term deferred tax liabilities	473.1	308.1
<b>Total liabilities</b>	<b>\$ 2,089.4</b>	<b>\$ 1,980.5</b>

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

	Nine Months Ended September 30,	
	2015	2014
Depreciation from discontinued operations	\$84.7	\$124.8
Amortization from discontinued operations	326.7	528.5
Capital expenditures	182.6	126.0
Deferred taxes	(6,301.6)	(138.7)





## NOTE 6 – Assets Held For Sale

The following represents net assets held for sale (\$ in millions):

	September 30, 2015	December 31, 2014
Accounts receivable, net	\$ -	\$ 17.7
Inventories	-	161.5
Prepaid expenses and other assets	9.0	161.3
Intangible assets	-	453.0
Goodwill	-	309.1
Impairment on assets held for sale	-	(189.6 )
Total assets held for sale	\$ 9.0	\$ 913.0
Accounts payable and accrued expenses	\$ -	\$ 25.9
Total liabilities held for sale	\$ -	\$ 25.9
Assets from the Teva Transaction	14,366.8	11,120.0
Liabilities from the Teva Transaction	2,089.4	1,980.5
Net assets held for sale	\$ 12,286.4	\$ 10,026.6

As of September 30, 2015, the Company had the followings assets held for sale:

- Total assets of \$14,366.8 million and total liabilities of \$2,089.4 million relating to the Teva Transaction. For further details refer to Note 5 – Discontinued Operations.
- Properties acquired in the Forest Acquisition.
- Facilities in Irvine, California.

As of December 31, 2014, the Company included the following assets held for sale:

- Total assets of \$11,120.0 million and total liabilities of \$1,980.5 million relating to the Teva Transaction. For further details refer to Note 5 – Discontinued Operations.
- Certain intangible assets and related inventory for products sold under the respiratory therapeutic unit. The book value of the respiratory assets held for sale was \$734.0 million as of December 31, 2014, including allocated goodwill to this unit included within US Brands of \$309.1 million. The transaction closed on March 2, 2015.
- Assets in connection with the Pharmatech Transaction, which included assets held for sale of \$97.2 million and liabilities held for sale of \$25.9 million. The transaction closed in the second quarter of 2015.
- Properties acquired in the Forest Acquisition including:
  - Commack, Long Island - \$46.4 million
  - St. Louis, Missouri - \$20.4 million
  - Hauppauge, New York - \$14.8 million

## NOTE 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.

31

---

The Company grants awards with the following features:

- Time-based vesting restricted stock awards;
- Performance-based restricted stock awards measured to the EBITDA, as defined, of the Company or other performance-based targets defined by the Company;
- Performance-based restricted stock awards measured to the Total Stockholders Return, compared to pre-defined 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 earnings per share, total shareholder returns and cost savings targets.

Option award plans 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 award plans include the acquired awards from the Allergan Acquisition ("2015 Acquired Awards") and the acquired awards from the Forest Acquisition ("2014 Acquired Awards"). During the fourth quarter, the Company acquired awards as part of the Kythera Acquisition.

#### 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:

	2015		2015 Acquired		2014		2014 Acquired	
	Grants	Awards	Grants	Awards	Grants	Awards	Grants	Awards
Dividend yield	0	%	0	%	0	%	0	%
Expected volatility	26.0 - 29.0%		26.0		% 29.0		% 28.0	
Risk-free interest rate	1.9-2.1%		0.1-2.1%		1.9 - 2.2%		0 - 2.1	
Expected term (years)	7.0 - 7.5		up to 6.9		7.5		up to 6.4	

#### Share-Based Compensation Expense

Share-based compensation expense recognized in the Company's results of operations for the three months ended September 30, 2015 and 2014 were as follows (\$ in millions):

	Three Months Ended September 30,	
	2015	2014
Equity based compensation awards	\$109.8	\$228.2
Cash-settled equity awards in connection with the Allergan Acquisition	-	-
Cash-settled equity awards in connection with the Furiex Acquisition	-	16.6
Non equity-settled awards other	20.4	-
Total stock-based compensation expense	\$130.2	\$244.8

Share-based compensation expense recognized in the Company's results of operations for the nine months ended September 30, 2015 and 2014 was as follows (\$ in millions):

	Nine Months Ended September 30,	
	2015	2014
Equity-based compensation awards	\$510.5	\$259.4
Cash-settled equity awards in connection with the Allergan Acquisition	127.1	-
Cash-settled equity awards in connection with the Furiex Acquisition	-	16.6
Non equity-settled awards other	20.4	-
Total stock-based compensation expense	\$658.0	\$276.0

Included in the equity-based compensation awards for the three months ended September 30, 2015 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 \$44.6 million and \$18.2 million, respectively. Included in the equity-based compensation awards for the nine months ended September 30, 2015 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 \$269.8 million and \$89.1 million, respectively. Included in the three and nine months ended September 30, 2014, was \$206.7 million of stock-based compensation inclusive of a \$194.1 million of a step-up relating to the acquisition accounting treatment of outstanding awards acquired in the Forest Acquisition.

Unrecognized future stock-based compensation expense was \$775.1 million as of September 30, 2015, including \$376.0 million from the Allergan Acquisition and \$147.1 million from the Forest Acquisition. This amount will be recognized as an expense over a remaining weighted average period of 1.9 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, 2014 through September 30, 2015:

		Weighted Average	Weighted Average	Remaining Contractual Term	Aggregate Grant Date Fair Value
(in millions, except per share data)	Shares	Fair Value	Term (Years)	Fair Value	
Restricted shares / units outstanding at December 31, 2014	2.1	\$148.79	1.3	\$312.5	

Edgar Filing: Allergan plc - Form 10-Q

Granted	0.4	323.92		129.6
Vested	(0.9 )	(140.77 )		(126.7 )
Assumed as part of the Allergan Acquisition **	0.5	218.47		102.8
Forfeited	(0.1 )	(142.96 )		(12.8 )
Restricted shares / units outstanding at September 30, 2015	2.0	\$ 202.68	1.9	\$ 405.4

\*\* Assumed as part of the Allergan Acquisition for the pro rata portion representing future compensation as of March 17, 2015.

33

---

The following is a summary of equity award activity for non-qualified options to purchase ordinary shares in the period from December 31, 2014 through September 30, 2015:

(in millions, except per share data)	Options	Price	Weighted Average Remaining Contractual Exercise Term (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2014	5.4	\$93.96	7.3	\$ 858.9
Granted	0.2	300.43		
Exercised	(2.0 )	(124.52 )		
Assumed as part of the Allergan Acquisition**	7.0	103.63		
Cancelled	(0.4 )	(130.86 )		
Outstanding, September 30, 2015	10.2	\$ 125.03	6.9	\$ 1,498.9
Vested and expected to vest at September 30, 2015	9.6	\$ 124.28	6.8	\$ 1,422.4

\*\* Assumed as part of the Allergan Acquisition for the pro rata portion representing future compensation as of March 17, 2015.

#### NOTE 8 — Reportable Segments

In the third quarter of 2015, there was a strategic shift in the business as a result of the Teva Transaction. As a result, the continuing operations was realigned to reflect the segments as US Brands, US Medical Aesthetics, International Brands and Anda Distribution. Prior to the realignment, the Company operated and managed its business as five distinct operating segments: US Brands, US Medical Aesthetics, International Brands, Global Generics, and Anda Distribution.

Under the new organizational structure being reported, the Company organized its business into four operating segments: US Brands, US Medical Aesthetics, International Brands and Anda Distribution. In addition, certain revenues and shared costs and the results of corporate initiatives are being managed outside of the four segments. The new operating segments are organized as follows:

- The US Brands segment includes sales and expenses relating to branded products within the United States, including certain Botox® therapies.
- The US Medical Aesthetics segment includes sales and expenses relating to aesthetics and dermatology products within the United States, including certain Botox® therapies.
- The International Brands segment includes sales and expenses relating to products sold outside of the United States.

The Anda Distribution segment includes distribution of generic and branded pharmaceutical products manufactured by third parties, as well as by the Company, primarily to independent pharmacies, pharmacy chains, pharmacy buying groups and physicians' offices. The Anda Distribution segment operating results exclude sales of products developed, acquired, or licensed by the US Brands, US Medical Aesthetics and International Brands segments. As the generics business is now reported within discontinued operations, the Anda Distribution segment includes revenues and expenses related to Company manufactured generics products sold through Anda.

The Company evaluates segment performance based on segment contribution. Segment contribution for segments represents net revenues less cost of sales (excluding amortization and impairment of acquired intangibles including product rights), selling and marketing expenses, and select general and administrative expenses. The Company does not evaluate the following items at the segment level:

- Revenues and operating expenses within cost of sales (excluding amortization and impairment of acquired intangibles including product rights), 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 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 sales 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. In July 2014, as a result of the Forest Acquisition, the Company also began recognizing revenues on key US brands, including, but not limited to, Bystolic®, Canasa®, Carafate®, Fetzima®, Linzess®, Namenda IR® (which lost exclusivity in July 2015), Namenda XR®, Saphris®, Teflaro® and Viibryd®.

Cost of sales within segment contribution includes 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, inventory reserve charges 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.

Edgar Filing: Allergan plc - Form 10-Q

Segment net revenues, segment operating expenses and segment contribution information consisted of the following for the three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30, 2015				
	US Brands	US Medical Aesthetics	International Brands	Anda Distribution	Total
Net revenues	\$2,391.3	\$ 457.3	\$ 660.6	\$ 576.0	\$4,085.2
Operating expenses:					
Cost of sales <sup>(1)</sup>	290.2	27.7	112.5	495.5	925.9
Selling and marketing	409.8	89.2	155.8	36.3	691.1
General and administrative	26.9	7.8	41.0	11.0	86.7
Segment Contribution	\$1,664.4	\$ 332.6	\$ 351.3	\$ 33.2	\$2,381.5
Contribution margin	69.6 %	72.7 %	53.2 %	5.8 %	58.3 %
Corporate					608.7
Research and development					1,260.5
Amortization					1,560.2
In-process research and development impairments					300.0
Asset sales and impairments, net					(4.4 )
Operating (loss)					(1,343.5)
Operating margin					(32.9 )%

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

	Three Months Ended September 30, 2014				
	US Brands	US Medical Aesthetics	International Brands	Anda Distribution	Total
Net revenues	\$1,592.7	\$ -	\$ 57.8	\$ 500.3	\$2,150.8
Operating expenses:					
Cost of sales <sup>(1)</sup>	253.1	-	24.7	422.6	700.4
Selling and marketing	315.3	-	10.2	34.7	360.2
General and administrative	36.9	-	5.2	9.1	51.2
Segment Contribution	\$987.4	\$ -	\$ 17.7	\$ 33.9	\$1,039.0
Contribution margin	62.0 %	0.0 %	30.6 %	6.8 %	48.3 %
Corporate					1,034.4
Research and development					276.6
Amortization					705.0
In-process research and development impairments					305.0
Asset sales and impairments, net					-
Operating (loss)					(1,282.0)
Operating margin					(59.6 )%

## Edgar Filing: Allergan plc - Form 10-Q

(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 three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30,	
	2015	2014
Segment net revenues	\$4,085.2	\$2,150.8
Corporate revenues	3.7	-
Net revenues	\$4,088.9	\$2,150.8

Edgar Filing: Allergan plc - Form 10-Q

No other country represents ten percent or more of net revenues outside of the United States. The US Brands, US Medical Aesthetics, and Anda Distribution segments are comprised solely of sales within the United States.

Segment net revenues, segment operating expenses and segment contribution information consisted of the following for nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended September 30, 2015				
	US Brands	US Medical Aesthetics	International Brands	Anda Distribution	Total
Net revenues	\$6,669.4	\$ 1,023.9	\$ 1,496.4	\$ 1,678.4	\$ 10,868.1
Operating expenses:					
Cost of sales <sup>(1)</sup>	831.0	66.8	263.6	1,437.7	2,599.1
Selling and marketing	1,241.2	200.9	394.2	111.4	1,947.7
General and administrative	113.2	21.7	83.4	30.7	249.0
Segment Contribution	\$4,484.0	\$ 734.5	\$ 755.2	\$ 98.6	\$6,072.3
Contribution margin	67.2 %	71.7 %	50.5 %	5.9 %	55.9 %
Corporate					2,251.8
Research and development					1,927.9
Amortization					3,866.1
In-process research and development impairments					497.6
Asset sales and impairments, net					3.1
Operating (loss)					(2,474.2 )
Operating margin					(22.8 )%

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

	Nine Months Ended September 30, 2014				
	US Brands	US Medical Aesthetics	International Brands	Anda Distribution	Total
Net revenues	\$2,719.0	\$ -	\$ 124.3	\$ 1,480.1	\$4,323.4
Operating expenses:					
Cost of sales <sup>(1)</sup>	390.1	-	35.7	1,250.2	1,676.0
Selling and marketing	467.6	-	33.4	100.4	601.4
General and administrative	78.9	-	6.3	25.7	110.9
Segment Contribution	\$1,782.4	\$ -	\$ 48.9	\$ 103.8	\$1,935.1
Contribution margin	65.6 %	0.0 %	39.3 %	7.0 %	44.8 %
Corporate					1,522.9
Research and Development					368.6
Amortization					1,192.2
In-process research and development impairments					320.0

Edgar Filing: Allergan plc - Form 10-Q

Asset sales and impairments, net	(5.3 )
Operating (loss)	(1,463.3 )
Operating margin	(33.8 )%

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

37

---

The following is a reconciliation of net revenues for the operating segments to the Company's net revenues for the nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended September 30,	
	2015	2014
Segment net revenues	\$10,868.1	\$4,323.4
Corporate revenues	5.4	(0.1 )
Net revenues	\$10,873.5	\$4,323.3

No other country represents ten percent or more of net revenues outside of the United States. The US Brands, US Medical Aesthetics, and Anda Distribution segments are comprised solely of sales within in the United States.

The following tables present global net revenues for the top products of the Company for the three and nine months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30,					
	Global		U.S.		International	
	2015	2014	2015	2014	2015	2014
Botox®	\$604.5	\$-	\$435.7	\$-	\$168.8	\$-
Restasis®	328.3	-	312.8	-	15.5	-
Namenda® IR	54.9	307.0	54.9	307.0	-	-
Namenda XR®	214.5	120.6	214.5	120.6	-	-
Fillers	167.6	-	89.7	-	77.9	-
Lumigan®/Ganfort®	157.9	-	71.7	-	86.2	-
Bystolic®	155.7	138.6	155.3	138.1	0.4	0.5
Asacol®/Delzicol®	157.2	153.7	141.9	135.2	15.3	18.5
Alphagan®/Combigan®	120.8	-	81.4	-	39.4	-
Linzess®/Constella®	117.5	80.0	117.5	79.7	-	0.3
Viibryd®/Fetzima®	84.5	66.4	84.5	66.4	-	-
Lo Loestrin®	90.8	71.6	89.8	70.8	1.0	0.8
Breast Implants	64.4	-	32.5	-	31.9	-
Estrace® Cream	87.4	66.7	87.4	66.7	-	-
Aczone®	48.0	-	48.0	-	-	-
Minastrin® 24	74.4	54.0	74.4	54.0	-	-
Other Products Revenues	984.5	591.9	756.6	554.2	227.9	37.7
Total Products Revenues	3,512.9	1,650.5	2,848.6	1,592.7	664.3	57.8
ANDA Revenues	576.0	500.3	576.0	500.3	-	-
Total Net Revenues	\$4,088.9	\$2,150.8	\$3,424.6	\$2,093.0	\$664.3	\$57.8

Edgar Filing: Allergan plc - Form 10-Q

	Nine Months Ended September 30,					
	Global		U.S.		International	
	2015	2014	2015	2014	2015	2014
Botox®	\$1,320.1	\$-	\$926.7	\$-	\$393.4	\$-
Restasis®	683.2	-	651.4	-	31.8	-
Namenda® IR	532.9	307.0	532.9	307.0	-	-
Namenda XR®	569.8	120.6	569.8	120.6	-	-
Fillers	388.1	-	206.6	-	181.5	-
Lumigan®/Ganfort®	355.5	-	165.9	-	189.6	-
Bystolic®	476.9	138.6	476.1	138.1	0.8	0.5
Asacol®/Delzicol®	455.7	455.4	407.8	401.2	47.9	54.2
Alphagan®/Combigan®	272.3	-	184.9	-	87.4	-
Linzess®/Constella®	325.8	80.0	325.8	79.7	-	0.3
Viibryd®/Fetzima®	244.8	66.4	244.8	66.4	-	-
Lo Loestrin®	253.3	202.0	251.7	201.2	1.6	0.8
Breast Implants	145.8	-	66.2	-	79.6	-
Estrace® Cream	229.4	177.9	229.4	177.9	-	-
Aczone®	114.3	-	114.3	-	-	-
Minestrin® 24	195.9	158.4	195.3	158.4	0.6	-
Other Products Revenues	2,631.3	1,136.9	2,143.7	1,068.5	487.6	68.4
Total Products Revenues	9,195.1	2,843.2	7,693.3	2,719.0	1,501.8	124.2
ANDA Revenues	1,678.4	1,480.1	1,678.4	1,480.1	-	-
Total Net Revenues	\$10,873.5	\$4,323.3	\$9,371.7	\$4,199.1	\$1,501.8	\$124.2

No other product represents ten percent or more of total net revenues.

The following table presents net revenues for the US Brands segment for the three and nine months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Central Nervous System (CNS)	\$657.9	\$554.6	\$2,033.2	\$554.6
Eyecare	539.9	-	1,213.2	-
Gastroenterology (GI)	398.6	327.0	1,138.4	593.0
Women's Health	272.8	238.8	767.1	682.1
Cardiovascular	155.3	138.1	476.1	138.1
Infectious Disease	52.3	22.7	138.3	22.7
Urology	69.3	26.7	170.0	83.2
Other	245.2	284.8	733.1	645.3
Total US Brands Net Revenues	\$2,391.3	\$1,592.7	\$6,669.4	\$2,719.0

Edgar Filing: Allergan plc - Form 10-Q

The following table presents revenues for the US Medical Aesthetics segment for the three and nine months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Facial Aesthetics Total	\$ 249.0	\$ -	\$ 547.9	\$ -
Medical Dermatology Total	144.6	-	338.3	-
Plastic Surgery Total	63.7	-	137.7	-
Total US Medical Net Revenues	\$ 457.3	\$ -	\$ 1,023.9	\$ -



The following table presents net revenues for the International Brands segment for the three and nine months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Eyecare	\$281.5	\$-	\$623.5	\$-
Facial Aesthetics	176.6	-	416.5	-
Other Therapeutics	167.9	57.8	370.8	124.3
Plastic Surgery	34.6	-	85.6	-
<b>Total International Brands Net Revenues</b>	<b>\$660.6</b>	<b>\$57.8</b>	<b>\$1,496.4</b>	<b>\$124.3</b>

#### NOTE 9 — Inventories

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

Inventories consisted of the following (\$ in millions):

	September 30, 2015	December 31, 2014
Raw materials	\$ 306.5	\$ 203.5
Work-in-process	108.9	80.9
Finished goods	959.1	755.7
	1,374.5	1,040.1
Less: inventory reserves	89.1	63.4
<b>Total Inventories</b>	<b>\$ 1,285.4</b>	<b>\$ 976.7</b>

Included in finished goods were the following amounts related to the fair-value step-up of acquired inventory (\$ in millions):

	Allergan Acquisition	Forest Acquisition	Durata Acquisition	Warner Chilcott Acquisition	Total
September 30, 2015	\$ 145.0	\$ 42.6	\$ 7.4	\$ —	\$195.0
December 31, 2014	\$ -	\$ 235.5	\$ 16.3	\$ 1.9	\$253.7

## NOTE 10 — Investments and Other Assets

Investments in marketable securities, other investments and other assets consisted of the following (\$ in millions):

	September 30, 2015	December 31, 2014
Marketable securities:		
U.S. Treasury and agency securities — maturing within		
one year	\$ 7.0	\$ 1.0
Total marketable securities	\$ 7.0	\$ 1.0
Investments and other assets:		
Deferred loan costs	\$ 169.0	\$ 58.9
Legacy Allergan Deferred executive compensation		
investments	114.3	—
Cost method and other long-term investments	134.1	54.2
Equity method investments	5.5	0.1
Taxes receivable	18.8	-
Other assets	56.6	40.1
Total investments and other assets	\$ 498.3	\$ 153.3

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.

NOTE 11 — Accounts Payable and Accrued Expenses

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

	September 30, 2015	December 31, 2014
Accrued expenses:		
Accrued third-party rebates	\$ 1,302.5	\$ 905.1
Accrued payroll and related benefits	414.2	201.2
Litigation-related reserves and legal fees	271.1	300.9
Accrued R&D expenditures	245.7	169.9
Accrued non-provision taxes	120.1	3.3
Interest payable	197.0	82.7
Current portion of contingent consideration obligations	194.5	233.9
Royalties payable	131.6	128.9
Accrued returns	302.0	250.3
Accrued selling and marketing expenditures	111.6	9.6
Accrued merger-related costs	109.5	—
Accrued pharmaceutical fees	120.9	118.7
Accrued severance, retention and other shutdown costs	96.4	107.2
Accrued professional fees	39.1	39.3
Manufacturing related	18.3	11.2
Dividends payable	24.0	—
Accrued warranties	7.6	—
Accrued co-promotion liabilities	5.1	7.5
Other accrued expenses	236.4	102.7
Total accrued expenses	\$ 3,947.6	\$ 2,672.4
Accounts payable	565.9	323.3
Total Accounts Payable and Accrued Expenses	\$ 4,513.5	\$ 2,995.7

NOTE 12 — Goodwill, Product Rights and Other Intangible Assets

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

	US		International	Anda	
	US	Medical	Brands	Distribution	Total
	Brands	Aesthetics	Brands	Distribution	Total
Balance as of December 31, 2014	\$20,571.7	\$ -	\$ 207.6	\$ 86.3	\$20,865.6
Additions through acquisitions	15,425.4	3,798.0	8,061.7	-	27,285.1
Measurement period adjustments and other	22.5	-	-	-	22.5
Impairments	-	-	(2.5 )	-	(2.5 )
Held for sale	-	-	(2,437.4 )	-	(2,437.4 )
Foreign exchange and other adjustments	93.2	-	488.6	-	581.8
Balance as of September 30, 2015	\$36,112.8	\$ 3,798.0	\$ 6,318.0	\$ 86.3	\$46,315.1

As of September 30, 2015 and December 31, 2014, the gross balance of goodwill, pre-impairments, was \$46,334.9 million and \$20,882.9 million, respectively.

The following items had a significant impact on goodwill in the nine months ended September 30, 2015:

- An increase in goodwill of \$27,125.5 million resulting from the Allergan Acquisition;
- A decrease in goodwill due to classification of goodwill held for sale in connection with the Teva Transaction of \$2,437.4 million. Goodwill was allocated based on the relative fair value of the former International Brands and Global Generics segments respective reporting units between the assets remaining with Allergan versus those held for sale based upon the expected price to be received upon disposition of the assets. Included within this total is goodwill acquired in the Auden Acquisition of \$123.3 million. The balance of goodwill which was held for sale as of December 31, 2014 was \$3,655.9 million;
- An increase in goodwill of \$36.3 million resulting from the Oculeve Acquisition; and
- Measurement period adjustments increasing goodwill of \$22.5 million resulting from the Forest and Durata Acquisitions and an out-of-period adjustment in goodwill of \$83.6 million relating to the Forest Acquisition. Product rights and other intangible assets consisted of the following (\$ 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 September 30, 2015
<b>Intangibles with definite lives:</b>							
Product rights and other related intangibles	\$ 15,226.5	\$ 44,738.7	\$ -	\$ 2,104.1	\$(964.9 )	\$ 316.0	\$ 61,420.4
Trade name	-	690.0	-	-	-	-	690.0
Total definite-lived intangible assets	\$ 15,226.5	\$ 45,428.7	\$ -	\$ 2,104.1	\$(964.9 )	\$ 316.0	\$ 62,110.4
<b>Intangibles with indefinite lives:</b>							
IPR&D	\$ 4,116.4	\$ 10,289.8	\$(497.6 )	\$(2,104.1 )	\$(38.8 )	\$(3.1 )	\$ 11,762.6
Trade name	76.2	-	-	-	-	-	76.2
Total indefinite-lived intangible assets	\$ 4,192.6	\$ 10,289.8	\$(497.6 )	\$(2,104.1 )	\$(38.8 )	\$(3.1 )	\$ 11,838.8
Total product rights and related intangibles	\$ 19,419.1	\$ 55,718.5	\$(497.6 )	\$-	\$(1,003.7 )	\$ 312.9	\$ 73,949.2

Accumulated Amortization	Balance as of December 31, 2014	Amortization	Impairment	IPR&D to CMP Transfers	Disposals/ Held for Sale/ Other	Foreign Currency Translation	Balance as of September 30, 2015
<b>Intangibles with definite lives:</b>							
	\$ (3,322.5 )	\$(3,825.4 )	\$ -	\$ -	\$ 371.0	\$ 1.8	\$ (6,775.1 )

## Product rights and other related intangibles

Trade name	-	(40.7 )	-	-	-	-	(40.7 )
Total definite-lived intangible assets	\$ (3,322.5 )	\$ (3,866.1 )	\$ -	\$ -	\$ 371.0	\$ 1.8	\$ (6,815.8 )
Total product rights and related intangibles	\$ (3,322.5 )	\$ (3,866.1 )	\$ -	\$ -	\$ 371.0	\$ 1.8	\$ (6,815.8 )
Net Product Rights and Other Intangibles	\$ 16,096.6						\$ 67,133.4

The following items had a significant impact on net product rights and other intangibles in the nine months ended September 30, 2015:

- The Company acquired intangible assets in connection with the Allergan Acquisition of \$54,960.5 million;
- The Company acquired IPR&D assets of \$286.0 million in connection with the Oculeve Acquisition;
- In the nine months ended September 30, 2015, the Company divested Doryx resulting in a reduction of intangible assets of approximately \$46.6 million;

- In the nine months ended September 30, 2015, the Company recognized \$497.6 million in IPR&D impairments which reduced product rights and other intangibles;
- In the nine months ended September 30, 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 nine months ended September 30, 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, annual amortization expense on product rights and other related intangibles as of September 30, 2015 over the remainder of 2015 and each of the next five years is estimated to be as follows (\$ in millions):

	Amortization Expense
2015 remaining	\$ 1,498.1
2016	\$ 6,032.3
2017	\$ 5,978.7
2018	\$ 5,502.9
2019	\$ 5,437.4
2020	\$ 5,188.6

The above amortization expense is an estimate. Actual amounts may change from such estimated amounts due to fluctuations in foreign currency exchange rates, additional intangible asset acquisitions, finalization of preliminary fair value estimates, potential impairments, accelerated amortization or other events.

## NOTE 13 — Long-Term Debt and Capital Leases

Total debt and capital leases consisted of the following (\$ in millions).

	Balance As of		Fair Market Value As of	
	September 30,	December 31,	September 30,	December 31,
	2015	2014	2015	2014
<b>Senior Notes:</b>				
<b>Floating Rate Notes</b>				
\$500.0 million floating rate notes due September 1, 2016	\$500.0	\$ -	\$499.2	\$ -
\$500.0 million floating rate notes due March 12, 2018	500.0	-	498.0	-
\$500.0 million floating rate notes due March 12, 2020	500.0	-	494.8	-
	1,500.0	-	1,492.0	-
<b>Fixed Rate Notes</b>				
\$800.0 million 5.750% notes due April 1, 2016	800.0	-	817.9	-
\$1,000.0 million 1.850% notes due March 1, 2017	1,000.0	-	1,002.0	-
\$500.0 million 1.300% notes due June 15, 2017	500.0	500.0	495.4	489.0
\$1,200.0 million 1.875% notes due October 1, 2017	1,200.0	1,200.0	1,197.6	1,187.3
\$3,000.0 million 2.350% notes due March 12, 2018	3,000.0	-	3,012.0	-
\$250.0 million 1.350% notes due March 15, 2018	250.0	-	244.6	-
\$1,050.0 million 4.375% notes due February 1, 2019	1,050.0	1,050.0	1,107.2	1,111.4
\$500.0 million 2.450% notes due June 15, 2019	500.0	500.0	496.4	498.2
\$400.0 million 6.125% notes due August 15, 2019	400.0	400.0	448.4	457.9
\$3,500.0 million 3.000% notes due March 12, 2020	3,500.0	-	3,509.0	-
\$650.0 million 3.375% notes due September 15, 2020	650.0	-	660.7	-
\$750.0 million 4.875% notes due February 15, 2021	750.0	750.0	807.4	808.9
\$1,200.0 million 5.000% notes due December 15, 2021	1,200.0	1,200.0	1,299.0	1,301.0
\$3,000.0 million 3.450% notes due March 15, 2022	3,000.0	-	2,976.7	-
\$1,700.0 million 3.250% notes due October 1, 2022	1,700.0	1,700.0	1,654.5	1,647.5
\$350.0 million 2.800% notes due March 15, 2023	350.0	-	327.1	-
\$1,200.0 million 3.850% notes due June 15, 2024	1,200.0	1,200.0	1,175.0	1,215.5
\$4,000.0 million 3.800% notes due March 15, 2025	4,000.0	-	3,880.1	-
\$2,500.0 million 4.550% notes due March 15, 2035	2,500.0	-	2,286.2	-
\$1,000.0 million 4.625% notes due October 1, 2042	1,000.0	1,000.0	922.9	980.1
\$1,500.0 million 4.850% notes due June 15, 2044	1,500.0	1,500.0	1,374.7	1,539.9
\$2,500.0 million 4.750% notes due March 15, 2045	2,500.0	-	2,259.3	-
	32,550.0	11,000.0	31,954.1	11,236.7
<b>Total Senior Notes Gross</b>	<b>34,050.0</b>	<b>11,000.0</b>	<b>33,446.1</b>	<b>11,236.7</b>
Unamortized premium	246.1	239.9	-	-
Unamortized discount	(110.3 )	(52.1 )	-	-
<b>Total Senior Notes Net</b>	<b>34,185.8</b>	<b>11,187.8</b>	<b>33,446.1</b>	<b>11,236.7</b>
<b>Term Loan Indebtedness:</b>				
<b>WC Term Loan</b>				
<b>WC Three Year Tranche variable rate debt maturing</b>				
October 1, 2016	191.5	506.9		
<b>WC Five Year Tranche variable rate debt maturing</b>	<b>514.9</b>	<b>744.7</b>		



Edgar Filing: Allergan plc - Form 10-Q

October 1, 2018**		
	706.4	1,251.6
ACT Term Loan		
2017 Term Loan variable rate debt maturing October 31,		
2017**	592.6	932.6
2019 Term Loan variable rate debt maturing July 1, 2019**	1,750.0	1,900.0
	2,342.6	2,832.6
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**	2,612.5	-
	5,362.5	-
Total Term Loan Indebtedness	8,411.5	4,084.2
Other Indebtedness		
Revolver Borrowings	-	255.0
Other	83.2	-
Total Other Borrowings	83.2	255.0
Capital Leases	3.0	4.1
Total Indebtedness	\$42,683.5	\$ 15,531.1

\*\*The indebtedness requires a quarterly repayment of 2.5%.

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. The book value of the outstanding term loan indebtedness approximates fair value as the debt is at variable interest rates and re-prices frequently.

Unless otherwise indicated, the remaining loan balances after the quarterly required payments are due upon maturity.

#### 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 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, the 2018 Floating Rate Notes and the 2020 Floating Rate Notes bear interest at a floating rate equal to three-month LIBOR plus 0.875%, 1.080% and 1.255% per annum, respectively. Interest on the 2016 Floating Rate Notes is payable quarterly on March 1, June 1, September 1 and December 1 of each year, and began on June 1, 2015. 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

The Company has issued fixed rate notes over multiple issuances for various business needs. Interest on the various notes is generally payable semi-annually with various payment dates.

The following represents the activity to the fixed rate notes during the nine months ended September 30, 2015:

- Actavis Funding SCS issued the 1.850% 2017 Notes, the 2.350% 2018 Notes, the 3.000% 2020 Notes, the 3.450% 2022 Notes, the 3.800% 2025 Notes, the 4.550% 2035 Notes and the 4.750% 2045 Notes;
- On May 7, 2015, Actavis Funding SCS and Wells Fargo entered into a second supplemental indenture amending the indenture dated as of March 12, 2015 between Actavis Funding SCS and Warner Chilcott Limited, Actavis Capital S.à r.l., and Actavis, Inc., as guarantors (collectively, the “Guarantors”), and Wells Fargo as supplemented and amended by the first supplemental indenture dated as of March 12, 2015 between Actavis Funding SCS, the Guarantors and Wells Fargo (the “Indenture”). The second supplemental indenture amends certain inconsistencies in the terms of the notes offered under the Indenture; and
- 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 are 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, 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. 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.

45

---

## Term Loan Indebtedness

### WC Term Loan

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”), 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 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 Company is subject to, and, at September 30, 2015, was in compliance with, all financial and operational covenants under the terms of the WC Term Loan.

### 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, Actavis, Inc., 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, Actavis, Inc., 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, Actavis, Inc., BofA, as administrative agent, and the lenders from time to time party thereto.

The Existing ACT Term Loan Agreement amended and restated Actavis, Inc.’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”). The 2017 Term Loan matures on October 31, 2017.

On March 31, 2014, Allergan plc, Actavis Capital, Actavis, Inc., 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 is due July 1, 2019 (the “2019 Term Loan”).

The ACT Term Loan provides that loans thereunder will bear 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.

The Company is subject to, and at September 30, 2015 was in compliance with, all financial and operational covenants under the terms of the ACT Term Loan.

#### 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, Actavis, Inc., 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 to be 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 bear interest at our choice of a per annum rate equal to either (a) a base rate plus an applicable margin per annum varying from (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 is not subject to quarterly amortization and shall be payable in full on the maturity date. The outstanding principal amount of loans under the AGN Five Year Tranche is payable in equal quarterly amounts of 2.50% per quarter prior to March 17, 2020, with the remaining balance payable on March 17, 2020.

The obligations of Actavis Capital under the Term Loan Credit Agreement are guaranteed by Warner Chilcott Limited, Actavis, Inc. and Actavis Funding SCS and will be guaranteed by any subsidiary of Allergan plc (other than Actavis Capital or a direct subsidiary of Allergan plc) that becomes a guarantor of third party indebtedness in an aggregate principal amount exceeding \$350.0 million (unless, in the case of a foreign subsidiary, such guarantee would give rise to adverse tax consequences as reasonably determined by Allergan plc).

#### 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, Actavis, Inc., Actavis Funding SCS, the lenders from time to time party thereto (the “Bridge Lenders”), JPMCB, as administrative agent and the other financial institutions party thereto. Under the Bridge Loan Facility, the 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 Bridge Loan Facility was repaid on April 9, 2015.

Borrowings under the 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 2.50% per annum, depending on the Debt Rating and the number of days for which the loans remain outstanding from the date of funding thereunder or (b) a Eurodollar rate, plus an applicable margin varying from 1.00% per annum to 3.50% per annum, depending on the

Debt Rating and the number of days for which the loans remain outstanding from the date of funding thereunder.

#### Revolving Credit Facility

On December 17, 2014, Allergan plc and certain of its subsidiaries entered into a revolving credit loan and guaranty agreement (the "Revolver Agreement") among Actavis Capital, as borrower, Allergan plc, Warner Chilcott Limited, Actavis, Inc., Actavis Funding SCS, the lenders from time to time party thereto (the "Revolving Lenders"), JPMCB as administrative agent, J.P. Morgan Europe Limited, as London agent, and the other financial institutions party thereto. Under the Revolver Agreement, the Revolving Lenders have committed to provide an unsecured revolving credit facility in an aggregate principal amount of up to \$1.0 billion.

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

set at 0.075% to 0.250% per annum, depending on the Debt Rating, of the unused portion of the revolver. The Revolving Credit Agreement will mature on December 17, 2019.

The obligations under the Revolver Agreement are guaranteed by Allergan plc, Warner Chilcott Limited, Actavis, Inc. and Actavis Funding SCS and will be guaranteed by any subsidiary of Allergan (other than Actavis Capital) that becomes a guarantor of third party indebtedness in an aggregate principal amount exceeding \$350.0 million (unless, in the case of a foreign subsidiary, such guarantee would give rise to adverse tax consequences as reasonably determined by Allergan plc).

The Company is subject to, and as September 30, 2015 was in compliance with, all financial and operational covenants under the terms of the Revolving Credit Facility. At September 30, 2015, there was no outstanding borrowings under the Revolving Credit Facility and letters of credit outstanding were \$28.8 million. The net availability under the Revolving Credit Facility was \$971.2 million. The Company borrowed \$800.0 million against the Revolver Agreement on October 1, 2015, to finance in part, the Kythera Acquisition.

#### Annual Debt Maturities

As of September 30, 2015, annual debt maturities were as follows (\$ in millions):

	Total Payments
2015 remaining	\$155.3
2016	2,175.5
2017	3,999.8
2018	7,095.1
2019	3,325.0
2020	6,093.8
2021 and after	19,617.0
	\$42,461.5
Capital leases	3.0
Other short-term borrowings	83.2
Unamortized premium	246.1
Unamortized discount	(110.3 )
Total Indebtedness	\$42,683.5

Amounts represent total anticipated cash payments assuming scheduled repayments.

#### NOTE 14 — Other Long-Term Liabilities

Other long-term liabilities consisted of the following (\$ in millions):



Edgar Filing: Allergan plc - Form 10-Q

	September 30, 2015	December 31, 2014
Acquisition related contingent consideration liabilities	\$ 579.4	\$ 139.9
Long-term pension and post retirement liability	321.6	48.1
Legacy Allergan deferred executive compensation	114.3	-
Long-term severance and restructuring liabilities	36.3	3.9
Product warranties	29.7	-
Long-term contractual obligations	27.2	29.7
Litigation-related reserves	-	4.9
Other long-term liabilities	26.6	0.5
Total other long-term liabilities	\$ 1,135.1	\$ 227.0

NOTE 15 – Income Taxes

The Company's effective tax rate (benefit) for the nine months ended September 30, 2015 was 41.0% compared to 17.7% for nine months ended September 30, 2014. The effective tax rate for the nine months ended September 30, 2015 was impacted by income earned in jurisdictions with tax rates different from the Irish statutory rate and U.S. losses tax benefited at rates greater than the Irish statutory rate. This is partially offset by amortization of intangibles and the step-up in inventory benefited at rates different from the

Irish statutory rate. Additionally, the tax benefit for the nine months ended September 30, 2015 included a benefit of \$318.9 million for the reversal of a valuation allowance on a portion of U.S. capital loss carryforwards resulting from restructuring associated with the sale of the global generics business, a benefit of \$36.8 million for the recognition of previously unrecognized tax benefits, a benefit of \$41.3 million for certain IPR&D impairments and a benefit of \$44.0 million for net operating losses acquired as part of the Naurex Transaction. The effective tax rate for the nine months ended September 30, 2014 was primarily impacted by U.S. losses tax benefited at rates greater than the Irish statutory rate. This benefit was partially offset by a one-time non-deductible pre-tax expense for the 2015 Branded Prescription Drug Fee of \$101.0 million and certain IPR&D impairments of \$305.0 million in low tax jurisdictions.

For the first and second quarter of 2015, our estimated annual effective tax rate was subject to wide variability due to the overall level of forecasted pre-tax book income, the mix of earnings between jurisdictions and significant acquisition related expenses. As a result, we had computed the income tax benefit for the three months ended March 31, 2015 and six months ended June 30, 2015 based on year to date results. For the nine months ended September 30, 2015, this wide variability no longer exists. Specifically, the level of pre-tax book income is such that the impact of permanent differences no longer creates such variability. As a result, the company is computing the tax benefit based on an estimated annual effective tax rate as required by the accounting standard.

The Company conducts business globally and, as a result, it files federal, state and foreign tax returns. The Company strives to resolve open matters with each tax authority at the examination level and could reach agreement with a tax authority at any time. While the Company has accrued for amounts it believes are the likely outcomes, the final outcome with a tax authority may result in a tax liability that is more or less than that reflected in the condensed 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 between tax authorities, identification of new issues and issuance of new legislation, regulations or case law. Management believes that appropriate amounts of tax and related penalty and interest have been provided for any adjustments that may result from these uncertain tax positions.

The Company is generally no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2007. For the Watson group's 2008 and 2009 tax years, the Company and the IRS have agreed on all issues except the timing of the deductibility of certain litigation costs. Due to our numerous acquisitions we have several concurrent IRS tax audits for pre-acquisition periods. The table below lists the U.S. entities and taxable years that are currently under audit by the IRS, including certain entities which will be transferred to Teva as part of the sale of certain subsidiaries:

IRS Audits	Tax Years
Actavis, Inc.	2009, 2010, 2011 and 2012
Warner Chilcott Corporation	2010, 2011 and 2012
Forest Laboratories, Inc.	2007, 2008 and 2009
Aptalis Holdings, Inc.	2013
Durata Therapeutics Inc.	2012
Allergan, Inc.	2009 and 2010

While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company has accrued for amounts it believes are the likely outcomes at this time.

In the first quarter of 2015, as part of acquisition accounting, the Company accrued income taxes, including withholding taxes, of approximately \$1.2 billion for certain pre-acquisition earnings related to the Allergan Acquisition. The Company expects that future subsidiary earnings will be indefinitely reinvested. In addition, as part of acquisition accounting, the Company accrued \$69.9 million of uncertain tax positions related to the Legacy Allergan pre-acquisition tax years. Substantially all of these unrecognized tax benefits, if recognized, would impact our effective income tax rate.

In the third quarter of 2015, the Company reported its global generics business as a discontinued operation and its assets and liabilities as part of assets held for sale. For the tax provision, the Company appropriately calculated its total provision and its provision for taxes from continuing operations. The difference between these two is recorded as the tax provision or benefit from discontinued operations consistent with the accounting standard. As part of recording assets held for sale, the Company also recorded the tax provision or benefit on certain differences between book and tax on its outside basis of both domestic and foreign subsidiaries. The most significant of these is a \$6.0 billion deferred tax asset related to investments in certain domestic subsidiaries. This asset is appropriately recorded in Q3 since the benefit is expected to be realized in the foreseeable future. Specifically, the deferred tax asset will reverse upon the sale of these subsidiaries to Teva. Refer to “NOTE 5 — Discontinued Operations” for more information.

## NOTE 16 — Shareholders' Equity

A summary of the changes in shareholders' equity for the nine months ended September 30, 2015 consisted of the following (\$ in millions):

	Allergan plc
Shareholders' equity as of December 31, 2014	\$28,331.1
Additional paid-in-capital issued on March 17, 2015 for the	
Allergan Acquisition	34,685.9
Increase in additional paid in capital for share-based	
compensation plans	510.5
Net income attributable to ordinary shareholders	4,383.7
Proceeds from stock plans	195.8
Proceeds from the issuance of Mandatory Convertible	
Preferred Shares (defined below)	4,929.7
Proceeds from the March 2, 2015 issuance of ordinary shares	4,071.1
Excess tax benefit from employee stock plans	54.0
Repurchase of ordinary shares	(108.2 )
Other comprehensive income	420.1
Shareholders' equity as of September 30, 2015	\$77,473.7

	Warner Chilcott Limited
Member's equity as of December 31, 2014	\$ 28,072.6
Contribution from Parent	43,687.3
Dividend to Parent	(138.4 )
Net income attributable to members	4,559.2
Other comprehensive income	420.1
Member's equity as of September 30, 2015	\$ 76,600.8

## 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. 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 nine months ended September 30, 2015, the Company paid \$138.4 million of dividends on preferred shares.

## 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 (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 (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.

The movements in accumulated other comprehensive (loss) for the three and nine months ended September 30, 2015 were as follows (in millions):

	Foreign Currency Translation Items	Unrealized (losses) 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	451.4	3.6	455.0
Total other comprehensive (loss)	451.4	3.6	455.0
Balance as of June 30, 2015	\$ 17.0	\$ (27.4 )	\$ (10.4 )
Other comprehensive income before reclassifications into			
general and administrative	(42.4 )	7.5	(34.9 )
Total other comprehensive income	(42.4 )	7.5	(34.9 )
Balance as of September 30, 2015	\$ (25.4 )	\$ (19.9 )	\$ (45.3 )

The movements in accumulated other comprehensive income / (loss) for the three and nine months ended September 30, 2014 were as follows (in millions):

Foreign	Unrealized	Total
---------	------------	-------

Edgar Filing: Allergan plc - Form 10-Q

	Currency	gains net	Accumulated
	Translation	of tax	Other
	Items		Comprehensive
			Income / (Loss)
Balance as of December 31, 2013	\$ 85.1	\$ 5.4	\$ 90.5
Other comprehensive (loss) / income before			
reclassifications into general and administrative	(0.9 )	0.7	(0.2 )
Total other comprehensive (loss) / income	(0.9 )	0.7	(0.2 )
Balance as of June 30, 2014	\$ 84.2	\$ 6.1	\$ 90.3
Other comprehensive (loss) before reclassifications into			
general and administrative	(308.3 )	(2.3 )	(310.6 )
Total other comprehensive (loss)	(308.3 )	(2.3 )	(310.6 )
Balance as of September 30, 2014	\$ (224.1 )	\$ 3.8	\$ (220.3 )

NOTE 17 — 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 sell 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) / losses on such contracts of \$6.4 million and \$5.8 million during the three and nine months ended September 30, 2015 respectively.

The fair value of outstanding foreign currency derivatives are recorded in "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses." At September 30, 2015 and December 31, 2014, foreign currency derivative assets associated with the foreign exchange option contracts of \$90.9 million and \$2.3 million, respectively, were included in "Prepaid expenses and other current assets." At September 30, 2015, net foreign currency derivative liabilities associated with the foreign exchange forward contracts of \$0.4 million were included in "Accounts payable and accrued expenses."

## NOTE 18 — Fair Value Measurement

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 determined based on Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined based on Level 2 inputs utilize observable quoted prices for similar assets and liabilities in active markets and observable quoted prices for identical or similar assets in markets that are not very active. Fair values determined based on Level 3 inputs utilize unobservable inputs and include valuations of assets or liabilities for which there is little, if any, market activity. A financial asset or liability's classification within the above hierarchy is determined based on the lowest level input that is significant to the fair value measurement.



Edgar Filing: Allergan plc - Form 10-Q

Assets and liabilities measured at fair value or disclosed at fair value on a recurring basis as of September 30, 2015 and December 31, 2014 consisted of the following (in millions):

	Fair Value Measurements as of			
	September 30, 2015 Using:			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Marketable securities	\$7.0	\$7.0	\$-	\$-
Deferred executive compensation investments	114.3	90.7	23.6	-
Foreign currency derivatives	90.9	-	90.9	-
Marketable equity securities	30.2	30.2	-	-
Total assets	\$242.4	\$127.9	\$114.5	\$-
<b>Liabilities:</b>				
Foreign currency derivatives	0.4	-	0.4	-
Deferred executive compensation liabilities	114.3	90.7	23.6	-
Contingent consideration obligations	773.9	-	-	773.9
Total liabilities	\$888.6	\$90.7	\$24.0	\$773.9

52

---

Fair Value Measurements as of				
December 31, 2014 Using:				
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Marketable securities	\$1.0	\$ 1.0	\$ -	\$ -
Foreign currency derivatives	2.3	-	2.3	-
Total assets	\$3.3	\$ 1.0	\$ 2.3	\$ -
<b>Liabilities:</b>				
Contingent consideration obligations	373.8	-	-	373.8
Total liabilities	\$373.8	\$ -	\$ -	\$373.8

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).

#### Foreign Currency Contracts

At September 30, 2015 and December 31, 2014, the notional principal and fair value of the Company's outstanding foreign currency derivative financial instruments were as follows:

	September 30, 2015	December 31, 2014	Notional Fair	Notional Fair
	Principal Value	Principal Value		
(in millions)				
Foreign currency forward exchange contracts	\$35.2	\$(0.4)	\$10.3	\$2.3
Foreign currency sold — put options	850.9	90.9	-	-

The notional principal amounts provide one measure of the transaction volume outstanding as of September 30, 2015 and December 31, 2014, 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 September 30, 2015 and December 31, 2014. 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.

#### 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

Edgar Filing: Allergan plc - Form 10-Q

little or no market activity based on our own assumptions. Changes in the fair value of the contingent consideration obligations, including accretion, are recorded in our consolidated statements of operations as follows (\$ in millions):

Expense / (income)	Three Months Ended	
	September 2015	September 30, 2014
Cost of sales	\$ 20.6	\$ 0.9
Research and development	60.1	1.9
General and administrative	-	-
Total	\$ 80.7	\$ 2.8

Expense / (income)	Nine Months Ended	
	September 2015	September 30, 2014
Cost of sales	\$ 53.1	\$ 2.1
Research and development	34.7	(32.9 )
General and administrative	1.1	-
Total	\$ 88.9	\$ (30.8 )

Edgar Filing: Allergan plc - Form 10-Q

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 nine months ended September 30, 2015 and 2014 (in millions):

	Balance as of 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 as of September 30, 2015
<b>Liabilities:</b>						
Contingent consideration obligations	\$ 373.8	\$ -	\$ 317.8	\$ 88.9	\$ (6.6 )	\$ 773.9

	Balance at December 31, 2013	Net transfers in to (out of) Level 3	Purchases and settlements, net	Net accretion and fair value adjustments	Foreign currency translation	Balance at September 30, 2014
<b>Liabilities:</b>						
Contingent consideration obligations	\$ 203.8	\$ -	\$ 220.5	\$ (30.8 )	\$ (0.8 )	\$ 392.7

During the nine months ended September 30, 2015, the following activity in contingent consideration obligations by acquisition was incurred (\$ in millions):

	Balance as of December 31, 2014	Acquisitions	Fair Value Adjustments and Accretion	Payments and Other	Balance as of September 30, 2015
Medicines 360 acquisition	\$ 126.6	\$ -	\$ 89.3	\$ (75.5 )	\$ 140.4
Furiex Acquisition	88.4	-	30.2	(0.1 )	118.5
Forest Acquisition	52.4	-	(30.1 )	-	22.3
Durata Acquisition	49.0	-	6.4	(30.9 )	24.5
Metrogel acquisition	31.2	-	(0.8 )	0.1	30.5
Uteron acquisition	10.4	-	(2.2 )	-	8.2

Edgar Filing: Allergan plc - Form 10-Q

Allergan Acquisition	-	383.7	(3.6 )	(52.4 )	327.7
Oculeve Acquisition	-	90.0	-	-	90.0
Other	15.8	-	(0.3 )	(3.7 )	11.8
Total	\$ 373.8	\$ 473.7	\$ 88.9	\$ (162.5 )	\$ 773.9

NOTE 19 — Business Restructuring Charges

During 2014 and the nine months ended September 30, 2015, activity related to our business restructuring and facility rationalization activities primarily related to the cost optimization initiatives in conjunction with the Allergan, Forest and Warner Chilcott acquisitions. Restructuring activities for the nine months ended September 30, 2015 as follows (\$ in millions):

	Retention	Severance and 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	7.0	12.6	19.3	38.9
Research and development	69.8	85.3	-	155.1
Selling and marketing	60.4	42.0	-	102.4
General and administrative	96.7	244.8	36.9	378.4
Total expense	233.9	384.7	56.2	674.8
Cash payments	(283.9 )	(127.1 )	(39.9 )	(450.9)
Other reserve impact	0.2	(257.6 )	(2.0 )	(259.4)
Reserve balance at September 30, 2015	89.2	-	43.5	132.7

During the three months ended September 30, 2015 and 2014, the Company recognized restructuring charges of \$42.1 million and \$267.7 million, respectively. During the nine months ended September 30, 2015 and 2014, the Company recognized restructuring charges of \$674.8 million and \$322.7 million, respectively.

#### NOTE 20 – Commitments & 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 September 30, 2015, the Company's consolidated balance sheet includes accrued loss contingencies of approximately \$375.0 million, which includes the amount relating to the resolution with the federal government, as well as 50 states and the District of Columbia, concluding the previously disclosed federal investigation into certain sales and marketing practices involving several Warner Chilcott products during the time period January 2009 through March 2013.

#### Antitrust Litigation

Actos<sup>®</sup> Litigation. On December 31, 2013 two putative class actions, on behalf of putative classes of indirect purchaser plaintiffs, were filed in the federal court for the Southern District of New York against Actavis plc and certain of its affiliates alleging that Watson Pharmaceuticals, Inc.'s ("Watson" now known as Actavis, Inc.) 2010 patent lawsuit settlement with Takeda Pharmaceutical, Co. Ltd. related to Actos<sup>®</sup> (pioglitazone hydrochloride and metformin "Acto<sup>®</sup>") is unlawful. Several additional complaints have also been filed. Plaintiffs then filed a consolidated, amended complaint on May 20, 2014. The amended complaint generally alleges an overall scheme that included Watson improperly delaying the launch of its generic version of Actos<sup>®</sup> in exchange for substantial payments from Takeda in violation of federal and state antitrust and consumer protection laws. The complaint seeks declaratory and injunctive relief and unspecified damages. Defendants have moved to dismiss the amended complaint. On September 23, 2015, the court granted the motion to dismiss the indirect purchasers' complaint in its entirety. In May 2015, two additional putative class action complaints, each of which makes similar allegations against the Company and Takeda, were filed by plaintiffs on behalf of a putative class of direct purchasers.

The Company believes that it has substantial meritorious defenses to the claims alleged. However, these actions, if successful, 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.

AndroGel<sup>®</sup> Litigation. On January 29, 2009, the U.S. Federal Trade Commission and the State of California filed a lawsuit in federal district court in California alleging that the September 2006 patent lawsuit settlement between

Watson and Solvay Pharmaceuticals, Inc. (“Solvay”), related to AndroGel<sup>®</sup> 1% (testosterone gel) CIII is unlawful. The complaint generally alleged that Watson improperly delayed its launch of a generic version of AndroGel<sup>®</sup> in exchange for Solvay’s agreement to permit Watson to co-promote AndroGel<sup>®</sup> for consideration in excess of the fair value of the services provided by Watson, in violation of federal and state antitrust and consumer protection laws. The complaint sought equitable relief and civil penalties. On February 2 and 3, 2009, three separate lawsuits alleging similar claims were filed in federal district court in California by various private plaintiffs purporting to represent certain classes of similarly situated claimants. On April 8, 2009, the Court transferred the government and private cases to the United States District Court for the Northern District of Georgia. The FTC and the private plaintiffs filed amended complaints on May 28, 2009. The private plaintiffs amended their complaints to include allegations concerning conduct before the U.S. Patent and Trademark Office (the “USPTO”), conduct in connection with the listing of Solvay’s patent in the FDA “Orange Book,” and sham litigation. Additional actions alleging similar claims have been filed in various courts by other private plaintiffs purporting to represent certain classes of similarly situated direct or indirect purchasers of AndroGel<sup>®</sup>. The Judicial Panel on Multidistrict Litigation (“JPML”) transferred all federal court actions then pending outside of Georgia to that district. The district court then granted the Company’s motion to dismiss all claims except the private plaintiffs’ sham litigation claims. After the dismissal was upheld by the Eleventh Circuit Court of Appeals, the FTC petitioned the United States Supreme Court to hear the case. On June 17, 2013, the Supreme Court issued a decision, holding that the settlements between brand and generic drug companies which include a payment from the brand company to the generic competitor must be evaluated under a “rule of reason” standard of review and ordered the case remanded (the “Supreme Court AndroGel Decision”). The case is now back in the district court in Georgia August 5, 2014 the indirect purchaser plaintiffs filed an amended complaint which the Company answered on September 15, 2014.

The Company believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, 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.

**Asacol® Litigation.** On June 22, 2015, two class action complaints were filed 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. All of the actions were consolidated in the federal district court. On September 21, 2015, three additional complaints were filed on behalf of putative classes of indirect purchasers, each raising similar allegations to the complaints filed in June 2015.

The Company believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, 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.

**Botox® Litigation.** On February 24, 2015, a class action complaint was filed in federal court in California. The complaint alleges 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. Plaintiffs filed an amended complaint on May 29, 2015. On June 29, 2015, the Company filed a motion to dismiss the complaint. On October 20, 2015, the Court denied the Company's motion to dismiss the complaint. The Company believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, 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.

**Cipro® Litigation.** Beginning in July 2000, a number of suits were filed against Watson and certain Company affiliates including The Rugby Group, Inc. ("Rugby") in various state and federal courts alleging claims under various federal and state competition and consumer protection laws. The actions generally allege that the defendants engaged in unlawful, anticompetitive conduct in connection with alleged agreements, entered into prior to Watson's acquisition of Rugby from Sanofi Aventis ("Sanofi"), related to the development, manufacture and sale of the drug substance ciprofloxacin hydrochloride, the generic version of Bayer's brand drug, Cipro®. The actions generally seek declaratory judgment, damages, injunctive relief, restitution and other relief on behalf of certain purported classes of individuals and other entities. While many of these actions have been dismissed, actions remain pending in various state courts, including California, Kansas, Tennessee, and Florida. There has been activity in Tennessee and Florida since 2003. In the action pending in Kansas, plaintiffs' motion for class certification has been fully briefed. In the action pending in the California state court, following the decision from the United States Supreme Court in the Federal Trade Commission v. Actavis matter involving AndroGel®, described above, Plaintiffs and Bayer announced that they reached an agreement to settle the claims pending against Bayer and Bayer has now been dismissed from the action. Plaintiffs are continuing to pursue claims against the generic defendants, including Watson and Rugby. The remaining parties submitted letter briefs to the court regarding the impact of the Supreme Court AndroGel Decision and on May 7, 2015, the California Supreme Court issued a ruling, consistent with the Supreme Court AndroGel Decision discussed above, that the settlements between brand and generic drug companies which include a payment from the brand company to the generic competitor must be evaluated under a "rule of reason" standard of review.



In addition to the pending actions, the Company understands that various state and federal agencies are investigating the allegations made in these actions. Sanofi has agreed to defend and indemnify Watson and its affiliates in connection with the claims and investigations arising from the conduct and agreements allegedly undertaken by Rugby and its affiliates prior to Watson's acquisition of Rugby, and is currently controlling the defense of these actions.

Doryx<sup>®</sup> 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<sup>®</sup> 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. Following the filing of Mylan's complaint, three putative class actions were filed against Warner Chilcott and Mayne by purported direct purchasers, and one putative class action was filed against by purported indirect purchasers. In addition, four retailers filed in the same court a civil antitrust complaint in their individual capacities against Warner Chilcott and Mayne regarding Doryx<sup>®</sup>. In each of the class and individual cases the plaintiffs allege that they paid higher prices for Warner Chilcott's Doryx<sup>®</sup> products as a result of Warner Chilcott's and Mayne's alleged actions preventing or delaying generic competition in violation of U.S. federal antitrust laws and/or state laws. Plaintiffs seek unspecified injunctive relief, treble damages and/or attorneys' fees. All of the actions were consolidated in the federal district court.

Warner Chilcott and Mayne's motion to dismiss was denied without prejudice by the court in June 2013. Thereafter, Warner Chilcott and Mayne reached agreements to settle the claims of the Direct Purchaser Plaintiff class representatives, the Indirect Purchaser Plaintiff class representatives and each of the individual retailer plaintiffs. 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 is appealing the district court's decision to the Third Circuit Court of Appeals.

The Company intends to vigorously defend its rights in the litigations. However, it is impossible to predict with certainty the outcome of any litigation and whether any additional similar suits will be filed.

**Lidoderm® Litigation.** On November 8, 2013, a putative class action was filed in the federal district court against Actavis, Inc. and certain of its affiliates alleging that Watson's 2012 patent lawsuit settlement with Endo Pharmaceuticals, Inc. related to Lidoderm® (lidocaine transdermal patches, "Lidoderm®") is unlawful. The complaint, asserted on behalf of putative classes of direct purchaser plaintiffs, generally alleges that Watson improperly delayed launching generic versions of Lidoderm® in exchange for substantial payments from Endo in violation of federal and state antitrust and consumer protection laws. The complaint seeks declaratory and injunctive relief and damages. Additional lawsuits containing similar allegations have followed on behalf of other classes of putative direct purchasers and suits have been filed on behalf of putative classes of end-payer plaintiffs. The Company anticipates additional claims or lawsuits based on the same or similar allegations may be filed. On April 3, 2014 the JPML consolidated the cases in federal district court in California. Defendants filed motions to dismiss each of the plaintiff classes' claims. On November 17, 2014, the court issued an order granting the motion in part but denying it with respect to the claims under Section 1 of the Sherman Act. Plaintiffs then filed an amended, consolidated complaint on December 19, 2014. Defendants have responded to the amended consolidated complaint. On March 5, 2015, a group of five retailers filed a civil antitrust complaint in their individual capacities regarding Lidoderm® in the same court where it was consolidated with the direct and indirect purchaser class complaints. The retailer complaint recites similar facts and asserts similar legal claims for relief to those asserted in the related cases described above. The five retailers amended their complaint on July 27, 2015.

The Company believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, 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.

**Loestrin® 24 Litigation.** On April 5, 2013, two putative class actions were filed in the federal district court against Actavis, Inc. and certain affiliates alleging that Watson's 2009 patent lawsuit settlement with Warner Chilcott related to Loestrin® 24 Fe (norethindrone acetate/ethinyl estradiol tablets and ferrous fumarate tablets, "Loestrin® 24") is unlawful. The complaints, both asserted on behalf of putative classes of end-payers, generally allege that Watson and another generic manufacturer improperly delayed launching generic versions of Loestrin® 24 in exchange for substantial payments from Warner Chilcott, which at the time was an unrelated company, 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-payers. In addition to the end-payer suits, two lawsuits have been filed on behalf of a class of direct payors. The Company anticipates additional claims or lawsuits based on the same or similar allegations. After a hearing on September 26, 2013, the JPML issued an order transferring all related Loestrin® 24 cases to the federal court for the District of Rhode Island. On September 4, 2014, the court granted the defendants' motion to dismiss the complaint. The plaintiffs are appealing the district court's decision to the First Circuit Court of Appeals.

The Company believes it has substantial meritorious defenses and intends to defend itself vigorously including in the appeal of the district court's decision granting the Company's motion to dismiss. However, these actions, if successful,

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.

Namenda<sup>®</sup> 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 is acting to prevent or delay generic competition to Forest's immediate-release product Namenda<sup>®</sup> in violation of federal and New York antitrust laws and committed other fraudulent acts in connection with its commercial plans for Namenda<sup>®</sup> XR. In the complaint, the state seeks unspecified monetary damages and injunctive relief. On September 24, 2014, the state filed a motion for a preliminary injunction prohibiting Forest from discontinuing or otherwise limiting the availability of immediate-release Namenda<sup>®</sup> until the conclusion of the litigation. A hearing was held in November 2014 on the state's preliminary injunction motion. On December 11, 2014, the district court issued a ruling granting the state's injunction motion and issued an injunction on December 15, 2014. On May 22, 2015, the Court of Appeals for the Second Circuit affirmed the preliminary injunction. On June 5, 2015, Forest filed a petition with the Second Circuit for rehearing en banc which was denied. 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® XR patent litigation settlements between Forest and generic companies also violated the antitrust laws. The Company believes it has substantial meritorious defenses and intends to defend both its brand and generic defendant entities vigorously. However, these actions, if successful, 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.

**Zymar®/Zymaxid® Litigation.** On February 16, 2012, Apotex Inc. and Apotex Corp. filed a complaint in the federal district court in Delaware Senju Pharmaceuticals Co., Ltd. ("Senju"), Kyorin Pharmaceutical Co., Ltd. ("Kyorin"), and Allergan, Inc. ("Allergan") 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's ZYMAR® gatifloxacin ophthalmic solution 0.3% and ZYMAXID® gatifloxacin ophthalmic solution 0.5% products. On May 24, 2012, Allergan filed a motion to dismiss the complaint to the extent it seeks to impose liability for alleged injuries occurring prior to August 19, 2011, which is the date Apotex obtained final approval of its proposed generic product. Allergan and the other defendants also moved to dismiss. Defendants also filed a motion to stay the action pending resolution of related patent actions in the federal court in Delaware and in the U.S. Court of Appeals for the Federal Circuit. On February 7, 2013, the court granted defendants' motion to stay the proceedings pending resolution of the appeal in the patent dispute and denied the motion to dismiss without prejudice to renew. On September 18, 2014, defendants filed a new motion to dismiss the Apotex plaintiffs' complaint. The court dismissed Allergan's motion on May 2, 2015. Thereafter, Allergan filed an answer to Apotex's complaint on June 1, 2015. 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 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'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 Company believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, 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.

#### Commercial Litigation

**Botox® Royalty Dispute.** On June 3, 2014, the Regents for the University of the Colorado filed a complaint against Allergan, Inc. and Allergan Botox Limited (together, the "Allergan Parties") in federal district court in Colorado. The complaint alleges various breaches of a license agreement. On July 24, 2014, plaintiffs filed an amended complaint alleging that the Allergan Parties breached the license agreement with the University of Colorado as follows: (1) failing to use a mutually agreed-upon survey provider for calculation of net BOTOX® sales covered by the license agreement, (2) failing to provide books and records to the University, (3) failing to pay for an inspection by an outside vendor of the Allergan Parties' books and records, (4) underpaying royalties owed, and (5) failing to prosecute the European patent application number 10169366.1 (the "'366 application"). The Company has reached an agreement with plaintiffs to settle the dispute and on August 12, 2015 the court entered a stipulation to dismiss the case.

**Celexa®/Lexapro® Class Actions.** Forest and certain of its affiliates are defendants in three federal court actions filed on behalf of individuals who purchased Celexa® and/or Lexapro® for pediatric use, all of which have been consolidated for pretrial purposes in an MDL proceeding in the federal district court Massachusetts (the "Celexa®/Lexapro® MDL"). These actions, two of which were originally filed as putative nationwide class actions, and one of which is a putative California-wide class action, allege that Forest marketed Celexa® and/or Lexapro® for off-label pediatric use and paid illegal kickbacks to physicians to induce prescriptions of Celexa® and Lexapro®. The complaints assert various similar claims, including claims under the state consumer protection statutes and state common laws. Plaintiffs in the various actions sought to have certified California, Missouri, Illinois and New York

state-wide classes. However, only the Missouri state class was certified. Forest subsequently reached an agreement with the MDL plaintiffs to settle the Missouri class claims, including claims by both individuals and third party payors that purchased Celexa<sup>®</sup> or Lexapro<sup>®</sup> for use by a minor from 1998 to December 31, 2013, for \$7.65 million with a potential to increase the amount to \$10.35 million if settling plaintiffs meet certain thresholds. On September 8, 2014 the court granted final approval for the settlement.

Additional actions relating to the promotion of Celexa<sup>®</sup> and/or Lexapro<sup>®</sup> have been filed all of which have been consolidated in the Celexa<sup>®</sup>/Lexapro<sup>®</sup> MDL. On May 3, 2013, an action was filed in federal court in California on behalf of individuals who purchased Lexapro<sup>®</sup> for adolescent use, seeking to certify a state-wide class action in California and alleging that our promotion of Lexapro<sup>®</sup> for adolescent depression has been deceptive. On March 5, 2014 the court granted Forest's motion to dismiss this complaint. Plaintiff then appealed the district court's decision to the Court of Appeals for the First Circuit and on February 20, 2015, the First Circuit affirmed the dismissal of the complaint, ruling that Plaintiffs' California state law claims were preempted by the Federal Food, Drug, and Cosmetic Act (FDCA). On November 13, 2013, an action was filed in federal court in Minnesota seeking to certify a nationwide class of third-party payor entities that purchased Celexa<sup>®</sup> and Lexapro<sup>®</sup> for pediatric use. The complaint asserts claims under the federal Racketeer Influenced and Corrupt Organizations Act, alleging that Forest engaged in an off-label marketing scheme and paid illegal kickbacks to physicians to induce prescriptions of Celexa<sup>®</sup> and Lexapro<sup>®</sup>. Forest moved to dismiss the complaint and on December 12,

2014, the court issued a ruling dismissing plaintiff's claims under Minnesota's Deceptive Trade Practices Act, but denying the remaining portions of the motion. On March 13, 2014, an action was filed in the federal court in Massachusetts by two third-party payors seeking to certify a nationwide class of persons and entities that purchased Celexa® and Lexapro® for use by pediatric use. The complaint asserts claims under the federal Racketeer Influenced and Corrupt Organizations Act, state consumer protection statutes, and state common laws, alleging that Forest engaged in an off-label marketing scheme and paid illegal kickbacks to physicians to induce prescriptions of Celexa® and Lexapro®. The court granted Forest's motion to dismiss this complaint in its December 12, 2014 ruling. 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 Racketeer Influenced and Corrupt Organizations Act, alleging that Forest engaged in off-label marketing scheme and paid illegal kickbacks to physicians to induce prescriptions of Celexa® and Lexapro®. Forest's response to the complaint was filed 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.

Forest and certain of its affiliates are also named as defendants in two actions filed on behalf of entities or individuals who purchased or reimbursed certain purchases of Celexa® and Lexapro® for pediatric use pending in the Missouri state court. These claims arise from similar allegations as those contained in the federal actions described in the preceding paragraphs. One action, filed on November 6, 2009, was brought by two entities that purchased or reimbursed certain purchases of Celexa® and/or Lexapro®. The complaint asserts claims under the Missouri consumer protection statute and Missouri common law, and seeks unspecified damages and attorneys' fees. The other action, filed on July 22, 2009, was filed as a putative class action on behalf of a class of Missouri citizens who purchased Celexa® for pediatric use. The complaint asserts claims under the Missouri consumer protection statute and Missouri common law, and seeks unspecified damages and attorneys' fees. In October 2010, the court certified a class of Missouri domiciliary citizens who purchased Celexa® for pediatric use at any time prior to the date of the class certification order, but who do not have a claim for personal injury. The Company reached agreements with both sets of plaintiffs in the Missouri actions to resolve each matter for payments that are not material to our financial condition or results of operations.

The Company intends to continue to vigorously defend against these actions. At this time, the Company does not believe losses, if any, would have a material effect on the results of operations or financial position taken as a whole.

Telephone Consumer Protection Act Litigation. A putative class action complaint against Anda, Inc. ("Anda"), a subsidiary of the Company, in Missouri state court alleging conversion and alleged violations of the Telephone Consumer Protection Act ("TCPA") and Missouri Consumer Fraud and Deceptive Business Practices Act. An amended complaint alleges that by sending unsolicited facsimile advertisements, Anda misappropriated the class members' paper, toner, ink and employee time when they received the alleged unsolicited faxes, and that the alleged unsolicited facsimile advertisements were sent to the plaintiff in violation of the TCPA and Missouri Consumer Fraud and Deceptive Business Practices Act. The complaint seeks to assert class action claims on behalf of the plaintiff and other similarly situated third parties. On May 19, 2011, the plaintiff's filed a motion seeking certification of a class of entities with Missouri telephone numbers who were sent Anda faxes for the period January 2004 through January 2008 but the court vacated the class certification hearing until the FCC Petition, described in more detail below, was addressed. On May 1, 2012, a separate action was filed in federal court in Florida, purportedly on behalf of the "end users of the fax numbers in the United States but outside Missouri to which faxes advertising pharmaceutical products for sale by Anda were sent." On July 10, 2012, Anda filed its answer and affirmative defenses. The parties filed a joint motion to stay the action pending the resolution of the FCC Petition which the court granted. In addition, 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 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.

In a related matter, in November 2010 Anda filed a petition with the FCC, asking the FCC to clarify the statutory basis for its regulation requiring "opt-out" language on faxes sent with express permission of the recipient (the "FCC Petition"). On May 2, 2012, the Consumer & Governmental Affairs Bureau of the FCC dismissed the FCC Petition. On May 14, 2012, Anda filed an application for review of the Bureau's dismissal by the full Commission, requesting the FCC to vacate the dismissal and grant the relief sought in the FCC Petition. The FCC did not rule on the application for review. 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. On January 31, 2014, the FCC issued a Public Notice seeking comment on several other recently-filed petitions, all similar to the one Anda filed in 2010. On October 30, 2014, the FCC issued a final order on the FCC Petition granting Anda, 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. Anda, 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.

Anda and Forest believe they have substantial meritorious defenses to the putative class actions brought under the TCPA, and intend to defend the actions vigorously. However, these actions, if successful, could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

**Prescription Drug Abuse Litigation.** 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. In the California action, on August 27, 2015, the court stayed the action based on primary jurisdiction arguments raised in the motions to dismiss. The Company anticipates that additional suits will be filed. The Company believes it has several meritorious defenses to the claims alleged. However, an adverse determination in these actions could have an adverse effect on the Company's business, results of operations, financial condition and cash flows.

**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 Racketeer Influenced and Corrupt Organizations Act and state consumer protection laws in connection with the sale and marketing of certain testosterone replacement therapy pharmaceutical products ("TRT Products"), including the Company's Androderm<sup>®</sup> 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 and the motion remains pending. The Company believes it has substantial meritorious defenses to the claims alleged and intends to vigorously defend the action. However, an adverse determination in the case could have an adverse effect on the Company's business, results of operations, financial condition and cash flows.

**TNS Products Litigation.** On March 19, 2014, a complaint was filed in the federal district court in California. 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 January 15, 2015, the court set a trial date of February 16, 2016. 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. The Company believes it has substantial meritorious defenses and intends to defend itself vigorously. However, these actions, if successful, 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.



West Virginia Prescription Drug Abuse Litigation. On June 26, 2012, the State of West Virginia filed a lawsuit against multiple distributors of prescription drugs, including Anda. The complaint generally alleges that the defendants distributed prescription drugs in West Virginia in violation of state statutes, regulation and common law. The complaint seeks injunctive relief and unspecified damages and penalties. On January 3, 2014, plaintiff filed an amended complaint which the defendants moved to dismiss. On December 16, 2014, the court issued an order denying the defendants' motion to dismiss. On January 27, 2015, the State filed a second amended complaint which the Company moved to dismiss. On September 8, 2015, the court issued a ruling denying the motion to dismiss the second amended complaint. On October 23, 2015, defendants filed a writ of prohibition in the Supreme Court of Appeals of West Virginia seeking review of the court's denial of the motion to dismiss the second amended complaint. The case is in its preliminary stages and the Company believes it has substantial meritorious defenses to the claims alleged. However, an adverse determination in the case could have an adverse effect on the Company's business, results of operations, financial condition and cash flows.

## Employment Litigation

In July 2012, Forest and certain of its affiliates were named as defendants in an action brought by certain former company sales representatives and specialty sales representatives in the federal district court in New York. The action is a putative class and collective action, and alleges class claims under Title VII for gender discrimination with respect to pay and promotions, as well as discrimination on the basis of pregnancy, and a collective action claim under the Equal Pay Act. The proposed Title VII gender class includes all current and former female sales representatives employed by the Company throughout the U.S. from 2008 to the date of judgment, and the proposed Title VII pregnancy sub-class includes all current and former female sales representatives who have been, are, or will become pregnant while employed by the Company throughout the U.S. from 2008 to the date of judgment. The proposed Equal Pay Act collective action class includes current, former, and future female sales representatives who were not compensated equally to similarly-situated male employees during the applicable liability period. The Second Amended Complaint also includes non-class claims on behalf of certain of the named Plaintiffs for sexual harassment and retaliation under Title VII, and for violations of the Family and Medical Leave Act. On August 14, 2014, the court issued a decision on the Company's motion to dismiss, granting it in part and denying it in part, striking the plaintiffs' proposed class definition and instead limiting the proposed class to a smaller set of potential class members and dismissing certain of the individual plaintiffs' claims. Plaintiffs filed a motion for conditional certification of an Equal Pay Act collective action on May 22, 2015 which the Company has opposed. On September 2, 2015, the court granted plaintiffs motion to conditionally certify a collective action. The litigation is still in its early stages and the parties are beginning to work on discovery matters. The Company intends to continue to vigorously defend against this action. At this time, the Company does not believe losses, if any, would have a material effect on the results of operations or financial position taken as a whole.

## FDA Litigation

In May 2002, Company subsidiary Watson Laboratories, Inc. reached an agreement with the FDA on the terms of a consent decree with respect to its Corona, California manufacturing facility. The court approved the consent decree on May 13, 2002 (United States of America v. Watson Laboratories, Inc., et. al., United States District Court for the Central District of California, EDCV-02-412-VAP). The consent decree applies only to the Company's Corona, California facility and not other manufacturing sites. The decree requires that the Corona, California facility complies with the FDA's current Good Manufacturing Practices ("cGMP") regulations.

Pursuant to the agreement, the Company hired an independent expert to conduct inspections of the Corona facility at least once each year. In February 2014 the independent expert concluded its most recent inspection of the Corona facility. At the conclusion of the inspection, the independent expert reported its opinion to the FDA that, based on the findings of the audit of the facility, the FDA's applicable cGMP requirements, applicable FDA regulatory guidance, and the collective knowledge, education, qualifications and experience of the expert's auditors and reviewers, the systems at the Corona facility audited and evaluated by the expert are in compliance with the FDA's cGMP regulations. However, the FDA is not required to accept or agree with the independent expert's opinion. The FDA has conducted periodic inspections of the Corona facility since the entry of the consent decree, and concluded its most recent general cGMP inspection in April 2014. At the conclusion of the inspection, the FDA inspectors issued a Form 483 to the facility identifying certain observations concerning the instances where the facility failed to follow cGMP regulations. The facility recently responded to the Form 483 observations. If in the future, the FDA determines that, with respect to its Corona facility, the Company has failed to comply with the consent decree or FDA regulations, including cGMPs, or has failed to adequately address the FDA's inspectional observations, the consent decree allows the FDA to order a variety of actions to remedy the deficiencies. These actions could include ceasing manufacturing and related operations at the Corona facility, and recalling affected products. Such actions, if taken by the FDA, could have a material adverse effect on the Company, its results of operations, financial position and cash flows.

Patent Litigation

Patent Enforcement Matters

Acular LS<sup>®</sup>. In September 2015, Allergan received a Paragraph IV certification notice letter from Aurobindo Pharma USA Inc. (“Aurobindo”) contending that U.S. Patent Numbers 8,008,338 (the “’338 Patent”), 8,207,215 (the “’215 Patent”), 8,377,982 (the “’982 Patent”), 8,541,163 (the “’163 Patent”), 8,648,107 (the “’107 Patent”), 8,906,950 (the “’950 Patent”), and 8,946,281 (the “’281 Patent”) are invalid and not infringed by Aurobindo’s proposed generic version of Acular<sup>®</sup>LS. While the Company intends to vigorously defend the ’338 Patent, the ’215 Patent, the ’982 Patent, the ’163 Patent, the ’107 Patent, the ’950 Patent, and the ’281 Patent and pursue its legal rights, Allergan can offer no assurance as to when a lawsuit would be decided, whether such lawsuit will be successful and that a generic version will not be launched.

Amrix<sup>®</sup>. 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 a court issues a decision adverse to Forest sooner, and subject to any other exclusivities, such as a first filer 180 day market exclusivity). Trial is scheduled to begin on November 16, 2015. The Company believes it has meritorious claims to prevent the generic applicant from launching a generic version of Amrix. However, there can be no assurance a generic version will not be launched.

Atelvia®. In August and October 2011 and March 2012, Warner Chilcott received Paragraph IV certification notice letters from Watson Laboratories, Inc. – Florida (together with Actavis, Inc. (formerly Watson Pharmaceuticals, Inc.) and its subsidiaries, "Actavis"), Teva and Ranbaxy Laboratories Ltd. (together with its affiliates, "Ranbaxy") indicating that each had submitted to the FDA an ANDA seeking approval to manufacture and sell a generic version of Atelvia® 35 mg tablets ("Atelvi®"). The notice letters contend that Warner Chilcott's U.S. Patent Nos. 7,645,459 (the "'459 Patent") and 7,645,460 (the "'460 Patent"), two formulation and method patents expiring in January 2028, are invalid, unenforceable and/or not infringed. Warner Chilcott filed a lawsuit against Actavis in October 2011, against Teva in November 2011 and against Ranbaxy in April 2012 in the U.S. District Court for the District of New Jersey charging each with infringement of the '459 Patent and '460 Patent. On August 21, 2012, the United States Patent and Trademark Office issued to the Company U.S. Patent No. 8,246,989 (the "'989 Patent"), a formulation patent expiring in January 2026. The Company listed the '989 Patent in the FDA's Orange Book, each of Actavis, Teva and Ranbaxy amended its Paragraph IV certification notice letter to contend that the '989 Patent is invalid and/or not infringed, and Warner Chilcott amended its complaints against Actavis, Teva and Ranbaxy to assert the '989 Patent. On October 2, 2013, Actavis divested its ANDA to Amneal Pharmaceuticals. In September 2013, Warner Chilcott received a Paragraph IV certification notice letter from Impax Laboratories, Inc. indicating that it had submitted to the FDA an ANDA seeking approval to manufacture and sell a generic version of Atelvia®. Warner Chilcott filed a lawsuit against Impax on October 23, 2013, asserting infringement of the '459, '460, and '989 patents. On June 13, June 30, and July 15, 2014, the Company entered into settlement agreements with Ranbaxy, Amneal and Impax, respectively. Each agreement permits Ranbaxy, Amneal and Impax to launch generic versions of Atelvia® on July 9, 2025, or earlier in certain circumstances. Trial against Teva began on July 14, 2014 and concluded on July 18, 2014. On March 4, 2015, the District Court ruled that the claims at issue in the litigation are invalid for obviousness. The Company intends to appeal this ruling. On March 5, 2015, the Company filed a motion for entry of an injunction or stay pending appeal seeking to enjoin Teva from launching a generic version of Atelvia pending such appeal. On March 30, 2015, the District Court denied the Company's motion for entry of an injunction or stay during the pendency of an appeal, but temporarily enjoined Teva from launching its generic product for 10 business days following entry of the order so that the Company could move before the Federal Circuit for an injunction pending appeal. On April 27, 2015, the Federal Circuit temporarily enjoined Teva from launching its generic product pending resolution of the Company's motion for an injunction pending appeal. The Federal Circuit denied the Company's motion on May 15, 2015, and Teva launched their generic version of Atelvia. Appellate briefing is complete and the parties are awaiting hearing.

While the Company intends to vigorously defend the '459 Patent, the '460 Patent, and the '989 Patent and pursue its legal rights, the Company can offer no assurance as to when the lawsuit will be decided and whether such lawsuit will be successful.

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. Trial in the Mylan action is scheduled to begin in June 2016. The Company believes it has meritorious claims to prevent the generic applicants from launching a generic version of Canasa®. However, there can be no assurance a generic version will not be launched.

Combigan® II. 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 (“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 noninfringement 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 and subsequently, set the bench trial for October 25, 2016. While the Company intends to vigorously defend the patents at issue in this litigation, Allergan can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.

Combigan® III. On January 26, 2015, Allergan received a Paragraph IV letter from Sandoz contending that U.S. Patent Numbers 7,030,149, 7,320,976, 7,642,258, and 8,748,425 are invalid and not infringed by the proposed generic product. In March 2015, Allergan filed a complaint against Sandoz in the U.S. District Court for the Eastern District of Texas, Marshall Division, alleging that their proposed products infringe U.S. Patent Numbers 7,030,149, 7,320,976, 7,642,258, and 8,748,425 (the “Combigan Patents”). In

April 2015, Sandoz filed a counterclaim against Allergan. On July 30, 2015, the Court entered an order scheduling the bench trial for February 6, 2017. In August 2015, Allergan filed a motion for consolidation with C.A. 2:12-cv-00207-JRG and request for earlier trial date. In October 2015, the U.S. District Court held oral argument on the motion for consolidation and earlier trial date and entered an order consolidating this matter C.A. 2:15-cv-00347-JRG into the Combigan® II matter C.A. 2:12-cv-00207-JRG and subsequently, set the bench trial for October 25, 2016. While the Company intends to vigorously defend the patents at issue in this litigation, Allergan can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.

Combigan® IPR. On March 10, 2015, Allergan received a notification letter that an Inter Partes Review of the USPTO (“IPR”) petition was filed by Ferrum Ferro Capital, LLC (“FFC”) regarding U.S. Patent No. 7,030,149, expiring in April 2022 (the “149 Patent”). FFC filed the IPR petition on March 9, 2015. Allergan filed its Patent Owner’s Preliminary Response on June 22, 2015. On September 21, 2015, the Patent Office rejected FFC’s petition and refused to institute an IPR proceeding.

Combigan® FFC Extortion. On June 19, 2015, Allergan filed a complaint against Ferrum Ferro Capital, LLC and Kevin Barnes (collectively, “FFC”) in the U.S. District Court for the Central District of California, Southern Division, alleging civil extortion, malicious prosecution, and unfair business practices arising from U.S. Patent Laws regarding the IPR petition regarding U.S. Patent No. 7,030,149, expiring in April 2022 (the “149 Patent”) filed by FFC on March 9, 2015. On August 10, 2015, FFC filed a notice of motion and motion to strike the complaint under California Code of Civil Procedure § 425.16, California’s “anti-SLAPP” statute. On September 1, 2015, the Court issued an order to show cause regarding subject matter jurisdiction. On October 19, 2015, the Court heard oral argument and took the matter under submission.

Enablex®. On December 18, 2013, Warner Chilcott Company LLC and Warner Chilcott (US) LLC sued Torrent Pharmaceuticals Ltd. and Torrent Pharma Inc. (together “Torrent”) in the United States District Court for the District of Delaware, alleging that sales of Torrent’s darifenacin tablets, a generic version of Warner Chilcott’s Enablex®, would infringe U.S. Patent No. 6,106,864 (the ‘864 patent). The complaint seeks injunctive relief. Pursuant to the provisions of the Hatch-Waxman Act, the FDA is precluded from granting final approval to Torrent until the earlier of thirty months after the generic applicant provided Warner Chilcott with notice of its ANDA filing or the generic applicant prevails in the pending litigation, subject to any other exclusivities, such as a first filer 180 day market exclusivity.

On June 6, 2014, Warner Chilcott Company LLC and Warner Chilcott (US) LLC sued Amneal Pharmaceuticals LLC and Amneal Pharmaceuticals of New York, LLC (together “Amneal”) in the United States District Court for the District of Delaware, alleging that sales of Amneal’s darifenacin tablets, a generic version of Warner Chilcott’s Enablex®, would infringe the ‘864 patent. The complaint seeks injunctive relief. Pursuant to the provisions of the Hatch-Waxman Act, the FDA is precluded from granting final approval to Amneal until the earlier of thirty months after the generic applicant provided Warner Chilcott with notice of its ANDA filing or the generic applicant prevails in the pending litigation, subject to any other exclusivities, such as a first filer 180 day market exclusivity. On July 7, 2014, the Company settled with Torrent. The Company also settled with Amneal on September 24, 2014. The Company has also received a Notice Letter dated June 19, 2014 from Apotex Corp et al. and an analogous complaint was filed. The Company settled its litigation with the Apotex defendants on August 24, 2015 and the court entered a dismissal order on August 31, 2015.

Under the settlement agreements entered into in the third quarter of 2010 to resolve outstanding patent litigation, each of Teva, Anchen Pharmaceuticals, Inc. and Watson agreed not to launch a generic version of Enablex® until the earlier of March 15, 2016 (or June 15, 2016, if a 6-month pediatric extension of regulatory exclusivity is granted) or, among other circumstances, (i) the effective date of any license granted to a third party for a generic Enablex product or (ii) in

the event a third party launches a generic Enablex<sup>®</sup> product “at risk” and injunctive relief is not sought or granted.

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 a court issues a decision adverse to Plaintiffs sooner). No trial date has been set. While the Company intends to vigorously defend the patents at issue in this litigation, Warner Chilcott can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.

Generess<sup>®</sup> Fe. On November 22, 2011, Warner Chilcott Company sued Mylan Inc., Mylan Pharmaceuticals Inc. and Famy Care Ltd. in the United States District Court for the District of New Jersey, alleging that sales of norethindrone and ethinyl estradiol and ferrous fumarate tablets, a generic version of Warner Chilcott’s Generess<sup>®</sup> Fe tablets (which is exclusively licensed by Warner Chilcott), would infringe U.S. Patent No. 6,667,050 (the ‘050 patent). The complaint seeks injunctive relief. On December 12, 2011 Warner Chilcott sued Lupin Ltd. and Lupin Pharmaceuticals, Inc. in the United States District Court for the District of New Jersey, alleging that sales of Lupin’s generic version of Generess<sup>®</sup> Fe would infringe the ‘050 patent. The trial concluded on February 21,

2014. On April 14, 2014 Warner Chilcott reached an agreement with Mylan and the counterparties to settle their case. Under the terms of the settlement, Mylan may launch its ANDA product on April 1, 2015, or Mylan can launch an authorized generic version of Generess on October 1, 2015. On April 29, 2014, the district court ruled that the '050 patent is invalid. Warner Chilcott has appealed the decision. Lupin and the Company have entered into a settlement agreement and moved the District Court for an indicative ruling that it would vacate the prior decision if the pending appeal is remanded. On April 8, 2015, the District Court granted the parties' motion. On May 18, 2015, the District Court vacated its prior judgment and opinion. On June 4, 2015, the Federal Circuit terminated the appeal. On July 23, 2015, the District Court dismissed the case.

Lastacaft®. In October 2014, Allergan 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 Wilshire Pharmaceuticals, Inc. ("Wilshire"). In February 2015, Wilshire filed a motion to dismiss Count II of the complaint for lack of subject matter jurisdiction and a counterclaim against Allergan and Vistakon. The parties stipulated and the Court ordered that Count II is dismissed without prejudice. In June 2015, the Court scheduled a bench trial for July 17, 2017. While the Company intends to vigorously defend the patents at issue in this litigation, Allergan can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.

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.

In December 2014, Allergan and Duke filed a complaint for infringement of U.S. Patent No. 8,906,962 ("962 Patent") against Sandoz, Inc. ("Sandoz"), Akorn, Inc. ("Akorn"), Hi-Tech Parmacal Co., Inc. ("Hi-Tech"), and Actavis, Inc., Watson Laboratories, Inc., and Actavis Pharma, Inc. (collectively, "Actavis"). In January 2015, Allergan and Duke subsequently filed an amended complaint against Sandoz, Akorn, Hi-Tech, and Actavis to assert infringement of U.S. Patent Number 8,926,953 ("953 Patent"). In March 2015, Allergan filed a notice of voluntary dismissal as to the Actavis defendants. In March 2015, Allergan and Duke filed a motion for leave to file a second amended complaint asserting only the '953 Patent. In April 2015, Sandoz filed a motion to dismiss for failure to state a claim. In May 2015, Akorn and Hi Tech filed a motion to dismiss for failure to state a claim. On May 19, 2015, the court entered an opinion and order granting Allergan and Duke's motion for leave to file a second amended complaint, which will render moot Apotex's motion to dismiss for failure to state a claim, Allergan and Duke's motion to dismiss Apotex's counterclaims, Sandoz's motion to dismiss for failure to state a claim, and Akorn and Hi Tech's motion to dismiss for failure to state a claim. On May 22, 2015, Allergan and Duke filed a second amended complaint. On June 22, 2015, Apotex and Sandoz filed separate motions to dismiss for failure to state a claim. On July 2, 2015, Akorn and Hi-Tech filed a motion for judgment on the pleadings. 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 claims 8, 23 and 26 of the '953 patent invalid as obvious and collaterally estopped Allergan from asserting claims 8, 23 and 26 of the '953 patent against Apotex and Akorn or contesting the invalidity of claims 8, 23 and 26 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. While the Company intends to vigorously defend the patents at issue in this litigation, Allergan can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.



Lo Loestrin® Fe. In July 2011 and April 2012, Warner Chilcott received Paragraph IV certification notice letters from Lupin Ltd., Lupin Pharmaceuticals, Inc. and Watson Laboratories, Inc. indicating that each had submitted to the FDA an ANDA seeking approval to manufacture and sell a generic version of Warner Chilcott's oral contraceptive, Lo Loestrin® Fe. The notice letters contend that the '394 Patent and Warner Chilcott's U.S. Patent No. 7,704,984 (the "'984 Patent"), which cover Lo Loestrin® Fe and expire in 2014 and 2029, respectively, are invalid and/or not infringed. Warner Chilcott filed a lawsuit against Lupin in September 2011 and against Actavis in May 2012 in the U.S. District Court for the District of New Jersey charging each with infringement of the '394 Patent and the '984 Patent. On October 2, 2013, Actavis divested its ANDA to Amneal Pharmaceuticals of NY, LLC and Amneal Pharmaceuticals, LLC. On January 17, 2014, the district court issued its decision that the '984 Patent is valid and infringed by Lupin's and Amneal's respective ANDAs and the United States Court of Appeals for the Federal Circuit issued its decision affirming the District Court and upholding the validity of the '984 patent on October 22, 2014.

In September 2013, Warner Chilcott received Paragraph IV certification notice letter from Mylan and Famy Care indicating that they had submitted to the FDA an ANDA seeking approval to manufacture and sell a generic version of Warner Chilcott's oral contraceptive, Lo Loestrin® Fe. The notice letter contends that Warner Chilcott's '984 Patent, which covers Lo Loestrin® Fe and expires in 2029, is invalid and/or not infringed. Warner Chilcott filed a lawsuit against Mylan in October 2013 in the U.S. District Court for the District of New Jersey charging Mylan and Famy Care with infringement of the '984 Patent. The complaint seeks

injunctive relief. The lawsuit results in a stay of FDA approval of Mylan and Famy Care's ANDA for 30 months from the date of Warner Chilcott's receipt of the notice letter, subject to the prior resolution of the matter before the court. On February 3, 2015, Mylan filed an IPR before the Patent Trial and Appeal Board, U.S. Patent and Trademark Office, (No. 2015-00682), with respect to the '984 patent. On August 17, 2015, the Company settled its litigation with Mylan. On August 20, 2015, the Mylan IPR was terminated.

Lumigan® 0.01%. After Sandoz, Lupin, Hi-Tech and Watson (the "Lumigan Defendants") each filed an ANDA seeking approval of a generic form of Lumigan® 0.01% bimatoprost ophthalmic solution, Allergan received Paragraph IV invalidity and noninfringement certifications contending that U.S. Patent Numbers 7,851,504 and 5,688,819 ("Lumigan Patents") are invalid or not infringed by the proposed generic products. Allergan filed complaints against the Lumigan Defendants in the U.S. District Court for the Eastern District of Texas alleging that their proposed products infringe the Lumigan Patents. In January 2013, Allergan filed an amended complaint against the Lumigan Defendants alleging that, in addition to the Lumigan Patents, the defendants' proposed generic products infringe U.S. Patent Numbers 8,278,353, 8,299,118, 8,309,605, and 8,338,479 ("Additional Lumigan Patents"). In July 2013, a bench trial was held and the U.S. District Court for the Eastern District of Texas took the matter under submission. In 2013, after Lupin and Watson separately filed an ANDA with the FDA seeking approval to market a generic version of Lumigan® 0.01%, Allergan received Paragraph IV invalidity and noninfringement certifications from Lupin and Watson, contending that the Additional Lumigan Patents are invalid and not infringed by the proposed generic product. In January 2014, the U.S. District Court issued its opinion holding that the Lumigan Patents and Additional Lumigan Patents (excluding U.S. Patent Number 5,688,819, which claim was previously dismissed by Allergan) are not invalid and are infringed by the Lumigan Defendants' proposed products and entered a final judgment and injunction in Allergan's favor and against the Lumigan Defendants. In February 2014, the Lumigan Defendants filed a Notice of Appeal to the U.S. Court of Appeals for the Federal Circuit. On August 4, 2015, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's decision in favor of Allergan. On October 13, 2015, the U.S. Court of Appeals for the Federal Circuit issued a mandate affirming the District Court's decision in favor of Allergan.

Minastrin® 24 Fe. On June 6, 2014, Warner Chilcott sued Lupin Atlantis Holdings SA, Lupin Ltd. and Lupin Pharmaceuticals, Inc. (collectively, "Lupin") in the United States District Court for the District of Maryland, alleging that sales of Lupin's norethindrone and ethinyl estradiol chewable tablets, a generic version of Warner Chilcott's Minastrin® 24 Fe, would infringe U.S. Patent 6,667,050 (the "'050 patent"). The Complaint seeks an injunction. Pursuant to the provisions of the Hatch-Waxman Act, the FDA is precluded from granting final approval to the generic applicants until the earlier of thirty months after the generic applicant provided Warner Chilcott with notice of its abbreviated new drug application filing or the generic applicant prevails in the pending litigation. Warner Chilcott further notes that FDA will not approve any ANDA product before May 8, 2016 due to Minastrin® 24 Fe's new dosage form exclusivity, which expires on that date. The litigation against Lupin is pending. Warner Chilcott notes that on April 29, 2014, several of the claims of the '050 patent were declared invalid in the Generess litigation discussed above. Warner Chilcott has appealed the Generess decision and the appeal is currently pending. Lupin and the Company have entered into a settlement agreement and have moved the District Court in the Generess matter for an indicative ruling that it would vacate the decision in Generess if the pending appeal in that case is remanded. On April 8, 2015, the District Court granted the parties' motion and the Generess appeal has been terminated. The parties request that the District Court in Generess vacate its prior opinion was granted on May 18, 2015. This case was dismissed on May 18, 2015. By letter dated April 15, 2015, the Company received a Paragraph IV notice letter from Amneal Pharmaceuticals LLC ("Amneal"). A complaint against Amneal was filed on May 28, 2015 in the United States District Court for the District of New Jersey. While the Company intends to vigorously defend the patents at issue in this litigation, Warner Chilcott can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.

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 a court issues a decision adverse to Plaintiffs sooner). On June 11, 2014, Mylan filed a motion to dismiss for lack of personal jurisdiction, which the district court denied on March 30, 2015. On December 18, 2014, Ranbaxy filed an IPR before the Patent Trial and Appeal Board, U.S. Patent and Trademark Office, with respect to the ‘085 patent. Adamas filed a preliminary response on April 14, 2015. On May 1, 2015, Forest entered into a settlement agreement with Ranbaxy. On May 15, 2015, the Patent Trial and Appeal Board granted Adamas and Ranbaxy’s joint motion to terminate the case. On October 17, 2014, Forest and Actavis Laboratories FL, Inc. (f/k/a Watson Laboratories, Inc. — Florida) filed a stipulation dismissing their respective claims without prejudice. On November 3, 2014, Plaintiffs entered into a settlement agreement with Wockhardt. Under the terms of the settlement agreement, and subject to review of the settlement terms by the U.S. Federal Trade Commission, Plaintiffs will provide a license to

Wockhardt that will permit it to launch its generic version of Namenda XR as of the date that is the later of (a) two (2) calendar months prior to the expiration date of the last to expire of the '703 patent, the '209 patent, the '708 patent, the '379 patent, the '752 patent, the '085 patent, and the '233 patent, including any extensions and/or pediatric exclusivities; or (b) the date that Wockhardt obtains final FDA approval of its ANDA, or earlier in certain circumstances. On January 13, 2015, Plaintiffs entered into settlement agreements with Anchen and Par. Under the terms of the settlement agreements, and subject to review of the settlement terms by the U.S. Federal Trade Commission, Plaintiffs will provide licenses to Anchen and Par that will permit them to launch their generic versions of Namenda XR as of the date that is the later of (a) two (2) calendar months prior to the expiration date of the last to expire of the '209 patent, the '708 patent, the '379 patent, the '752 patent, the '085 patent, and the '233 patent, as well as the '009 patent for Par only, including any extensions and/or pediatric exclusivities; or (b) the dates that Anchen and Par obtain final FDA approval of their respective ANDAs, or earlier in certain circumstances. On May 11, 2015, Forest entered into a settlement agreement with Sun. On August 18, 2015, Forest entered into a settlement agreement with Zydus. On September 9, 2015, Forest entered into a settlement agreement with Amneal. Under the terms of the settlement agreement, 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. Trial is scheduled to begin in February 2016 with the remaining defendants Apotex, Lupin, Mylan, and Teva. 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 certain patents expire. The Company believes it has meritorious claims to prevent the generic applicants from launching a generic version of Namenda XR. However, there can be no assurance a generic version will not be launched.

Namzarcic.<sup>TM</sup> On August 27, 2015, Forest Laboratories, LLC, Forest Laboratories Holdings, Ltd. (collectively, "Forest") 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 Namzarcic 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 a court issues a 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 Namzarcic before these certain patents expire. No trial date has been set. While the Company intends to vigorously defend the patents at issue in this litigation, Forest can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.

Rapaflo<sup>®</sup>. On June 17, 2013, Actavis, Inc., Watson Laboratories, Inc., and Kissei Pharmaceutical Co., Ltd. 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, Inc., Watson Laboratories, Inc., and Kissei Pharmaceutical Co., Ltd. sued Sandoz Inc. 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. The Company believes it has meritorious claims to prevent the generic applicants from launching a generic version of Rapaflo. However, if a generic applicant prevails in the pending litigation or launches a generic version of Rapaflo before the pending litigation is finally resolved, it could have an adverse effect on the Company's business, results of operations, financial condition and cash flows.

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. and InnoPharma, Inc. remain defendants in the respective actions. On October 21, 2015, Mylan Pharmaceuticals, Inc. and Mylan, Inc. filed a motion to dismiss for lack of personal jurisdiction and improper venue, and for failure to state a claim as to Mylan, Inc. On October 26, 2015, Teva Pharmaceuticals USA, Inc. filed a motion to dismiss for lack of personal jurisdiction and improper venue. No trial date has been set. While the Company intends to vigorously defend the patents at issue in this litigation, Allergan can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.

Restasis® IPR. On June 4, 2015, Allergan received notification letters that an IPR petition was filed by Apotex regarding U.S. Patent Numbers 8,629,111, 8,633,162, 8,642,556, 8,648,048, and 8,685,930 (the “Restasis patents”). Allergan filed its Patent Owner’s Preliminary Responses on September 17, 18 and 22, 2015. The Patent Office’s decision on whether to institute or not institute IPR proceedings remains pending.

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 February 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 and issued a scheduling order setting a trial date in August 2016. On September 30, 2015, the District Court consolidated all pending actions. The Company believes it has meritorious claims to prevent the generic applicants from launching a generic version of Saphris. However, there can be no assurance a generic version will not be launched.

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 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. The Company believes it has meritorious claims to prevent the remaining generic applicants from launching a generic version of Savella. However, there can be no assurance a generic version will not be launched.

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 8,247,000 (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 (including a patent term extension), 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. While the company intends to vigorously defend the patents at issue in this litigation, Forest can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.

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., Alembic Pharmaceuticals, Ltd., Apotex, Inc., InvaGen Pharmaceuticals, Inc., and Teva Pharmaceuticals USA, Inc., 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. While the Company intends to vigorously defend the patents at issue in this litigation, Forest can offer no assurance as to whether the lawsuit will be successful and that a generic version will not be launched.

#### Patent Defense Matters

Bayer Patent Litigation. In August 2012, Bayer Pharma AG (together with its affiliates, “Bayer”) filed a complaint against Warner Chilcott in the U.S. District Court for the District of Delaware alleging that Warner Chilcott’s manufacture, use, offer for sale, and/or sale of its Lo Loestrin® Fe oral contraceptive product infringes Bayer’s U.S. Patent No. 5,980,940. In the complaint, Bayer seeks injunctive relief and unspecified monetary damages for the alleged infringement. In December 2012, Bayer amended the complaint to add a patent interference claim seeking to invalidate the Company’s ‘984 Patent, which covers the Lo Loestrin® Fe product. On December 15, 2014, Warner Chilcott filed a Summary Judgment motion seeking dismissal of the case. On April 21, 2015, the District Court granted Warner Chilcott’s motion and held the ‘940 patent invalid for indefiniteness. On June 5, 2015, Bayer filed a notice of appeal. Briefing is ongoing.

Although it is impossible to predict with certainty the outcome of any litigation, the Company believes that it has a number of strong defenses to the allegations in the complaints and intends to vigorously defend the litigations. These cases are in the early stages of litigation, and an estimate of the potential loss, or range of loss, if any, to the Company relating to these proceedings is not possible at this time.

Oxymorphone Extended-Release Tablets (Generic version of Opana® ER). On December 11, 2012, Endo Pharmaceuticals Inc. (“Endo”) sued Actavis, Inc. and Actavis South Atlantic LLC (“Actavis South Atlantic”) in the United States District Court for the Southern District of New York, alleging that sales of the Company’s 7.5 mg and 15 mg oxymorphone extended-release tablets, generic versions of Endo’s Opana® ER, infringe U.S. Patent Nos. 7,851,482; 8,309,122; and 8,329,216. Thereafter, FDA approved Actavis’ 5 mg, 10 mg, 20 mg, 30 mg, and 40 mg oxymorphone extended-release tablets and Endo filed a motion for a preliminary injunction seeking to prevent Actavis from selling the new strengths. On September 12, 2013, the district court denied Endo’s motion for a preliminary injunction and Actavis immediately launched the new strengths. On March 31, 2014, the Federal Circuit reversed the district court’s denial of Endo’s motion for a preliminary injunction and remanded the matter to the district court for further consideration. On January 13, 2015, Endo dismissed its claims against Actavis concerning the ‘482 patent. Trial with respect to the ‘122 and ‘216 patents began on March 23, 2015 and concluded on April 24, 2015. On August 14, 2015, the court found the ‘122 and ‘216 patents valid and infringed and ordered Actavis to cease selling its generic product within 60 days. Actavis filed a motion to amend the judgment to remove the injunction on continuing sales. That motion is currently pending. On November 7, 2014, Endo and Mallinckrodt LLC sued Actavis and certain



of its affiliates in the United States District Court for the District of Delaware, alleging that sales of the Company's generic versions of Opana® ER, 5mg, 7.5 mg, 10 mg, 15 mg, 20 mg, 30 mg and 40 mg, generic versions of Endo's Opana® ER, infringe U.S. Patent Nos. 7,808,737 and 8,871,779, which Endo licensed from Mallinckrodt and the USPTO recently issued to or Endo, respectively. The case is currently pending, and trial is scheduled to begin on February 21, 2017. On September 23, 2015, the Magistrate Judge recommended granting Actavis' motion to dismiss the '737 patent for invalidity/unpatentable subject matter. The Company believes it has substantial meritorious defenses to the case. However, Actavis has sold and is continuing to sell its generic versions of Opana® ER. Therefore, an adverse final determination that one of the patents in suit is valid and infringed could have an adverse effect on the Company's business, results of operations, financial condition and cash flows.

Budesonide Inhalation Suspension (Generic version of Pulmicort Respules®). On March 19, 2008, AstraZeneca LP and AstraZeneca AB ("Astra") sued Breath Limited in the United States District Court for the District of New Jersey, alleging that Breath's filing of an ANDA for Budesonide Inhalation Suspension 0.25 mg/2 mL and 0.5 mg/2 mL, a generic version of Astra's Pulmicort Respules product, infringe U.S. Patent Nos. 6,598,603 ("the '603 patent"); 6,899,099 ("the '099 patent"); and 7,524,834 ("the '834 patent"). On December 2, 2009, Watson Pharmaceuticals, Inc. (now known as Actavis, Inc.), acquired Breath Limited as part of its acquisition of the Arrow Group. On November 1, 2010, in connection with a preliminary injunction against Apotex Inc. and Apotex Corp., the Federal Circuit affirmed a district court decision that the asserted claims of the '099 patent are invalid. On April 1, 2013, the United States District Court for the District of New Jersey found the asserted claims of the '603 patent invalid and that Breath/Watson's ANDA did not infringe the asserted claims of the '834 patent. On April 3, 2013, the district court entered an

injunction preventing the launch of any generic product to allow Astra to file an appeal with the Federal Circuit. The Federal Circuit continued that injunction pending the appeal. On October 30, 2013, the Federal Circuit affirmed the district court's finding that the asserted claims of the '603 patent are invalid, but reversed the district court's non-infringement finding with respect to the '834 patent and remanded the case back to the district court for reconsideration and a new trial under a new claim construction for the term "micronized powder composition". The second trial concluded on October 29, 2014, and the court heard closing arguments on January 29, 2015. On February 13, 2015, the district court found that the asserted claims of the '834 patent are invalid and denied Astra's request for a permanent injunction. That same day, Astra filed a motion for an injunction pending appeal. The court denied Astra's motion for an injunction that same day. On February 13, 2015, Actavis commercially launched the Breath/Watson approved product. On February 16, 2015, Astra filed a notice of appeal and filed with the Federal Circuit an emergency motion for an injunction pending appeal. On March 12, 2015, the Federal Circuit issued an order granting Astra's motion for an injunction pending the appeal. On May 7, 2015, the Federal Circuit issued its decision affirming the district court's decision that the asserted claims of the '834 patent are invalid and dissolving the March 12, 2015 injunction pending appeal. That same day, Actavis re-launched the Breath/Watson approved product. Astra did not file petition for rehearing in the Federal Circuit and the Mandate issued on June 18, 2015. The Company believes it has substantial meritorious defenses to the case. However, Actavis has sold its generic versions of the 0.25 mg/2 mL and 0.5 mg/2 mL strengths of Pulmicort Respules. Therefore, an adverse final determination that '834 patent is valid and infringed could have an adverse effect on the Company's business, results of operations, financial condition and cash flows.

Teva Namenda XR Patent Litigation. In December 2013, Forest Laboratories, Inc. ("Forest") was named as a defendant in an action brought by Teva Pharmaceuticals USA, Inc. and Mayne Pharma International Pty Ltd. in the U.S. District Court for the District of Delaware. The complaint alleges that Forest infringes U.S. Patent No. 6,194,000 by making, using, selling, offering to sell, and importing Namenda XR. The district court has scheduled a trial to begin in July 2016. On October 29, 2015, Plaintiffs filed a First Amended Complaint, adding Forest Pharmaceuticals, Inc. as a named defendant. The relief requested in the Amended Complaint includes damages, but not preliminary or permanent injunctive relief. The Company intends to continue to vigorously defend against this action. At this time, the Company does not believe losses, if any, would have a material effect on the results of operations or financial position taken as a whole.

#### Product Liability Litigation

Actonel® Litigation. Warner Chilcott is a defendant in approximately 209 cases and a potential defendant with respect to approximately 385 unfiled claims involving a total of approximately 602 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 ("AFF"). 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 Proctor & 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 which resolved a majority of the then-existing ONJ-related claims which are subject to the acceptance by the individual respective claimants.

The Company believes it has substantial meritorious defenses to these cases and intends to defend these claims vigorously. Warner Chilcott maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Company cannot predict the outcome of this litigation. These actions, if successful, or if insurance does not provide sufficient coverage against such claims, 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.

Alendronate Litigation. Beginning in 2010, approximately 130 product liability suits on behalf of approximately 175 plaintiffs have been filed against the Company and certain of its affiliates, including Cobalt Laboratories, as well as other manufacturers and distributors of alendronate for personal injuries including AFF and ONJ allegedly arising out of the use of alendronate. The actions are pending in various state and federal courts. Several of the cases were consolidated in an MDL proceeding in federal court in New Jersey. In 2012, the MDL court granted the Company's motion to dismiss all of the cases then pending against the Company in the New Jersey MDL. The Third Circuit affirmed the dismissal. Any new cases against the Company filed in the MDL are subject to dismissal unless plaintiffs can establish that their claims should be exempted from the 2012 dismissal order. Other cases were consolidated in an MDL in federal court in New York, where the Company filed a similar motion to dismiss. The Court granted, in part, the motion to dismiss which has resulted in the dismissal of several other cases. The Company has also been served with nine cases that are part of a consolidated litigation in the California state court. In 2012, the California court partially granted a motion filed on behalf of all generic defendants seeking dismissal. Appeals in the California cases have been exhausted and the Company has not

yet been able to determine how that will affect the cases filed against it. The remaining active cases are part of a mass tort coordinated proceeding in New Jersey state court. In the New Jersey proceeding, the Court granted, in part, a motion to dismiss. The Company believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Company cannot predict the outcome of this litigation. These actions, if successful, or if our indemnification arrangements or insurance do not provide sufficient coverage against such claims, 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.

**Benicar® Litigation.** The Company is named in approximately 1230 actions involving allegations that Benicar®, a treatment for hypertension that Forest co-promoted with Daiichi Sankyo between 2002 and 2008, caused certain gastrointestinal injuries. Under Forest's Co-Promotion Agreement, Daiichi Sankyo is defending us in these lawsuits.

**Celexa®/Lexapro® Litigation.** Forest and its affiliates are defendants in approximately nine actions pending in various federal district courts involving allegations that Celexa® or Lexapro® caused or contributed to individuals committing or attempting suicide, or caused a violent event. The Company recently reached agreements in principle to resolve eight of the nine matters. The remaining case is stayed.

Approximately 195 actions are pending against Forest and its affiliates involving allegations 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 where one case is set for trial in May 2016. Five actions remain in New Jersey state court, none of which are set for trial. There are birth defect cases pending in other jurisdictions but none currently are set for trial.

The Company believes it has substantial meritorious defenses to the Celexa®/Lexapro® cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Company cannot predict the outcome of this litigation. These actions, if successful, or if insurance does not provide sufficient coverage against such claims, 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.

**Metoclopramide Litigation.** Beginning in 2009, a number of product liability suits were filed against certain Company affiliates, including legacy Actavis and Watson companies, as well as other manufacturers and distributors of metoclopramide, for personal injuries allegedly arising out of the use of metoclopramide. Approximately 1,500 cases remain pending against Actavis, Watson and/or its affiliates in state and federal courts, representing claims by multiple plaintiffs. Discovery in these cases is in the preliminary stages as the Company is actively moving to dismiss the suits and either initiating or defending appeals on such motions. The Company believes that, with respect to the majority of the cases against the legacy Watson companies, it will be defended in and indemnified by Pliva, Inc., an affiliate of Teva, from whom the Company purchased its metoclopramide product line in late 2008. With respect to the cases pending against the legacy Actavis companies, the Company recently reached an agreement in principle to resolve the majority of the matters. The Company believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Company cannot predict the outcome of this litigation. These actions, if successful, or if our indemnification arrangements or insurance do not provide sufficient coverage against such claims, 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.

**Propoxyphene Litigation.** Beginning in 2011, a number of product liability suits were filed against Watson and certain of its affiliates, as well as other manufacturers and distributors of propoxyphene, for personal injuries including adverse cardiovascular events or deaths allegedly arising out of the use of propoxyphene. Cases are pending against Watson and/or its affiliates in various state and federal courts, representing claims by approximately 1,400

plaintiffs. A number of the cases were consolidated in an MDL in federal district court in Kentucky. On June 22, 2012, the MDL court granted the generic defendants' joint motion to dismiss the remaining MDL cases. On June 27, 2014, the Sixth Circuit affirmed the district court's dismissal. Plaintiffs did not file a petition for a writ of certiorari with the United States Supreme Court. In addition, approximately 35 cases were filed in California state court. These cases were removed to federal district courts and, after disputes over whether the cases should be remanded to state court, the Ninth Circuit Court of Appeals determined that the removals to federal court were proper. Many of the cases in California federal courts were transferred to the MDL in Kentucky. Once the remaining procedural matters are resolved, the defendants will file demurrers and motions to dismiss the remaining suits. In addition, approximately eight lawsuits have been filed in Oklahoma which plaintiffs are seeking to have remanded from federal to state court. The Company believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Company cannot predict the outcome of this litigation. These actions, if successful, or if insurance does not provide sufficient coverage against such claims, 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.

Testosterone Litigation. Beginning in 2014, a number of product liability suits were filed against the Company and certain of its affiliates, 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® testosterone cypionate, AndroGel and/or testosterone enanthate. Actavis, Inc. and/or one or more of its subsidiaries have been served in approximately 253 currently pending actions, all of which are pending in federal court. These actions have been consolidated in an MDL in federal court in Illinois. The defendants have responded to the plaintiffs' master complaint. Plaintiffs have agreed to dismiss all claims relating to any of Actavis' generic TRT products from the cases. These cases are in the initial stages and discovery is in the early stages. The Company anticipates that additional suits will be filed. The Company believes that it has substantial meritorious defenses to these cases and maintains product liability insurance against such cases. However, litigation is inherently uncertain and the Company cannot predict the outcome of this litigation. These actions, if successful, or if insurance does not provide sufficient coverage against such claims, 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.

#### Government Investigations, Government Litigation and Qui Tam Litigation

Warner Chilcott. Beginning in February 2012, Warner Chilcott, along with several of its current and former employees in its sales organization and certain third parties, received subpoenas from the United States Attorney for the District of Massachusetts. The subpoena received by Warner Chilcott seeks information and documentation relating to a wide range of matters, including sales and marketing activities, payments to people who are in a position to recommend drugs, medical education, consultancies, prior authorization processes, clinical trials, off-label use and employee training (including with respect to laws and regulations concerning off-label information and physician remuneration), in each case relating to all of Warner Chilcott's current key products. The Company is cooperating in responding to the subpoena. The Company has recorded a contingent liability for the quarter ended March 31, 2015 under ASC 450, Contingencies, based on its analysis of this matter, however, there can be no assurance that the Company's estimate will not differ materially from the recorded contingent liability. The Company is also aware of three qui tam complaints filed by former Warner Chilcott sales representatives and unsealed in February and March 2013 and March 2014. Two unsealed federal qui tam complaints were filed in the federal court in Massachusetts and allege that Warner Chilcott violated Federal and state false claims acts through the promotion of all of Warner Chilcott's current key products by, among other things, making improper claims concerning the products, providing kickbacks to physicians and engaging in improper conduct concerning prior authorizations. Since then, one of the two complaints was voluntarily dismissed. The remaining complaint seeks, among other things, treble damages, civil penalties of up to eleven thousand dollars for each alleged false claim and attorneys' fees and costs. Other similar complaints may exist under seal. The United States of America elected not to intervene at this time in the unsealed actions though it may choose to at a later time. On October 29, 2015, Warner Chilcott subsidiary, Warner Chilcott Sales (US) LLC, reached an agreement with the federal government, the 50 states and the District of Columbia that resolves both the government's investigation and the pending federal qui tam case. In addition, Warner Chilcott Sales (US) LLC agreed to plead guilty to a charge of health care fraud in violation of 18 U.S.C. § 1347. The third complaint was filed in California state court and contains similar allegations as the other qui tam complaints and asserts additional causes of action under California state law. The State of California declined to intervene in this action. Warner Chilcott filed a motion to dismiss this complaint and has recently reached an agreement in principal to settle the California action. Warner Chilcott intends to vigorously defend itself in the California state litigation. However, this matter is in the early stages of litigation, it is impossible to predict with certainty the outcome of any litigation, and the Company can offer no assurance as to when the lawsuits will be decided, whether Warner Chilcott will be successful in its defense and whether any additional similar suits will be filed. If these claims are successful, such claims could adversely affect the Company and could have a material adverse effect on the Company's business, financial condition, results of operation and cash flows.

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<sup>®</sup>, Savella<sup>®</sup>, and Namenda<sup>®</sup>, 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. The complaint asserts claims under the False Claims Act and contains allegations regarding off-label promotion of Bystolic<sup>®</sup> and Savella<sup>®</sup> and “kickbacks” provided to physicians to induce prescriptions of Bystolic<sup>®</sup>, Savella<sup>®</sup>, and Viibryd<sup>®</sup>. Forest has responded to the 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 continues to cooperate with this investigation and to discuss these issues with the government.

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. The Company intends to cooperate 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<sup>®</sup>. 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. 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 intends to vigorously defend itself in the litigations. However, these cases are in the early stages of litigation, it is impossible to predict with certain the outcome of any litigation, and the Company can offer no assurance as to when the lawsuits will be decided, whether the Company will be successful in its defense and whether any additional similar suits will be filed. If these claims are successful, such claims could adversely affect the Company and could have a material adverse effect on the Company's business, financial condition, results of operation and cash flows.

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. On July 7, 2015, the court scheduled trial in this matter for October 31, 2016.

Actavis. On June 25, 2015, the Company received a subpoena from the U.S. Department of Justice ("DOJ"), Antitrust Division seeking information relating to the marketing and pricing of certain of the Company's generic products and communications with competitors about such products. The Company intends to cooperate fully with the DOJ's requests.

Patent Settlement Investigations. The Company and various of its affiliates have received letters and investigatory subpoenas from the U.S. Federal Trade Commission ("FTC") indicating that the FTC is conducting a nonpublic investigations into certain agreements the Company have made to settle patent disputes with other brand and generic pharmaceutical companies. The Company is cooperating in responding to the investigations.

Governmental Reimbursement and Drug Pricing Investigations and Litigation. The Company has also received investigatory subpoenas from the U.S. Attorney's Office and various state agencies requesting information and documents relating to certain categories of drug pricing including, but not limited to, Average Wholesale Price ("AWP"), Wholesale Acquisition Cost ("WAC"), Average Manufacturer Price ("AMP") and Best Price ("BP"). The Company intends to cooperate with this subpoena.

Beginning in 1999, the Company was informed by the DOJ that it, along with numerous other pharmaceutical companies, is a defendant in a qui tam action brought in 1995 under the U.S. False Claims Act. Since that time, the Company also received and responded to notices or subpoenas from the U.S. House Committee on Energy and Commerce as well as from Attorneys General of various states, including Florida, Nevada, New York, California and Texas, relating to pharmaceutical pricing issues and whether allegedly improper actions by pharmaceutical manufacturers led to excessive payments by Medicare and/or Medicaid. Other state and federal inquiries regarding pricing and reimbursement issues are anticipated.

The Company and certain of its subsidiaries have also been named as defendants in various lawsuits filed by numerous states and qui tam relators, including Wisconsin, Kentucky, Illinois, Mississippi, Missouri, South Carolina, Utah, Kansas and Louisiana. These actions allege generally that the plaintiffs (all governmental entities) were overcharged for their share of Medicaid drug reimbursement costs as a result of reporting by manufacturers of AWP that did not correspond to actual provider costs of prescription drugs. In 2011, Watson settled certain claims made against it by a relator in a qui tam action brought against the Company on behalf of the United States. The settlement of that qui tam action resolved all claims on behalf of the United States asserted in that action except for claims relating to the federal share of Medicaid payments made by the States of Alabama, Alaska, Kentucky, Idaho, Illinois, South Carolina and Wisconsin. The Company subsequently settled all claims, including the claims on behalf of the United States, brought by Alabama. In addition, the Company has reached settlements with the states of the Louisiana,



Missouri, Kansas and South Carolina. In addition, the Company has begun having discussions with the plaintiffs in the Illinois and Wisconsin actions about a possible resolution of those matters. The court in the Utah case dismissed that state's claims against the Company. The case against Watson on behalf of Kentucky was tried in November 2011. The jury reached a verdict in Watson's favor on each of Kentucky's claims against Watson. An agreed form of judgment has been entered and the case now has been dismissed with prejudice. The case against Watson on behalf of Mississippi was tried from November 2012 through April 2013. On August 28, 2013, the court issued a ruling in favor of the state and awarded the state \$12.4 million in compensatory damages and civil penalties, and on March 20, 2014 issued its ruling imposing an additional \$17.9 million in punitive damages. Post-trial motions were filed and denied by the court. The Company is appealing both the original and punitive damage awards.

In addition, Forest and certain of its affiliates are defendants in four state court actions pending in Illinois, Mississippi, Utah and Wisconsin that contain similar actions as those raised in the actions against Watson. Discovery is ongoing in these actions. A trial in the Mississippi action is scheduled in August 2015. 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. The Company intends to continue to vigorously defend against these actions. At this time, the Company does not believe losses, if any, would have a material effect on the results of operations or financial position taken as a whole.

With regard to the remaining drug pricing actions, the Company believes that it has meritorious defenses and intends to vigorously defend itself in those actions. The Company continually monitors the status of these actions and may settle or otherwise resolve some or all of these matters on terms that the Company deems to be in its best interests. However, the Company can give no assurance that it will be able to settle the remaining actions on terms it deems reasonable, or that such settlements or adverse judgments in the remaining actions, if entered, will not exceed the amounts of the liability reserves. Additional actions by other states, cities and/or counties are anticipated. These actions and/or the actions described above, if successful, 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.

**DESI Drug Reimbursement Litigation.** In December 2009, the Company learned that numerous pharmaceutical companies, including certain subsidiaries of the Company, were named as defendants in a qui tam action pending in federal court in Massachusetts. The tenth amended complaint, which was served on certain of the Company's subsidiaries, alleges that the defendants falsely reported to the United States that certain pharmaceutical products, including those subject to the Food and Drug Administration's Drug Efficacy Study Implementation ("DESI") review program, were eligible for Medicaid reimbursement and thereby allegedly caused false claims for payment to be made through the Medicaid program. The Company's subsidiaries named in the action together with all other named defendants filed a Joint Motion to Dismiss the Tenth Amended Complaint on December 9, 2011. On February 25, 2013, the court granted the motion to dismiss as to all defendants. The plaintiff may appeal. On September 11, 2013, a similar action was filed against certain Company subsidiaries as well as Warner Chilcott and numerous other pharmaceutical company defendants by the State of Louisiana based on the same core set of allegations as asserted in the federal court action in Massachusetts. Defendants filed exceptions to plaintiffs' complaint. On June 28, 2015, the State of Louisiana filed an amended complaint and defendants promptly moved to dismiss. On September 21, 2015, the court granted defendants' motion to dismiss the amended complaint in its entirety. Additional actions alleging similar claims could be asserted. The Company believes that it has meritorious defenses to the claims and intends to vigorously defend itself against such allegations. However, these actions or similar actions, if successful, 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.

**Medicaid Price Adjustments.** The Company has notified the Centers for Medicare and Medicaid Services ("CMS") that certain of the legacy Actavis group's Medicaid price submissions require adjustment for the period 2007 through 2012. The Company is in the process of completing the resubmissions. Based on prevailing CMS practices the Company does not expect to incur penalties in connection with the resubmissions. With respect to periods prior to 2007, the Company has advised CMS that its records are insufficient to support a reliable recalculation of its price submissions, and has proposed not to recalculate the price submissions for such periods. Because there are insufficient records to support a reliable recalculation of its price submissions prior to 2007, at this time the amount of any potential liability related to the price submissions prior to 2007 is not estimable and the Company has not concluded that any liability for periods prior to 2007 is probable. The Company believes it has substantial meritorious positions and defenses with respect to these pricing resubmission matters. However, if CMS were to successfully pursue claims against the Company for the periods in question, such claims 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.

**Paroxetine Investigation.** On April 19, 2013, the UK Office of Fair Trading (which closed in April, 2014 in connection with a government restructuring and transferred responsibility for this matter to the U.K. Competition and Markets Authority) issued a Statement of Objections against GlaxoSmithKline ("GSK") and various generic drug companies, including Actavis UK Limited, formerly known as Alpharma Limited, now a subsidiary of the Company, alleging that GSK's settlements with such generic drug companies improperly delayed generic entry of paroxetine, in violation of the United Kingdom's competition laws. The Company has responded to the Statement of Objections, and believes it has substantial meritorious defenses to the allegations. However, an adverse determination in the matter could have an adverse effect on the Company's business, results of operations, financial condition and cash flows.

Romanian Investigation. In July 2015, the Company received a subpoena as part of a nationwide investigation of the pharmaceutical industry conducted by the Romanian government. The purpose of the investigation is to gather documents and information, and to examine sponsorship arrangements concluded with certain oncologists and hematologists during the period from January 2012 through June 2015. The Company is fully cooperating with the investigation. This government investigation 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.

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. 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.

NOTE 21 – Warner Chilcott Limited (“WCL”) Guarantor and Non-Guarantor Condensed Consolidating Financial Information

The following financial information is presented to segregate the financial results of WCL, Actavis Funding SCS, and Actavis, Inc. (the issuers of the long-term notes), the guarantor subsidiaries for the long-term notes and the non-guarantor subsidiaries. The guarantors jointly and severally, and fully and unconditionally, guarantee the Company’s obligation under the long-term notes.

The information includes elimination entries necessary to consolidate the guarantor and the non-guarantor subsidiaries. Investments in subsidiaries are accounted for using the equity method of accounting. The principal elimination entries eliminate investments in subsidiaries, equity and intercompany balances and transactions.

WCL, Actavis Capital S.a.r.l. and Actavis, Inc. are guarantors of the long-term notes.

Warner Chilcott Limited has revised its consolidating balance sheet as previously presented in Footnote 25 of the 2014 Annual Report on Form 10-K due to an incorrect presentation of intercompany activity relating to certain subsidiaries inappropriately included in the Actavis, Inc. and non-guarantor columns of such disclosure. The Company overstated the line item “Investment in Subsidiaries” for the non-guarantor column with an offsetting amount in total equity with a corresponding offset to the elimination column. Also, the Company understated in the footnote disclosure for the guarantor labeled Actavis, Inc. the net income with a corresponding offset to the elimination column. Specifically, the balance sheet caption “Investment in Subsidiaries” has been revised from the previously reported amount of \$3,747.2 million as of December 31, 2014 to \$4,761.1 million with an offset to total equity. Further, the line item disclosure related to the earnings in equity subsidiaries in the consolidating statement of operations footnote will be revised from a loss of \$(127.7) million for the year end December 31, 2014 to income of \$886.2 when next presented. The amounts presented in the Quarterly Report on Form 10-Q for the periods ended September 30, 2014 were also revised in this filing. No other periods were impacted. There is no impact to the consolidated financial statements of Allergan plc or Warner Chilcott Limited as previously filed in the 2014 Annual Report on Form 10-K or Quarterly Reports on Form 10-Q.

The following financial information presents the consolidating balance sheets as of September 30, 2015 and December 31, 2014, the related statement of operations for the three and nine months ended September 30, 2015 and 2014 and the statement of cash flows for the nine months ended September 30, 2015 and 2014.

Warner Chilcott Limited

Consolidating Balance Sheets

As of September 30, 2015

(Unaudited; in millions)

	Warner Chilcott Limited (Parent Guarantor)	Actavis Capital S.a.r.l. (Guarantor)	Actavis Funding SCS (Issuer)	Actavis Inc. (Issuer and Guarantor)	Non- guarantors	Eliminations	Consolidated Warner Chilcott Limited
Current assets:							
Cash and cash equivalents	\$-	\$1.2	\$-	\$4.0	\$2,040.5	\$-	\$2,045.7
Marketable securities	-	-	-	-	7.0	-	7.0
Accounts receivable, net	-	-	-	-	2,143.2	-	2,143.2
Receivable from Parents	-	-	-	-	323.9	-	323.9
Inventories, net	-	-	-	-	1,285.4	-	1,285.4
Intercompany receivables	-	76,294.2	25,007.8	-	83,869.6	(185,171.6)	-
Prepaid expenses and other current assets	-	12.6	24.5	6.0	702.7	-	745.8
Current assets held for sale	-	-	-	-	3,802.1	-	3,802.1
Deferred tax assets	-	-	-	329.8	6,278.7	-	6,608.5
Total current assets	-	76,308.0	25,032.3	339.8	100,453.1	(185,171.6)	16,961.6
Property, plant and equipment, net	-	-	-	28.4	1,541.5	-	1,569.9
Investments and other assets	-	15.8	130.7	21.4	330.4	-	498.3
Investment in subsidiaries	76,607.2	65,770.6	-	5,071.2	-	(147,449.0)	-
Non current assets held for sale	-	-	-	47.8	10,525.9	-	10,573.7
Deferred tax assets	-	-	-	-	67.2	-	67.2
Product rights and other intangibles	-	-	-	-	67,133.4	-	67,133.4
Goodwill	-	-	-	-	46,315.1	-	46,315.1
Total assets	\$76,607.2	\$142,094.4	\$25,163.0	\$5,508.6	\$226,366.6	\$(332,620.6)	\$143,119.2

Edgar Filing: Allergan plc - Form 10-Q

Current liabilities:							
Accounts payable and accrued expenses	-	3.2	74.2	185.0	4,214.9	-	4,477.3
Intercompany payables	-	74,280.3	452.0	9,137.3	101,302.0	(185,171.6)	-
Payable to Parents	-	-	-	-	1,212.0	-	1,212.0
Income taxes payable	-	-	-	84.7	-	-	84.7
Current portion of long-term debt and							
capital leases	-	556.7	-	-	1,478.7	-	2,035.4
Deferred revenue	-	-	-	-	32.9	-	32.9
Current liabilities held for sale							
Deferred tax liabilities	-	-	-	24.9	1,424.6	-	1,449.5
Total current liabilities	-	74,840.2	526.2	9,431.9	109,682.1	(185,171.6)	9,308.8
Long-term debt and capital leases							
Deferred revenue	-	7,148.3	24,636.3	4,272.8	4,590.7	-	40,648.1
Other long-term liabilities	-	-	-	-	1,135.1	-	1,135.1
Non current liabilities held for sale							
Other taxes payable	-	-	-	70.6	690.2	-	760.8
Deferred tax liabilities	-	-	-	181.0	13,811.5	-	13,992.5
Total liabilities	-	81,988.5	25,162.5	13,956.3	130,576.3	(185,171.6)	66,512.0
Total equity	76,607.2	60,105.9	0.5	(8,447.7 )	95,790.3	(147,449.0)	76,607.2
Total liabilities and equity	\$76,607.2	\$142,094.4	\$25,163.0	\$5,508.6	\$226,366.6	\$(332,620.6)	\$143,119.2

## Warner Chilcott Limited

## Consolidating Balance Sheets

As of December 31, 2014

(\$ in millions)

	Warner Chilcott Limited (Parent Guarantor)	Actavis Capital S.a.r.l. (Guarantor)	Actavis Funding SCS (Issuer)	Actavis Inc. (Issuer Guarantor)	Non- guarantors	Eliminations	Consolidated Warner Chilcott Limited
Current assets:							
Cash and cash equivalents	\$0.1	\$5.5	\$-	\$1.5	\$237.2	\$-	\$244.3
Marketable securities	-	-	-	-	1.0	-	1.0
Accounts receivable, net	-	-	-	-	1,107.2	-	1,107.2
Receivable from Parents	-	-	-	-	269.8	-	269.8
Inventories	-	-	-	-	976.7	-	976.7
Intercompany receivables	-	22,987.9	3,659.0	18,720.9	52,730.5	(98,098.3 )	-
Prepaid expenses and other current assets	-	123.1	2.7	-	350.1	-	475.9
Current assets held for sale	-	-	-	-	3,819.2	-	3,819.2
Deferred tax assets	-	-	-	-	477.0	-	477.0
Total current assets	0.1	23,116.5	3,661.7	18,722.4	59,968.7	(98,098.3 )	7,371.1
Property, plant and equipment, net	-	-	-	8.2	274.3	-	282.5
Investments and other assets	-	9.0	23.6	82.0	38.7	-	153.3
Investment in subsidiaries	28,076.9	24,064.7	-	4,761.1	-	(56,902.7 )	-
Non current asseets held for sale	-	-	-	43.4	8,170.4	-	8,213.8
Deferred tax assets	-	-	-	-	34.7	-	34.7
Product rights and other intangibles	-	-	-	-	16,096.6	-	16,096.6
Goodwill	-	-	-	-	20,865.6	-	20,865.6
Total assets	\$28,077.0	\$47,190.2	\$3,685.3	\$23,617.1	\$105,449.0	\$(155,001.0 )	\$53,017.6
Current liabilities:							
Accounts payable and accrued expenses	-	2.8	6.1	112.7	2,871.0	-	2,992.6
Intercompany payables	-	25,953.8	2.0	26,774.7	45,367.8	(98,098.3 )	-
Payable to Parents	-	-	-	-	521.1	-	521.1
Income taxes payable	-	-	-	33.9	-	-	33.9

Edgar Filing: Allergan plc - Form 10-Q

Current portion of  
long-term debt and

capital leases	-	571.6	-	-	121.8	-	693.4
Deferred revenue	-	-	-	-	17.8	-	17.8
Current liabilities held for sale	-	-	-	62.8	1,402.9	-	1,465.7
Deferred tax liabilities	-	-	-	-	41.0	-	41.0
Total current liabilities	-	26,528.2	8.1	26,984.1	50,343.4	(98,098.3 )	5,765.5
Long-term debt and capital leases	-	2,516.0	3,677.2	4,270.7	4,373.8	-	14,837.7
Deferred revenue	-	-	-	-	26.3	-	26.3
Other long-term liabilities	-	-	-	-	227.1	-	227.1
Non current liabilities for sale	-	-	-	102.7	438.0	-	540.7
Other taxes payable	-	-	-	789.5	-	-	789.5
Deferred tax liabilities	-	-	-	-	2,753.8	-	2,753.8
Total liabilities	-	29,044.2	3,685.3	32,147.0	58,162.4	(98,098.3 )	24,940.6
Total equity	28,077.0	18,146.0	-	(8,529.9 )	47,286.6	(56,902.7 )	28,077.0
Total liabilities and equity	\$28,077.0	\$47,190.2	\$3,685.3	\$23,617.1	\$105,449.0	\$(155,001.0)	\$53,017.6



Warner Chilcott Limited

Consolidating Statements of Operations

For the Three Months Ended September 30, 2015

(Unaudited; in millions)

	Warner Chilcott Limited (Parent Guarantor)	Actavis Capital S.a.r.l. (Guarantor)	Actavis Funding (Issuer) SCS (Issuer)	Actavis Inc. and Guarantor)	Non- guarantors	Eliminations	Consolidated Warner Chilcott Limited
Net revenues	\$ -	\$ -	\$ -	\$ -	\$4,088.9	\$ -	\$ 4,088.9
Operating expenses:							
Cost of sales (excludes amortization and  impairment of acquired intangibles  including product rights)	-	-	-	-	1,242.9	-	1,242.9
Research and development	-	-	-	-	1,260.5	-	1,260.5
Selling and marketing	-	-	-	-	721.8	-	721.8
General and administrative	-	-	-	79.1	267.0	-	346.1
Amortization	-	-	-	-	1,560.2	-	1,560.2
In-process research and development  impairments	-	-	-	-	300.0	-	300.0
Asset sales and impairments, net	-	-	-	-	(4.4 )	-	(4.4 )
Total operating expenses	-	-	-	79.1	5,348.0	-	5,427.1
Operating income / (loss)	-	-	-	(79.1 )	(1,259.1 )	-	(1,338.2 )
Non-operating income (expense):							
Interest income / (expense), net	-	444.3	0.3	(40.3 )	(740.7 )	-	(336.4 )
Other income (expense), net	-	-	-	(0.1 )	0.3	-	0.2
	-	444.3	0.3	(40.4 )	(740.4 )	-	(336.2 )

Edgar Filing: Allergan plc - Form 10-Q

Total other income (expense), net							
Income / (loss) before income taxes and							
noncontrolling interest	-	444.3	0.3	(119.5 )	(1,999.5 )	-	(1,674.4 )
Provision for income taxes	-	-	-	(28.0 )	(796.9 )	-	(824.9 )
(Earnings) / losses of equity interest							
subsidiaries	(5,306.5 )	1,857.2	-	81.3	-	3,368.0	-
Net (loss) from continuing operations, net of tax	\$5,306.5	\$(1,412.9 )	\$ 0.3	\$(172.8 )	\$(1,202.6 )	\$(3,368.0 )	\$(849.5 )
Income / (loss) from discontinued operations	—	—	—	(26.7 )	6,184.1	—	6,157.4
Net (loss)	\$5,306.5	\$(1,412.9 )	\$ 0.3	\$(199.5 )	\$4,981.5	\$(3,368.0 )	\$ 5,307.9
(Income) / loss attributable to noncontrolling interest							
interest	-	-	-	-	(1.4 )	-	(1.4 )
Net income / (loss) attributable to ordinary							
shareholders	\$5,306.5	\$(1,412.9 )	\$ 0.3	\$(199.5 )	\$4,980.1	\$(3,368.0 )	\$ 5,306.5
Other comprehensive income / (loss)							
	(34.9 )	(35.3 )	-	-	(34.9 )	70.2	(34.9 )
Comprehensive income / (loss)	\$5,271.6	\$(1,448.2 )	\$ 0.3	\$(199.5 )	\$4,945.2	\$(3,297.8 )	\$ 5,271.6

77

Warner Chilcott Limited

Consolidating Statements of Operations

For the Nine Months Ended September 30, 2015

(Unaudited; in millions)

	Warner						
	Chilcott Limited (Parent Guarantor)	Actavis Capital S.a.r.l. (Guarantor)	Actavis Funding SCS (Issuer)	Actavis Inc. (Issuer and Guarantor)	Non- guarantors	Eliminations	Consolidated Warner Chilcott Limited
Net revenues	-	-	-	-	10,873.5	-	10,873.5
Operating expenses:							
Cost of sales (excludes amortization and  impairment of acquired intangibles  including product rights)	-	-	-	-	3,699.9	-	3,699.9
Research and development	-	-	-	-	1,927.9	-	1,927.9
Selling and marketing	-	-	-	-	2,130.4	-	2,130.4
General and administrative	-	213.2	16.1	148.8	831.5	-	1,209.6
Amortization	-	-	-	-	3,866.1	-	3,866.1
In process research and development  impairments	-	-	-	-	497.6	-	497.6
Asset sales and impairments, net	-	-	-	0.3	2.8	-	3.1
Total operating expenses	-	213.2	16.1	149.1	12,956.2	-	13,334.6
Operating income / (loss)	-	(213.2 )	(16.1 )	(149.1 )	(2,082.7 )	-	(2,461.1 )
Non-operating income (expense):							
Interest income / (expense), net	-	732.6	(14.4 )	(127.7 )	(1,434.3 )	-	(843.8 )
Other income (expense), net	-	(265.4 )	31.0	-	(3.7 )	-	(238.1 )

Edgar Filing: Allergan plc - Form 10-Q

Total other income (expense), net	-	467.2	16.6	(127.7 )	(1,438.0 )	-	(1,081.9 )
Income / (loss) before income taxes and noncontrolling interest	-	254.0	0.5	(276.8 )	(3,520.7 )	-	(3,543.0 )
Provision for income taxes	-	-	-	(95.8 )	(1,361.1 )	-	(1,456.9 )
(Earnings) / losses of equity interest							
subsidiaries	(4,559.2 )	2,466.7	-	(310.1 )	-	2,402.6	-
Net (loss) from continuing operations, net of tax	\$4,559.2	\$ (2,212.7 )	\$ 0.5	\$ 129.1	\$ (2,159.6 )	\$ (2,402.6 )	\$ (2,086.1 )
Income / (loss) from discontinued operations	-	-	-	(46.9 )	6,694.8	-	6,647.9
Net (loss)	\$4,559.2	\$ (2,212.7 )	\$ 0.5	\$ 82.2	\$ 4,535.2	\$ (2,402.6 )	\$ 4,561.8
(Income) / loss attributable to noncontrolling interest	-	-	-	-	(2.6 )	-	(2.6 )
Net income / (loss) attributable to ordinary shareholders	\$4,559.2	\$ (2,212.7 )	\$ 0.5	\$ 82.2	\$ 4,532.6	\$ (2,402.6 )	\$ 4,559.2
Other Comprehensive income / (loss)	420.1	485.3	-	-	420.1	(905.4 )	420.1
Comprehensive income / (loss)	\$4,979.3	\$ (1,727.4 )	\$ 0.5	\$ 82.2	\$ 4,952.7	\$ (3,308.0 )	\$ 4,979.3

78

Warner Chilcott Limited

Consolidating Statements of Operations

For the Three Months Ended September 30, 2014

(Unaudited; in millions)

	Warner Chilcott Limited (Parent Guarantor)	Actavis Capital S.a.r.l. (Guarantor)	Actavis Funding SCS (Issuer)	Actavis Inc. (Issuer Guarantor)	Non- guarantors	Eliminations	Consolidated Warner Chilcott Limited
Net revenues	\$ -	\$ -	\$ -	\$ -	\$ 2,150.8	\$ -	\$ 2,150.8
Operating expenses:							
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	-	-	-	-	1,183.1	-	1,183.1
Research and development	-	-	-	-	276.6	-	276.6
Selling and marketing	-	-	-	-	540.2	-	540.2
General and administrative	-	-	-	37.0	383.4	-	420.4
Amortization	-	-	-	-	705.0	-	705.0
In process research and development impairments	-	-	-	-	305.0	-	305.0
Asset sales and impairments, net	-	-	-	-	-	-	-
Total operating expenses	-	-	-	37.0	3,393.3	-	3,430.3
Operating income / (loss)	-	-	-	(37.0 )	(1,242.5 )	-	(1,279.5 )
Non-operating income (expense):							
Interest income / (expense), net	-	203.0	(35.9 )	(45.8 )	(251.8 )	-	(130.5 )
Other income (expense), net	-	(3.8 )	-	-	33.2	-	29.4
Total other income (expense), net	-	199.2	(35.9 )	(45.8 )	(218.6 )	-	(101.1 )
Income / (loss) before income taxes and	-	199.2	(35.9 )	(82.8 )	(1,461.1 )	-	(1,380.6 )

Edgar Filing: Allergan plc - Form 10-Q

noncontrolling interest							
Provision for income taxes	-	-	-	(61.1 )	(154.7 )	-	(215.8 )
(Earnings) / losses of equity interest							
subsidiaries	1,045.5	1,195.7	-	(171.6 )	-	(2,069.6 )	-
Net (loss) from continuing operations, net of tax	\$(1,045.5 )	\$(996.5 )	\$(35.9 )	\$ 149.9	\$(1,306.4 )	\$ 2,069.6	\$(1,164.8 )
Income / (loss) from discontinued operations	-	-	-	(39.6 )	158.9	-	119.3
Net (loss) (Income) / loss attributable to noncontrolling interest	\$(1,045.5 )	\$(996.5 )	\$(35.9 )	\$ 110.3	\$(1,147.5 )	\$ 2,069.6	\$(1,045.5 )
interest	-	-	-	-	-	-	-
Net income / (loss) attributable to ordinary shareholders	\$(1,045.5 )	\$(996.5 )	\$(35.9 )	\$ 110.3	\$(1,147.5 )	\$ 2,069.6	\$(1,045.5 )
Other Comprehensive income / (loss)	(310.6 )	(293.6 )	-	-	(310.6 )	604.2	(310.6 )
Comprehensive income / (loss)	\$(1,356.1 )	\$(1,290.1 )	\$(35.9 )	\$ 110.3	\$(1,458.1 )	\$ 2,673.8	\$(1,356.1 )

Warner Chilcott Limited

Consolidating Statements of Operations

For the Nine Months Ended September 30, 2014

(Unaudited; in millions)

	Warner Chilcott Limited (Parent Guarantor)	Actavis Capital S.a.r.l. (Guarantor)	Actavis Funding SCS (Issuer)	Actavis Inc. (Issuer Guarantor)	Non- guarantors	Eliminations	Consolidated Warner Chilcott Limited
Net revenues	\$ -	\$ -	\$ -	\$ -	\$ 4,323.3	\$ -	\$ 4,323.3
Operating expenses:							
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	-	-	-	-	2,371.4	-	2,371.4
Research and development	-	-	-	-	368.6	-	368.6
Selling and marketing	-	-	-	-	799.3	-	799.3
General and administrative	-	-	-	66.1	664.9	-	731.0
Amortization	-	-	-	-	1,192.2	-	1,192.2
In process research and development impairments	-	-	-	-	320.0	-	320.0
Asset sales and impairments, net	-	-	-	(0.1 )	(5.2 )	-	(5.3 )
Total operating expenses	-	-	-	66.0	5,711.2	-	5,777.2
Operating income / (loss)	-	-	-	(66.0 )	(1,387.9 )	-	(1,453.9 )
Non-operating income (expense):							
Interest income / (expense), net	-	380.9	(40.5 )	(136.5 )	(484.1 )	-	(280.2 )
Other income (expense), net	-	(26.8 )	-	0.1	42.0	-	15.3
Total other income (expense), net	-	354.1	(40.5 )	(136.4 )	(442.1 )	-	(264.9 )
Income / (loss) before income taxes and	-	354.1	(40.5 )	(202.4 )	(1,830.0 )	-	(1,718.8 )

Edgar Filing: Allergan plc - Form 10-Q

noncontrolling interest							
Provision for income taxes	-	-	-	(109.9 )	(198.2 )	-	(308.1 )
(Earnings) / losses of equity interest							
subsidiaries	886.4	1,062.8	-	(681.2 )	-	(1,268.0 )	-
Net (loss) from continuing operations, net of tax	\$(886.4 )	\$(708.7 )	\$(40.5 )	\$ 588.7	\$(1,631.8 )	\$ 1,268.0	\$(1,410.7 )
Income / (loss) from discontinued operations	-	-	-	(70.7 )	595.0	-	524.3
Net (loss) (Income) / loss attributable to noncontrolling interest	\$(886.4 )	\$(708.7 )	\$(40.5 )	\$ 518.0	\$(1,036.8 )	\$ 1,268.0	\$(886.4 )
interest	-	-	-	-	(0.3 )	-	(0.3 )
Net income / (loss) attributable to ordinary shareholders	\$(886.4 )	\$(708.7 )	\$(40.5 )	\$ 518.0	\$(1,037.1 )	\$ 1,268.0	\$(886.7 )
Other Comprehensive income / (loss)	(310.8 )	(291.2 )	-	-	(310.8 )	602.0	(310.8 )
Comprehensive income / (loss)	\$(1,197.2 )	\$(999.9 )	\$(40.5 )	\$ 518.0	\$(1,347.9 )	\$ 1,870.0	\$(1,197.5 )



Warner Chilcott Limited

Consolidating Statement of Cash Flows

For the Nine Months Ended September 30, 2015

(Unaudited; in millions)

	Actavis Capital		Actavis Inc.			Consolidated	
	Warner Chilcott	S.a.r.l.	Actavis Funding	Issuer and Non-			
	Limited (Parent	(Guarantor)	SCS (Issuer)	Guarantor) guarantors	Eliminations		Warner Chilcott
	Guarantor)						Limited
<b>Cash Flows From</b>							
<b>Operating Activities:</b>							
Net income / (loss)	\$ 4,559.2	\$ (2,212.7 )	\$ 0.5	\$ 82.2	\$ 4,535.2	\$ (2,402.6 )	\$ 4,561.8
<b>Reconciliation to net</b>							
<b>cash provided by</b>							
<b>operating</b>							
<b>activities:</b>							
(Earnings) / losses							
of equity interest							
subsidiaries	(4,559.2 )	2,466.7	-	(310.1 )	-	2,402.6	-
Depreciation	-	-	-	0.2	183.7	-	183.9
Amortization	-	-	-	-	4,192.8	-	4,192.8
Provision for							
inventory reserve	-	-	-	-	108.6	-	108.6
Share-based							
compensation	-	-	-	35.6	474.9	-	510.5
Deferred income tax							
benefit	-	-	-	-	(7,470.9 )	-	(7,470.9 )
In-process research							
and development							
impairments	-	-	-	-	497.6	-	497.6
Loss / (gain) on							
asset sales and							
impairments,							
net	-	-	-	-	57.2	-	57.2
Amortization of							
inventory step-up	-	-	-	-	1,019.8	-	1,019.8
Amortization of							
deferred financing							
costs	-	268.8	14.8	3.1	2.5	-	289.2

Edgar Filing: Allergan plc - Form 10-Q

Accretion and contingent consideration	-	-	-	-	89.2	-	89.2
Dividends from subsidiaries	138.4	138.4	-	-	-	(276.8 )	-
Other, net	-	-	-	-	54.9	-	54.9
Changes in assets and liabilities (net of effects of acquisitions)	(0.1 )	(4,977.5 )	(20,827.2 )	227.0	24,586.8	-	(991.0 )
Net cash provided by operating activities	138.3	(4,316.3 )	(20,811.9 )	38.0	28,332.3	(276.8 )	3,103.6
<b>Cash Flows From Investing Activities:</b>							
Additions to property plant and equipment	-	-	-	(35.5 )	(315.2 )	-	(350.7 )
Additions to product rights and other intangibles	-	-	-	-	(91.1 )	-	(91.1 )
Additions to investments	(9,000.8 )	(9,000.8 )	-	-	(27.0 )	18,001.6	(27.0 )
Proceeds from sale of investments and other assets	-	-	-	-	855.8	-	855.8
Proceeds from sales of property, plant and equipment	-	-	-	-	133.6	-	133.6
Acquisitions of business, net of cash acquired	-	-	-	-	(35,242.7)	-	(35,242.7 )
Net cash (used in) investing activities	(9,000.8 )	(9,000.8 )	-	(35.5 )	(34,686.6)	18,001.6	(34,722.1 )
<b>Cash Flows From Financing Activities:</b>							
Proceeds from borrowings of long-term indebtedness	-	5,500.0	20,955.6	-	0.8	-	26,456.4
Proceeds from borrowings on credit facility	-	2,810.0	-	-	72.0	-	2,882.0
Debt issuance and other financing costs	-	(167.1 )	(143.7 )	-	-	-	(310.8 )

Payments on debt, including capital lease obligations	-	(3,692.5 )	-	-	(634.2 )	-	(4,326.7 )
Payments of contingent consideration	-	-	-	-	(138.3 )	-	(138.3 )
Dividends to Parent	(138.4 )	(138.4 )	-	-	(138.4 )	276.8	(138.4 )
Contribution from Parent	9,000.8	9,000.8	-	-	9,000.8	(18,001.6 )	9,000.8
Net cash provided by / (used in) financing activities	8,862.4	13,312.8	20,811.9	-	8,162.7	(17,724.8 )	33,425.0
Effect of currency exchange rate changes on cash and cash equivalents	-	-	-	-	(5.1 )	-	(5.1 )
Movement in cash held for sale	-	-	-	-	-	-	-
Net increase / (decrease) in cash and cash equivalents	(0.1 )	(4.3 )	-	2.5	1,803.3	-	1,801.4
Cash and cash equivalents at beginning of period	0.1	5.5	-	1.5	237.2	-	244.3
Cash and cash equivalents at end of period	\$ -	\$ 1.2	\$ -	\$ 4.0	\$ 2,040.5	\$ -	\$ 2,045.7

Warner Chilcott Limited

Consolidating Statement of Cash Flows

For the Nine Months Ended September 30, 2014

(Unaudited; in millions)

	Warner Chilcott Limited (Parent Guarantor)	Actavis Capital S.a.r.l. (Guarantor)	Actavis Funding SCS (Issuer)	Actavis Inc. (Issuer and Guarantor)	Non- guarantors	Eliminations	Consolidated Warner Chilcott Limited
<b>Cash Flows From Operating Activities:</b>							
Net income / (loss)	\$ (886.4 )	\$ (708.7 )	\$ (40.5 )	\$ 518.0	\$ (1,036.8 )	\$ 1,268.0	\$ (886.4 )
<b>Reconciliation to net cash provided by operating activities:</b>							
(Earnings) / losses of equity interest subsidiaries	886.4	1,062.8	-	(681.2 )	-	(1,268.0 )	-
Depreciation	-	-	-	0.2	169.5	-	169.7
Amortization	-	-	-	-	1,720.7	-	1,720.7
Provision for inventory reserve	-	-	-	-	110.2	-	110.2
Share-based compensation	-	-	-	1.4	258.0	-	259.4
Deferred income tax benefit	-	-	-	-	(412.5 )	-	(412.5 )
In-process research and development impairments	-	-	-	-	321.3	-	321.3
Loss / (gain) on asset sales and impairments, net	-	-	-	-	34.2	-	34.2
Amortization of inventory step-up	-	-	-	-	703.3	-	703.3
Amortization of deferred financing costs	-	1.0	22.9	2.4	8.1	-	34.4
Accretion and contingent consideration	-	-	-	-	(24.2 )	-	(24.2 )
Non-cash impact of debt extinguishment	-	-	-	-	(91.7 )	-	(91.7 )

Edgar Filing: Allergan plc - Form 10-Q

Other, net	-	-	-	-	(19.1 )	-	(19.1 )
Changes in assets and liabilities (net of effects of acquisitions)	(0.1 )	(13.2 )	(3,606.7)	167.2	2,935.7	-	(517.1 )
Net cash provided by operating activities	(0.1 )	341.9	(3,624.3)	8.0	4,676.7	-	1,402.2
Cash Flows From Investing Activities:							
Additions to property plant and equipment	-	-	-	(7.6 )	(166.5 )	-	(174.1 )
Additions to product rights and other intangibles	-	-	-	-	(0.1 )	-	(0.1 )
Additions to investments	-	-	-	-	-	-	-
Proceeds from sale of investments and other assets	-	-	-	-	452.7	-	452.7
Proceeds from sales of property, plant and equipment	-	-	-	-	12.0	-	12.0
Acquisitions of business, net of cash acquired	-	-	-	-	(4,922.6 )	-	(4,922.6 )
Net cash (used in) investing activities	-	-	-	(7.6 )	(4,624.5 )	-	(4,632.1 )
Cash Flows From Financing Activities:							
Proceeds from borrowings of long-term indebtedness	-	-	6,076.2	-	2,000.0	-	8,076.2
Proceeds from borrowings on credit facility	-	80.0	-	-	-	-	80.0
Debt issuance and other financing costs	-	-	(51.9 )	-	(6.3 )	-	(58.2 )
Payments on debt, including capital lease obligations	-	(417.8 )	(2,400.0)	-	(2,057.7 )	-	(4,875.5 )
Payments of contingent consideration	-	-	-	-	(12.6 )	-	(12.6 )
Dividends to Parent	-	-	-	-	-	-	-
Contribution from Parent	-	-	-	-	-	-	-
Net cash provided by / (used in) financing activities	-	(337.8 )	3,624.3	-	(76.6 )	-	3,209.9
Effect of currency exchange rate changes on cash and cash equivalents							
	-	-	-	-	(2.1 )	-	(2.1 )
Movement in cash held for sale	-	-	-	-	37.0	-	37.0
	(0.1 )	4.1	0.0	0.4	10.5	-	14.9

Net increase / (decrease) in  
cash and cash

equivalents

Cash and cash equivalents at beginning of period	0.1	0.3	-	1.4	321.7	-	323.5
Cash and cash equivalents at end of period	\$ -	\$ 4.4	\$0.0	\$ 1.8	\$ 332.2	\$ -	\$ 338.4

82

---

NOTE 22 – Subsequent Events

Mimetogen

On November 4, 2015, the Company announced that it entered into an exclusive licensing agreement with Mimetogen Pharmaceuticals (“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 \$50.0 million to Mimetogen and the funding of phase 3 development of tavilermide. Mimetogen will additionally be entitled to receive potential milestone payments and royalties based on commercialization of the product. The Company will include the financial impact of the transaction in the fourth quarter of 2015.

Northwood Medical Innovation

On November 4, 2015, the Company announced that it entered into an agreement to acquire Northwood Medical Innovation Ltd, developer of innovative implant technology, earFold™. earFold™ is a medical device for the correction of prominent ears, with or without asymmetry, in patients aged 7 years and older. earFold™ received a 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 UK.

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 million.

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

The following discussion of our financial condition and the results of operations should be read in conjunction with the “Consolidated Financial Statements” and notes thereto included elsewhere in this Quarterly Report on Form 10-Q (“Quarterly Report”) and our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 (the “Annual Report”). This discussion contains forward-looking statements that are subject to known and unknown risks, uncertainties and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, among others, those identified under “Risk Factors” in our Annual Report, and elsewhere in this Quarterly Report.

References throughout to “we,” “our,” “us,” the “Company” or “Allergan” refer to financial information and transactions of Allergan plc. References to “Warner Chilcott Limited” refer to Warner Chilcott Limited, the Company’s indirect wholly-owned subsidiary, and, unless the context otherwise requires, its subsidiaries. Warner Chilcott Limited is an indirect wholly-owned subsidiary of Allergan plc, the ultimate parent of the group. The results of Warner Chilcott Limited are consolidated into the results of Allergan plc. Due to the de minimis activity between Allergan plc and Warner Chilcott Limited, references throughout this filing relate to both Allergan plc and Warner Chilcott Limited. Warner Chilcott Limited representations relate only to itself and not to any other company.

To the extent that the Allergan quarterly results contained, referred to or summarized in this document constitute a profit forecast for the purposes of Rule 28 of the Irish Takeover Rules, such results will (unless not otherwise required by the Irish Takeover Rules or the Irish Takeover Panel consents otherwise) be reported on in accordance with that rule at the appropriate time. Except as described in the previous sentence, no statement in this document is intended to constitute a profit forecast for any period, nor should any statements be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for Allergan as appropriate. No statement in this document constitutes an asset valuation.

#### Overview

Allergan plc is a global specialty pharmaceutical company engaged in the development, manufacturing, marketing, and distribution of brand name (“brand”, “branded” or “specialty brand”), medical aesthetics, generic, branded generic, biosimilar and over-the-counter (“OTC”) pharmaceutical products. The Company has operations in more than 100 countries. Warner Chilcott Limited is a wholly-owned subsidiary of Allergan plc and has the same principal business activities. As a result of the Allergan Acquisition (defined below) which closed on March 17, 2015, the Company expanded its franchises to include ophthalmology, neurosciences and medical aesthetics/dermatology/plastic surgery, which complements the Company’s existing central nervous system, gastroenterology, women’s health and urology franchises. The combined company benefits significantly from Allergan, Inc’s (“Legacy Allergan”) global brand equity and consumer awareness of key products, including Botox® and Restasis®. The Allergan



Acquisition 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.

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 for approximately \$40.5 billion (the “Teva Transaction”). Under the Teva Agreement, upon the closing of the Teva Transaction, we will receive \$33.75 billion in cash and approximately \$6.75 billion in Teva stock in exchange for which Teva will acquire 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 R&D unit, our international over-the-counter (OTC) commercial unit (excluding OTC eye care products) and some established international brands. The transaction is subject to customary closing conditions and expected to close in the first quarter of 2016. As a result of the transaction, 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 to be divested as held for sale. Further, the financial results of the business held for sale have been reclassified to discontinued operations for all periods presented in our condensed consolidated financial statements.

#### 2015 Significant Business Developments

During 2015, we entered into / completed the following transactions that impacted our results of operations and will continue to have an impact on our future operations.

##### Acquisitions

###### AqueSys

On October 16, 2015, the Company acquired AqueSys, Inc. (“AqueSys”), a private, clinical stage medical device company focused on developing ocular implants that reduce intraocular pressure (IOP) associated with glaucoma, in an all-cash transaction. Under the terms of the agreement, the Company acquired AqueSys for a \$300.0 million upfront payment and regulatory approval and commercialization milestone payments related to AqueSys' lead development programs, including XEN45, a soft shunt that is implanted in the subconjunctival space in the eye through a minimally invasive procedure with a single use, pre-loaded proprietary injector. The company will include the financial impact of the transaction in the fourth quarter of 2015.

###### Kythera

On October 1, 2015, the Company acquired Kythera Biopharmaceuticals (“Kythera”), for \$75 per share, or approximately \$2.1 billion (the “Kythera Acquisition”). Kythera is focused on the discovery, development and commercialization of novel prescription aesthetic products. Kythera’s lead product is Kybell® injection, the first and only Federal and Drug Administration (“FDA”) approved, non-surgical treatment for moderate to severe submental fullness, commonly referred to as double chin. The Company will include the financial impact of the transaction in the fourth quarter of 2015.

###### Oculeve

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 \$1.6 million in cash plus \$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

On March 17, 2015, the Company acquired Allergan, Inc. 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, Allergan, Inc. 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 complements the Company’s existing central nervous system, gastroenterology, women’s health and urology franchises. The combined company will also benefit significantly from Legacy Allergan’s global brand equity and consumer awareness of key products, including Botox® and Restasis®. The transaction also expands 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 three and nine months ended September 30, 2015 is as follows (\$ in millions):

	Three Months Ended September 30, 2015				
	US				Total
	US Brands	Medical Aesthetics	International	Corporate	
Net revenues	\$ 839.4	\$ 445.0	\$ 545.6	\$ 3.7	\$ 1,833.7
Operating expenses:					
Cost of sales <sup>(1)</sup>	46.9	26.5	78.2	278.4	430.0
Selling and marketing	146.9	89.2	144.4	18.1	398.6
General and administrative	-	7.8	30.1	89.2	127.1
Contribution	\$ 645.6	\$ 321.5	\$ 292.9	\$ (382.0)	\$ 878.0

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

	Nine Months Ended September 30, 2015				
	US				Total
	US Brands	Medical Aesthetics	International	Corporate	
Net revenues	\$ 1,767.9	\$ 987.0	\$ 1,284.0	\$ 4.0	\$ 4,042.9
Operating expenses:					
Cost of sales <sup>(1)</sup>	96.2	63.7	194.8	807.5	1,162.2
Selling and marketing	318.9	200.8	333.1	176.2	1,029.0
General and administrative	1.9	21.7	66.4	638.6	728.6
Contribution	\$ 1,350.9	\$ 700.8	\$ 689.7	\$ (1,618.3)	\$ 1,123.1

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

Edgar Filing: Allergan plc - Form 10-Q

As a result of the acquisition, the Company incurred the following transaction and integration costs in the three and nine months ended September 30, 2015 (\$ in millions):

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Cost of sales		
Stock-based compensation acquired for Legacy		
Allergan employees	\$ 4.7	\$ 18.9
Acquisition, integration and restructuring related		
charges	0.3	12.4
Research and development		
Stock-based compensation acquired for Legacy		
Allergan employees	16.6	108.2
Acquisition, integration and restructuring related		
charges	17.5	83.7
Selling and marketing		
Stock-based compensation acquired for Legacy		
Allergan employees	23.6	86.5
Acquisition, integration and restructuring related		
charges	5.4	65.9
General and administrative		
Stock-based compensation acquired for Legacy		
Allergan employees	16.8	243.0
Acquisition-related expenditures	-	65.5
Acquisition, integration and restructuring related		
charges	65.7	231.4
Other (expense) income		
Bridge loan facilities expense	-	(264.9 )
Interest rate lock	-	30.9
Total transaction and integration costs	\$ 150.6	\$ 1,149.5

Licenses and Asset Acquisitions

Mimetogen

On November 4, 2015, the Company announced that it entered into an exclusive licensing agreement with Mimetogen Pharmaceuticals (“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 and the funding of phase 3 development of tavilermide. Mimetogen will additionally be entitled to receive potential milestone payments and royalties based on commercialization of the product. The Company will include the financial impact of the transaction in the fourth quarter of 2015.

#### Northwood Medical Innovation

On November 4, 2015, the Company announced that it entered into an agreement to acquire Northwood Medical Innovation Ltd, developer of innovative implant technology, earFold™. earFold™ is a medical device for the correction of prominent ears, with or without asymmetry, in patients aged 7 years and older. earFold™ received a 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 UK.

#### 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 million.

#### Naurex

On August 28, 2015, the Company acquired certain products in early stage developments of Naurex, Inc. (“Naurex”) in an all-cash transaction of \$571.7 million (the “Naurex Transaction”) plus future contingent payments, which was accounted for as an asset acquisition and recognized as a component of research and development (“R&D”) expenses in the three and nine months ended September 30, 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 6, 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 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 expenses in the three and nine months ended September 30, 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 Company paid \$125.0 million in the three and nine months ended September 30, 2015 and the remaining \$125.0 million is payable on April 1, 2016. Additionally, Merck will be owed contingent payments based on commercial and development milestones of up to \$965.0 million as well as royalties.

#### Divestitures

##### Teva

On July 26, 2015, we entered into the Teva Agreement.

#### 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 the 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 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. As a result of the final terms of the agreement, in the nine months ended September 30, 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 nine months ended September 30, 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 second quarter of 2015, the Company completed the divestiture of the Pharmatech business.

#### 2014 Significant Business Developments

During 2014, we completed the following transactions that impacted our results of operations and will continue to have an impact on our future operations.

## Durata Therapeutics

On November 17, 2014, we completed our tender offer to purchase all of the outstanding shares of Durata Therapeutics, Inc. (“Durata”), an innovative pharmaceutical company focused on the development and commercialization of novel therapeutics for patients with infectious diseases and acute illnesses (the “Durata Acquisition”). Allergan purchased all outstanding shares of Durata, which were valued at approximately \$724.5 million, including the assumption of debt, as well as one contingent value right (“CVR”) per share, entitling the holder to receive additional cash payments of up to \$5.00 per CVR if certain regulatory or commercial milestones related to Durata’s lead product Dalvance™ are achieved. The CVR had an acquisition date fair value of \$49.0 million. We accounted for the acquisition as a business combination requiring that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. On March 2, 2015, the Company announced that the European Commission has granted Allergan’s subsidiary Durata Therapeutics International B.V., marketing authorization for Xydalba™ (dalbavancin) for the treatment of acute bacterial skin and skin structure infections (ABSSSI) in adults. The approval triggered the first CVR payment. The difference between the fair value of the CVR on the date of acquisition of \$24.5 million and the payment made of \$30.9 million, or \$6.4 million, was recorded as an operating expense in the nine months ended September 30, 2015.

## Furiex

On July 2, 2014, the Company acquired Furiex Pharmaceuticals, Inc. (“Furiex”) in an all-cash transaction (the “Furiex Acquisition”) valued at \$1,156.2 million (including the assumption of debt) and up to approximately \$360.0 million in a CVR that may be payable based on which controlled substance schedule designation (if any) that eluxadoline, Furiex’s lead product, receives following approval (if any), which had an acquisition accounting fair value of \$88.0 million on the date of acquisition (included in the value of \$1,156.2 million). In the second quarter of 2015, the Company received approval from the FDA of the eluxadoline product, Viberzi®.

Viberzi® is a first-in-class, locally-acting mu opioid receptor agonist and delta opioid receptor antagonist for treating symptoms of diarrhea-predominant irritable bowel syndrome (IBS-d), a condition that affects approximately 28 million patients in the United States and Europe.

In connection with the close of the Furiex Acquisition, the Company further announced that it closed the transaction related to the sale of Furiex’s royalties on Alogliptin and Priligy® to Royalty Pharma for \$408.6 million in cash consideration.

## Contingent Consideration

Additional consideration was conditionally due to the seller based upon the status of eluxadoline as a controlled drug, if any. The Company estimated the acquisition accounting fair value of the contingent consideration to be \$88.0 million using a probability weighted 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 the payment, and probability of success rates and discount adjustments on the related cash flows.

As of September 30, 2015, Company anticipated scheduling as a C-IV product from the Drug Enforcement Agency (“DEA”) for Viberzi and recognized an expense of \$59.3 million and \$29.8 million as a component of R&D expense in the three and nine months ended September 30, 2015, respectively, based on the estimated payment to CVR shareholders versus the prior probability weighted outcomes. The final CVR is anticipated to be based on the status of Viberzi®, as a controlled drug, as a schedule IV (C-IV) drug, for \$10 in cash for each CVR totaling \$118.5 million which is recorded in accrued expenses.



Forest Laboratories

On July 1, 2014, the Company acquired Forest Laboratories, Inc. (“Legacy Forest”) for \$30.9 billion including outstanding indebtedness assumed of \$3.3 billion, equity consideration of \$20.6 billion, which includes outstanding equity awards, and cash consideration of \$7.1 billion (the “Forest Acquisition”). Under the terms of the transaction, Legacy Forest shareholders received 89.8 million Allergan plc (formerly Actavis plc) ordinary shares, 6.1 million Allergan plc non-qualified stock options and 1.1 million Allergan plc share units. Legacy Forest was a leading, fully integrated, specialty pharmaceutical company largely focused on the United States market. Legacy Forest marketed a portfolio of branded drug products and developed new medicines to treat patients suffering from diseases principally in the following therapeutic areas: central nervous system, cardiovascular, gastrointestinal, respiratory, anti-infective, and cystic fibrosis.

Edgar Filing: Allergan plc - Form 10-Q

The contribution from the acquisition of Forest to the US Brands segment for the period of January 1, 2015 to June 30, 2015, the period in which there was no comparative prior year results was as follows (\$ in millions):

	January 1 - June 30, 2015
Net revenues	\$2,242.9
Operating expenses:	
Cost of sales <sup>(1)</sup>	374.9
Selling and marketing	539.2
General and administrative	79.9
Contribution	\$1,248.9

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

As a result of the Forest Acquisition, the Company incurred the following transaction and integration costs in the three and nine months ended September 30, 2015 (\$ in millions):

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Cost of sales		
Stock-based compensation acquired for Forest		
employees	\$ 0.9	\$ 3.6
Severance-related charges	-	1.1
Research and development		
Stock-based compensation acquired for Forest		
employees	5.5	30.0
Severance-related charges	0.4	9.2
Selling and marketing		
Stock-based compensation acquired for Forest		
employees	9.4	37.8
Severance-related charges	0.4	17.3
General and administrative		
Stock-based compensation acquired for Forest		
employees	10.7	43.0
Other integration charges	17.9	47.6

Edgar Filing: Allergan plc - Form 10-Q

Severance-related charges	1.7	19.2
Total transaction and integration costs	\$ 46.9	\$ 208.8

As a result of the transaction, the Company incurred the following transaction and integration costs in the three and nine months ended September 30, 2014 (\$ in millions):

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Cost of sales		
Stock-based compensation acquired for Forest		
employees	\$ 6.1	\$ 6.1
Severance-related charges	7.6	7.6
Research and development		
Stock-based compensation acquired for Forest		
employees	38.8	38.8
Severance-related charges	19.1	19.1
Selling and marketing		
Stock-based compensation acquired for Forest		
employees	37.9	37.9
Severance-related charges	38.8	42.2
Other integration costs	1.6	3.4
General and administrative		
Stock-based compensation acquired for Forest		
employees	123.9	123.9
Severance-related charges	49.1	59.3
Other integration costs	53.6	80.5
Financing related charges	0.6	9.3
Other income (expense)		
Bridge loan facilities	2.8	25.8
Total transaction and integration costs	\$ 379.9	\$ 453.9

### 2013 Significant Business Developments

During 2013, we completed the following transactions that impacted our results of operations and will continue to have an impact on our future operations.

#### Warner Chilcott

On October 1, 2013, the Company acquired of Warner Chilcott plc (“Warner Chilcott”) in a stock for stock transaction for a value, including the assumption of debt, of \$9.2 billion (the “Warner Chilcott Acquisition”). Warner Chilcott was a leading specialty pharmaceutical company focused on the women’s healthcare, gastroenterology, urology and dermatology segments of the branded pharmaceuticals market, primarily in North America.

## Operating results

### Segments

In the third quarter of 2015, there was a strategic shift in the business as a result of the Teva Transaction. As a result, the continuing operations was realigned to reflect the segments as US Brands, US Medical Aesthetics, International Brands, and Anda Distribution. Prior to the realignment, the Company operated and managed its business as five distinct operating segments: US Brands, US Medical Aesthetics, International Brands, Global Generics, and Anda Distribution.

Under the new organizational structure being reported, the Company organized its business into four operating segments: US Brands, US Medical Aesthetics, International Brands and Anda Distribution. In addition, certain revenues and shared costs and the results of corporate initiatives are being managed outside of the four segments. The new operating segments are organized as follows:

- The US Brands segment includes sales and expenses relating to branded products within the United States, including certain Botox<sup>®</sup> therapies.
- The US Medical Aesthetics segment includes sales and expenses relating to aesthetics and dermatology products within the United States, including certain Botox<sup>®</sup> therapies.
- The International Brands segment includes sales and expenses relating to products sold outside of the United States.

90

---

·The Anda Distribution segment includes distribution of generic and branded pharmaceutical products manufactured by third parties, as well as by the Company, primarily to independent pharmacies, pharmacy chains, pharmacy buying groups and physicians' offices. The Anda Distribution segment operating results exclude sales of products developed, acquired, or licensed by the US Brands, US Medical Aesthetics and International Brands segments. As the generics business is now reported within discontinued operations, the Anda Distribution segment includes revenues and expenses related to Company manufactured generics products sold through Anda.

The Company evaluates segment performance based on segment contribution. Segment contribution for segments represents net revenues less cost of sales (excluding amortization and impairment of acquired intangibles including product rights), selling and marketing expenses, and select general and administrative expenses. The Company does not evaluate the following items at the segment level:

- Revenues and operating expenses within cost of sales (excluding amortization and impairment of acquired intangibles including product rights), 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 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 sales 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. In July 2014, as a result of the Forest Acquisition, the Company also began recognizing revenues on key US brands, including, but not limited to, Bystolic®, Canasa®, Carafate®, Fetzima®, Linzess®, Namenda IR® (which lost exclusivity in July 2015), Namenda XR®, Saphris®, Teflaro® and Viibryd®.

Cost of sales within segment contribution includes 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, inventory reserve charges 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.

Edgar Filing: Allergan plc - Form 10-Q

Segment net revenues, segment operating expenses and segment contribution information consisted of the following for the three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30, 2015				
	US Brands	US Medical Aesthetics	International Brands	Anda Distribution	Total
Net revenues	\$2,391.3	\$ 457.3	\$ 660.6	\$ 576.0	\$4,085.2
Operating expenses:					
Cost of sales <sup>(1)</sup>	290.2	27.7	112.5	495.5	925.9
Selling and marketing	409.8	89.2	155.8	36.3	691.1
General and administrative	26.9	7.8	41.0	11.0	86.7
Segment Contribution	\$1,664.4	\$ 332.6	\$ 351.3	\$ 33.2	\$2,381.5
Contribution margin	69.6 %	72.7 %	53.2 %	5.8 %	58.3 %
Corporate					608.7
Research and development					1,260.5
Amortization					1,560.2
In-process research and development impairments					300.0
Asset sales and impairments, net					(4.4 )
Operating (loss)					(1,343.5)
Operating margin					(32.9 )%

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

	Three Months Ended September 30, 2014				
	US Brands	US Medical Aesthetics	International Brands	Anda Distribution	Total
Net revenues	\$1,592.7	\$ -	\$ 57.8	\$ 500.3	\$2,150.8
Operating expenses:					
Cost of sales <sup>(1)</sup>	253.1	-	24.7	422.6	700.4
Selling and marketing	315.3	-	10.2	34.7	360.2
General and administrative	36.9	-	5.2	9.1	51.2
Segment Contribution	\$987.4	\$ -	\$ 17.7	\$ 33.9	\$1,039.0
Contribution margin	62.0 %	0.0 %	30.6 %	6.8 %	48.3 %
Corporate					1,034.4
Research and development					276.6
Amortization					705.0
In-process research and development impairments					305.0
Asset sales and impairments, net					-
Operating (loss)					(1,282.0)
Operating margin					(59.6 )%

(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 three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended		Change	
	September 30, 2015	2014	Dollars	%
Segment net revenues	\$4,085.2	\$2,150.8	\$1,934.4	89.9%
Corporate revenues	3.7	-	3.7	n.m.
Net revenues	\$4,088.9	\$2,150.8	\$1,938.1	90.1%



No other country represents ten percent or more of net revenues outside of the United States. The US Brands, US Medical Aesthetics, and Anda Distribution segments are comprised solely of sales within the United States.

The following table represents global net revenues for the top products for the three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30,											
	Global				U.S.				International			
	2015	2014	\$ Change	% Change	2015	2014	\$ Change	% Change	2015	2014	\$ Change	% Change
®	\$604.5	\$-	\$604.5	n.m.	\$435.7	\$-	\$435.7	n.m.	\$168.8	\$-	\$168.8	n.m.
sis®	328.3	-	328.3	n.m.	312.8	-	312.8	n.m.	15.5	-	15.5	n.m.
nda® IR	54.9	307.0	(252.1 )	(82.1 )%	54.9	307.0	(252.1 )	(82.1 )%	-	-	-	-
nda XR®	214.5	120.6	93.9	77.9 %	214.5	120.6	93.9	77.9 %	-	-	-	-
s	167.6	-	167.6	n.m.	89.7	-	89.7	n.m.	77.9	-	77.9	n.m.
gan®/Ganfort®	157.9	-	157.9	n.m.	71.7	-	71.7	n.m.	86.2	-	86.2	n.m.
lic®	155.7	138.6	17.1	12.3 %	155.3	138.1	17.2	12.5 %	0.4	0.5	(0.1 )	(20.0 )%
l®/Delzicol®	157.2	153.7	3.5	2.3 %	141.9	135.2	6.7	5.0 %	15.3	18.5	(3.2 )	(17.3 )%
gan®/Combigan®	120.8	-	120.8	n.m.	81.4	-	81.4	n.m.	39.4	-	39.4	n.m.
ss®/Constella®	117.5	80.0	37.5	46.9 %	117.5	79.7	37.8	47.4 %	-	0.3	(0.3 )	n.m.
d®/Fetzima®	84.5	66.4	18.1	27.3 %	84.5	66.4	18.1	27.3 %	-	-	-	-
estrin®	90.8	71.6	19.2	26.8 %	89.8	70.8	19.0	26.8 %	1.0	0.8	0.2	25.0 %
t Implants	64.4	-	64.4	n.m.	32.5	-	32.5	n.m.	31.9	-	31.9	n.m.
ce® Cream	87.4	66.7	20.7	31.0 %	87.4	66.7	20.7	31.0 %	-	-	-	-
ne®	48.0	-	48.0	n.m.	48.0	-	48.0	n.m.	-	-	-	-
trin® 24	74.4	54.0	20.4	37.8 %	74.4	54.0	20.4	37.8 %	-	-	-	-
Products												
ues	984.5	591.9	392.6	66.3 %	756.6	554.2	202.4	36.5 %	227.9	37.7	190.2	504.0 %
Products												
ues	3,512.9	1,650.5	1,862.4	112.8%	2,848.6	1,592.7	1,255.9	78.9 %	664.3	57.8	606.5	1049.0 %
A Revenues	576.0	500.3	75.7	15.1 %	576.0	500.3	75.7	15.1 %	-	-	-	-
Net Revenues	\$4,088.9	\$2,150.8	\$1,938.1	90.1 %	\$3,424.6	\$2,093.0	\$1,331.6	63.6 %	\$664.3	\$57.8	\$606.5	1049.0 %

Edgar Filing: Allergan plc - Form 10-Q

No other product represents ten percent or more of total net revenues.

Segment net revenues, segment operating expenses and segment contribution information consisted of the following for the nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended September 30, 2015				
	US Brands	US Medical Aesthetics	International Brands	Anda Distribution	Total
Net revenues	\$6,669.4	\$ 1,023.9	\$ 1,496.4	\$ 1,678.4	\$10,868.1
Operating expenses:					
Cost of sales <sup>(1)</sup>	831.0	66.8	263.6	1,437.7	2,599.1
Selling and marketing	1,241.2	200.9	394.2	111.4	1,947.7
General and administrative	113.2	21.7	83.4	30.7	249.0
Segment Contribution	\$4,484.0	\$ 734.5	\$ 755.2	\$ 98.6	\$6,072.3
Contribution margin	67.2 %	71.7 %	50.5 %	5.9 %	55.9 %
Corporate					2,251.8
Research and development					1,927.9
Amortization					3,866.1
In-process research and development impairments					497.6
Asset sales and impairments, net					3.1
Operating (loss)					(2,474.2 )
Operating margin					(22.8 )%

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

	Nine Months Ended September 30, 2014				
	US Brands	US Medical Aesthetics	International Brands	Anda Distribution	Total
Net revenues	\$2,719.0	\$ -	\$ 124.3	\$ 1,480.1	\$4,323.4
Operating expenses:					
Cost of sales <sup>(1)</sup>	390.1	-	35.7	1,250.2	1,676.0
Selling and marketing	467.6	-	33.4	100.4	601.4
General and administrative	78.9	-	6.3	25.7	110.9
Segment Contribution	\$1,782.4	\$ -	\$ 48.9	\$ 103.8	\$1,935.1
Contribution margin	65.6 %	0.0 %	39.3 %	7.0 %	44.8 %
Corporate					1,522.9
Research and Development					368.6
Amortization					1,192.2
In-process research and development impairments					320.0
Asset sales and impairments, net					(5.3 )

Operating (loss)	(1,463.3 )
Operating margin	(33.8 )%

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

Edgar Filing: Allergan plc - Form 10-Q

The following is a reconciliation of net revenues for the operating segments to the Company's net revenues for the nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended		Change	
	September 30, 2015	September 30, 2014	Dollars	%
Segment net revenues	\$10,868.1	\$4,323.4	\$6,544.7	151.4%
Corporate revenues	5.4	(0.1)	5.5	n.m.
Net revenues	\$10,873.5	\$4,323.3	\$6,550.2	151.5%

No other country represents ten percent or more of net revenues outside of the United States. The US Brands, US Medical Aesthetics, and Anda Distribution segments are comprised solely of sales within in the United States.

The following table presents global net revenues for the top products of the Company for the nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended September 30, Global				U.S.				International			
	2015	2014	\$	%	2015	2014	\$	%	2015	2014	\$	%
			Change	Change			Change	Change			Change	Change
	\$1,320.1	\$-	\$1,320.1	n.m.	\$926.7	\$-	\$926.7	n.m.	\$393.4	\$-	\$393.4	n.m.
®	683.2	-	683.2	n.m.	651.4	-	651.4	n.m.	31.8	-	31.8	n.m.
a® IR	532.9	307.0	225.9	73.6 %	532.9	307.0	225.9	73.6 %	-	-	-	-
a XR®	569.8	120.6	449.2	372.5 %	569.8	120.6	449.2	372.5 %	-	-	-	-
	388.1	-	388.1	n.m.	206.6	-	206.6	n.m.	181.5	-	181.5	n.m.
n®/Ganfort®	355.5	-	355.5	n.m.	165.9	-	165.9	n.m.	189.6	-	189.6	n.m.
®	476.9	138.6	338.3	244.1 %	476.1	138.1	338.0	244.8 %	0.8	0.5	0.3	60.0 %
/Delzicol®	455.7	455.4	0.3	0.1 %	407.8	401.2	6.6	1.6 %	47.9	54.2	(6.3)	(13.3 %)
n®/Combigan®	272.3	-	272.3	n.m.	184.9	-	184.9	n.m.	87.4	-	87.4	n.m.
/Constella®	325.8	80.0	245.8	307.3 %	325.8	79.7	246.1	308.8 %	-	0.3	(0.3)	(100.0 %)
/Fetzima®	244.8	66.4	178.4	268.7 %	244.8	66.4	178.4	268.7 %	-	-	-	-
trin®	253.3	202.0	51.3	25.4 %	251.7	201.2	50.5	25.1 %	1.6	0.8	0.8	100.0 %
implants	145.8	-	145.8	n.m.	66.2	-	66.2	n.m.	79.6	-	79.6	n.m.
® Cream	229.4	177.9	51.5	28.9 %	229.4	177.9	51.5	28.9 %	-	-	-	-
®	114.3	-	114.3	n.m.	114.3	-	114.3	n.m.	-	-	-	-
n® 24	195.9	158.4	37.5	23.7 %	195.3	158.4	36.9	23.3 %	0.6	-	0.6	n.m.
Products	2,631.3	1,136.9	1,494.4	131.4 %	2,143.7	1,068.5	1,075.2	100.6 %	487.6	68.4	419.2	61.0 %
Products	9,195.1	2,843.2	6,351.9	223.4 %	7,693.3	2,719.0	4,974.3	182.9 %	1,501.8	124.2	1,377.6	111.3 %
Revenues	1,678.4	1,480.1	198.3	13.4 %	1,678.4	1,480.1	198.3	13.4 %	-	-	-	-
Net Revenues	\$10,873.5	\$4,323.3	\$6,550.2	151.5 %	\$9,371.7	\$4,199.1	\$5,172.6	123.2 %	\$1,501.8	\$124.2	\$1,377.6	111.3 %



## US Brands Segment

Three months ended September 30, 2015 and 2014

The following table presents net contribution for the US Brands segment for the three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended		Change	
	September 30, 2015	2014	Dollars	%
Central Nervous System (CNS)	\$657.9	\$554.6	\$103.3	18.6 %
Eyecare	539.9	-	539.9	n.m.
Gastroenterology (GI)	398.6	327.0	71.6	21.9 %
Women's Health	272.8	238.8	34.0	14.2 %
Cardiovascular	155.3	138.1	17.2	12.5 %
Infectious Disease	52.3	22.7	29.6	130.4 %
Urology	69.3	26.7	42.6	159.6 %
Other	245.2	284.8	(39.6)	-13.9 %
Net revenues	\$2,391.3	\$1,592.7	\$798.6	50.1 %
Operating expenses:				
Cost of sales <sup>(1)</sup>	290.2	253.1	37.1	14.7 %
Selling and marketing	409.8	315.3	94.5	30.0 %
General and administrative	26.9	36.9	(10.0)	-27.1 %
Segment contribution	\$1,664.4	\$987.4	\$677.0	68.6 %
Segment margin	69.6 %	62.0 %		7.6 %

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

The increase in segment revenues is primarily due to the contribution from the Allergan Acquisition, growth in top promoted products such as Namenda XR<sup>®</sup>, Linzess<sup>®</sup>, Estrace Cream, Minastrin<sup>®</sup> 24, and Lo Loestrin<sup>®</sup>, offset, in part, by a decline in Namenda IR<sup>®</sup> revenues of \$252.1 million as a result of generic competition.

The increase in operating expenses is due to the Allergan Acquisition, offset, in part by savings due to corporate initiatives during 2014 and the nine months ended September 30, 2015.

Nine months ended September 30, 2015 and 2014

The following table presents net contribution for the US Brands segment for the nine months ended September 30, 2015 and 2014 (\$ in millions).

	Nine Months Ended		Change	
	September 30, 2015	2014	Dollars	%
Central Nervous System (CNS)	\$2,033.2	\$554.6	\$1,478.6	266.6%
Eyecare	1,213.2	-	1,213.2	n.m.
Gastroenterology (GI)	1,138.4	593.0	545.4	92.0 %
Women's Health	767.1	682.1	85.0	12.5 %
Cardiovascular	476.1	138.1	338.0	244.8%
Infectious Disease	138.3	22.7	115.6	509.3%
Urology	170.0	83.2	86.8	104.3%
Other	733.1	645.3	87.8	13.6 %
Net revenues	\$6,669.4	\$2,719.0	\$3,950.4	145.3%
Operating expenses:				
Cost of sales <sup>(1)</sup>	831.0	390.1	440.9	113.0%
Selling and marketing	1,241.2	467.6	773.6	165.4%
General and administrative	113.2	78.9	34.3	43.5 %
Segment contribution	\$4,484.0	\$1,782.4	\$2,701.6	151.6%
Segment margin	67.2	% 65.6	%	1.6 %

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

The increase in segment revenues and operating expenses is due to the Allergan Acquisition and the timing of the Forest Acquisition which contributed nine months of earnings in the nine months ended September 30, 2015 versus three months in the nine months ended September 30, 2014, offset in part by the impact of restructuring initiatives.

US Medical Aesthetics

Three months ended September 30, 2015 and 2014

The following table presents net contribution for the US Medical Aesthetics segment for the three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months		Change	
	September 30, 2015	2014	Dollars	%
Facial Aesthetics Total	\$ 249.0	\$ -	\$249.0	n.m.
Medical Dermatology Total	144.6	-	144.6	n.m.
Plastic Surgery Total	63.7	-	63.7	n.m.
Net revenues	\$ 457.3	\$ -	\$457.3	n.m.

Edgar Filing: Allergan plc - Form 10-Q

Operating expenses:				
Cost of sales <sup>(1)</sup>	27.7	-	27.7	n.m.
Selling and marketing	89.2	-	89.2	n.m.
General and administrative	7.8	-	7.8	n.m.
Segment contribution	\$ 332.6	\$ -	\$ 332.6	n.m.
Segment margin	72.7	%		

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

The US Medical segment is primarily attributable to the Allergan Acquisition. As such, the increased contribution is not comparable period-over-period.

97

---



Nine months ended September 30, 2015 and 2014

The following table presents net contribution for the US Medical Aesthetics segment for the nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended		Change	
	September 30, 2015	2014	Dollars	%
Facial Aesthetics Total	\$547.9	\$ -	\$547.9	n.m.
Medical Dermatology Total	338.3	-	338.3	n.m.
Plastic Surgery Total	137.7	-	137.7	n.m.
Net revenues	\$1,023.9	\$ -	\$1,023.9	n.m.
Operating expenses:				
Cost of sales <sup>(1)</sup>	66.8	-	66.8	n.m.
Selling and marketing	200.9	-	200.9	n.m.
General and administrative	21.7	-	21.7	n.m.
Segment contribution	\$734.5	\$ -	\$734.5	n.m.
Segment margin	71.7	%		

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

The US Medical segment is primarily attributable to the Allergan Acquisition. As such, the increased contribution is not comparable period-over-period.

#### International Brands

Three months ended September 30, 2015 and 2014

The following table presents net contribution for the International Brands segment for the three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended		Change	
	September 30, 2015	2014	Dollars	%
Eyecare	\$281.5	\$-	\$281.5	n.m.
Facial Aesthetics	176.6	-	176.6	n.m.
Other Therapeutics	167.9	57.8	110.1	190.5 %
Plastic Surgery	34.6	-	34.6	n.m.
Net revenues	\$660.6	\$57.8	\$602.8	1,042.9%
Operating expenses:				
Cost of sales <sup>(1)</sup>	112.5	24.7	87.8	355.5 %

Edgar Filing: Allergan plc - Form 10-Q

Selling and marketing	155.8	10.2	145.6	1,427.5%
General and administrative	41.0	5.2	35.8	688.5 %
Segment contribution	\$351.3	\$17.7	\$333.6	1,884.7%
Segment margin	53.2 %	30.6%		22.6 %

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

The International Brands segment is primarily attributable to the Allergan Acquisition. As such, the increased contribution is not comparable period-over-period.

98

---

Nine months ended September 30, 2015 and 2014

The following table presents net contribution for the International Brands segment for the nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended		Change	
	September 30, 2015	2014	Dollars	%
Eyecare	\$623.5	\$-	\$623.5	n.m.
Facial Aesthetics	416.5	-	416.5	n.m.
Other Therapeutics	370.8	124.3	246.5	198.3 %
Plastic Surgery	85.6	-	85.6	n.m.
Net revenues	\$1,496.4	\$124.3	\$1,372.1	1,103.9%
Operating expenses:				
Cost of sales <sup>(1)</sup>	263.6	35.7	227.9	638.4 %
Selling and marketing	394.2	33.4	360.8	1,080.2%
General and administrative	83.4	6.3	77.1	1,223.8%
Segment contribution	\$755.2	\$48.9	\$706.3	1,444.4%
Segment margin	50.5 %	39.3 %		11.2 %

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

The International Brands segment is primarily attributable to the Allergan Acquisition. As such, the increased contribution is not comparable period-over-period.

#### Anda Distribution Segment

Three months ended September 30, 2015 and 2014

The following table presents net contribution for the Anda Distribution segment for the three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended		Change	
	September 30, 2015	2014	Dollars	%
Net revenues	\$576.0	\$500.3	\$75.7	15.1 %
Operating expenses:				
Cost of sales <sup>(1)</sup>	495.5	422.6	72.9	17.3 %
Selling and marketing	36.3	34.7	1.6	4.6 %
General and administrative	11.0	9.1	1.9	20.9%
Segment contribution	\$33.2	\$33.9	\$(0.7 )	(2.1 )%
Segment margin	5.8 %	6.8 %		(1.0 )%

<sup>(1)</sup>Excludes amortization and impairment of acquired intangibles including product rights.

#### Net Revenues

The increase in net revenues was primarily due to an increase in U.S. base product sales due to primarily volume increases and price increases (\$47.2 million) and an increase in third-party launches (\$15.8 million). Also included are results related to the Company's manufactured products sold through our Anda Distribution segment and were previously included in our former Global Generics Segment.

#### Cost of Sales

The increase in cost of sales within our Anda Distribution segment was due to higher product sales. Cost of sales as a percentage of revenue increased to 86.0% compared to 84.5% in the prior year period primarily due to product and customer mix.

99

---

## Selling and Marketing Expenses

The increase in selling and marketing expenses relate to higher freight costs and higher personnel costs.

## General and Administrative Expenses

General and administrative costs were consistent period over period.

Nine months ended September 30, 2015 and 2014

The following table presents net contribution for the Anda Distribution segment for the nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended		Change	
	September 30,	September 30,	Dollars	%
	2015	2014		
Net revenues	\$1,678.4	\$1,480.1	\$198.3	13.4%
Operating expenses:				
Cost of sales(1)	1,437.7	1,250.2	187.5	15.0%
Selling and marketing	111.4	100.4	11.0	11.0%
General and administrative	30.7	25.7	5.0	19.5%
Segment contribution	\$98.6	\$103.8	\$(5.2)	(5.0)%
Segment margin	5.9	7.0		(1.1)%

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

## Net Revenues

The increase in net revenues was primarily due to an increase in U.S. base product sales due to volume and price increases (\$120.0 million) and an increase in third-party launches (\$52.8 million). Also included are results related to the Company's manufactured products sold through our Anda Distribution segment and were previously included in our former Global Generics Segment.

## Cost of Sales

The increase in cost of sales within our Anda Distribution segment was due to higher product sales. Cost of sales as a percentage of revenue increased to 85.7% compared to 84.5% in the prior year period primarily due to product and customer mix.

## Selling and Marketing Expenses

The increase in selling and marketing expenses relate to higher freight costs and higher personnel costs.

## General and Administrative Expenses

General and administrative costs were consistent period over period.

100

---

## Corporate

Three months ended September 30, 2015 and 2014

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 three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30, 2015				Revenues and Shared Costs	
	Integration and Restructuring	Fair Value Adjustments	Effect of Purchase Accounting	Other	Costs	Total
Net Sales	\$-	\$ -	\$ -	\$3.7	\$ -	\$3.7
Operating expenses:						
Cost of sales <sup>(1)</sup>	0.4	20.6	297.2	-	(1.2 )	317.0
Selling and marketing	5.4	-	24.6	-	0.7	30.7
General and administrative	87.8	-	18.6	22.0	136.3	264.7
Contribution	\$(93.6 )	\$( 20.6 )	\$( 340.4 )	\$(18.3 )	\$(135.8 )	\$(608.7 )

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

	Three Months Ended September 30, 2014				Revenues and Shared Costs	
	Integration and Restructuring	Fair Value Adjustments	Effect of Purchase Accounting	Other	Costs	Total
Net Sales	\$-	\$ -	\$ -	\$-	\$ -	\$-
Operating expenses:						
Cost of sales <sup>(1)</sup>	9.2	0.9	472.6	-	-	482.7
Selling and marketing	40.3	-	34.5	105.2	-	180.0
General and administrative	117.3	-	127.2	(10.1 )	137.3	371.7
Contribution	\$(166.8 )	\$( 0.9 )	\$( 634.3 )	\$(95.1 )	\$(137.3 )	\$(1,034.4 )

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

In the three months ended September 30, 2015, integration and restructuring charges primarily related to the integration of the Legacy Allergan business, as well as the acquisition of Forest. In the three months ended September 30, 2015, the Company incurred \$292.9 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 the Allergan and Forest acquisitions, which increased cost of sales, selling and marketing and general and administrative expenses. In addition, in the quarter ended September 30, 2015, the Company incurred mark-to-market unrealized losses for foreign currency option contracts that are entered into to offset future exposure to movements in currencies. In the three months ended September 30, 2014, the integration and restructuring charges, primarily related to integration of the Forest and Warner Chilcott businesses. In the three months ended September 30, 2014, the Company incurred \$466.7 million in cost of sales for the pull through of the acquisition accounting fair value adjustment to inventory step-up related primarily to the acquired Forest and Warner Chilcott inventory as that product was sold to the Company's third party customers. The Company also incurred charges related to the purchase accounting impact on stock-based compensation related the Forest and Warner Chilcott acquisitions, which increased cost of sales, selling and marketing and general and administrative expenses. Other costs include a charge of \$105.0 million to account for an additional year of the non-tax deductible Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter by the Internal Revenue Service.



Nine months ended September 30, 2015 and 2014

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 nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended September 30, 2015				Revenues and	
	Integration and Restructuring	Fair Value Adjustments	Effect of Purchase Accounting	Other	Shared Costs	Total
Net Sales	\$-	\$ -	\$ -	\$3.8	\$ 1.6	\$5.4
Operating expenses:						
Cost of sales(1)	48.8	53.1	996.9	-	2.0	1,100.8
Selling and marketing	81.9	-	100.3	-	0.5	182.7
General and administrative	374.2	-	262.1	62.7	274.7	973.7
Contribution	\$(504.9)	\$(53.1)	\$(1,359.3)	\$(58.9)	\$(275.6)	\$(2,251.8)

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

	Nine Months Ended September 30, 2014				Revenues and	
	Integration and Restructuring	Fair Value Adjustments	Effect of Purchase Accounting	Other	Shared Costs	Total
Net Sales	\$-	\$ -	\$ -	\$(0.1)	\$ -	\$(0.1)
Operating expenses:						
Cost of sales(1)	22.7	2.1	670.6	-	-	695.4
Selling and marketing	48.2	-	34.5	115.2	-	197.9
General and administrative	181.7	-	130.0	(7.6)	325.4	629.5
Contribution	\$(252.6)	\$(2.1)	\$(835.1)	\$(107.7)	\$(325.4)	\$(1,522.9)

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

In the nine months ended September 30, 2015, integration and restructuring charges primarily related to the integration of the Allergan business, as well as the acquisition of Forest. In the nine months ended September 30, 2015, the Company incurred \$977.7 million in cost of sales related to the fair value of inventory step-up primarily related to the Allergan Acquisition and the Forest Acquisition as inventory acquired was sold to the Company's third party customers. The Effect of Purchase Accounting also includes an increase in stock-based compensation resulting

from the acquisition accounting impact on acquired Allergan and Forest stock-based compensation plans. In addition, in the nine months ended September 30, 2015, the Company incurred mark-to-market unrealized losses for foreign currency option contracts that are entered into to hedge future exposure to movements in currencies. In the nine months ended September 30, 2014, integration and restructuring charges related primarily to the integration of the Forest and Warner Chilcott businesses. In the nine months ended September 30, 2014, the Company incurred \$664.7 million in cost of sales for fair value inventory step-up primarily related to the acquired Forest and Warner Chilcott inventory as that product was sold to the Company's third party customers. The Company also incurred charges related to the purchase accounting impact on stock-based compensation related the Forest and Warner Chilcott acquisitions, which increased cost of sales, selling and marketing and general and administrative expenses. Other costs include a charge of \$105.0 million to account for an additional year of the non-tax deductible Branded Prescription Drug Fee in accordance with final regulations issued in the third quarter by the Internal Revenue Service.

## Research and Development Expenses

R&D expenses consist predominantly of personnel-related costs, active pharmaceutical ingredient costs, contract research, biostudy and facilities costs associated with product development.

Three months Ended September 30, 2015 and 2014

R&D expenses consisted of the following components in the three months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended		Change	
	September 30, 2015	September 30, 2014	Dollars	%
Ongoing operating expenses	\$305.0	\$192.2	\$112.8	58.7 %
Brand related milestone payments and upfront license payments	857.3	17.1	840.2	4913.5 %
Contingent consideration adjustments, net	60.1	1.9	58.2	3063.2 %
Acquisition, integration, and restructuring charges	22.7	19.3	3.4	17.6 %
Acquisition accounting fair market value adjustment to stock-based compensation	15.4	46.1	(30.7)	(66.6) %
Total expenditures	\$1,260.5	\$276.6	\$983.9	355.7 %

The increase in ongoing operating expenses is primarily due to the impact of the Allergan Acquisition. Included within brand related milestone payments and upfront license charges is \$250.0 million relating to the migraine license with Merck and \$571.7 million related to upfront charges as part of the Naurex Transaction.

Nine months Ended September 30, 2015 and 2014

R&D expenses consisted of the following components in the nine months ended September 30, 2015 and 2014 (\$ in millions):

	Nine Months Ended		Change	
	September 30, 2015	September 30, 2014	Dollars	%
Ongoing operating expenses	\$778.7	\$314.6	\$464.1	147.5 %
Brand-related milestone payments and upfront license payments	897.3	17.1	880.2	5147.4 %
Acquisition accounting fair market value adjustment to	119.0	46.1	72.9	158.1 %

stock-based compensation					
Acquisition, integration, and restructuring charges	98.2	23.7	74.5	314.3	%
Contingent consideration adjustments, net	34.7	(32.9)	67.6	-205.5	%
Total expenditures	\$1,927.9	\$368.6	\$1,559.3	423.0	%

The increase in ongoing operating expenses is primarily due to the impact of the Forest and Allergan acquisitions. Included within brand related milestone payments and upfront license charges is \$250.0 million relating to the migraine license with Merck and \$571.7 million related to upfront charges as part of the Naurex Transaction.

#### Amortization

Three months Ended September 30, 2015 and 2014

(\$ in millions)	Three Months Ended		Change	
	September 30, 2015	September 30, 2014	Dollars	%
Amortization	\$1,560.2	\$705.0	\$855.2	121.3%

Amortization for the three months ended September 30, 2015 increased as compared to the prior year period primarily as a result of increased amortization of identifiable assets acquired in the Allergan Acquisition of \$878.0 million.

Nine months Ended September 30, 2015 and 2014

	Nine Months Ended September 30,		Change	
(\$ in millions)	2015	2014	Dollars	%
Amortization	\$3,866.1	\$1,192.2	\$2,673.9	224.3%

Amortization for the nine months ended September 30, 2015 increased compared to the prior year period primarily as a result of increased amortization of identifiable assets acquired in the Allergan Acquisition of \$1,898.8 million and the impact of the Forest Acquisition.

IPR&D Impairments and Asset Sales and Impairments, Net

Three months Ended September 30, 2015 and 2014

	Three Months Ended September 30,		Change	
(\$ in millions)	2015	2014	Dollars	%
IPR&D impairments	\$300.0	\$305.0	\$(5.0)	(1.6)%
Asset sales and impairments, net	(4.4 )	-	(4.4)	n.m.

In the three months ended September 30, 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

IPR&D impairments for the three months ended September 30, 2014 primarily included the impairments related to the abandonment of certain R&D projects of \$165.0 million and an impairment charge of \$140.0 million related to acquired in-process research and development (“IPR&D”) due to the FDA Cardiovascular and Renal Drugs Advisory Committee (“CRDAC”) voting to recommend against approval of Allergan’s New Drug Application (“NDA”) for the fixed-dose combination of nebivolol and valsartan for the treatment of hypertension.

Nine months Ended September 30, 2015 and 2014

	Nine Months Ended September 30,		Change	
(\$ in millions)	2015	2014	Dollars	%
IPR&D impairments	\$497.6	\$320.0	\$177.6	55.5%
Asset sales and impairments, net	3.1	(5.3 )	8.4	158.5 %

In addition to the charges recognized in the three months ended September 30, 2015, 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.

In addition to the charges recognized in the three months ended September 30, 2014, IPR&D impairments related to the Estelle and Colvir assets acquired in the Uteron Acquisition of \$15.1 million.

Interest Income

Three months Ended September 30, 2015 and 2014

	Three Months Ended September 30,		Change	
(\$ in millions)	2015	2014	Dollar	%
Interest income	\$ 3.8	\$ 1.6	\$ 2.2	137.5%

Nine months Ended September 30, 2015 and 2014

	Nine Months Ended September 30,		Change	
(\$ in millions)	2015	2014	Dollar	%
Interest income	\$ 8.2	\$ 3.8	\$4.4	115.8%

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

Interest Expense

Three months Ended September 30, 2015 and 2014

	Three Months Ended September 30,		Change	
(\$ in millions)	2015	2014	Dollars	%
Interest expense—Fixed Rate Notes	\$289.5	\$103.6	185.9	179.4 %
Interest expense—AGN Term Loan	25.2	-	25.2	n.m.
Interest expense—ACT Term Loan	11.0	17.4	(6.4 )	(36.8)%
Interest expense—Floating Rate Notes	5.9	-	5.9	n.m.
Interest expense—WC Term Loan	3.4	8.5	(5.1 )	(60.0)%
Interest expense—Revolving Credit Facility	0.2	0.6	(0.4 )	(66.7)%
Interest expense—Other	5.0	2.0	3.0	150.0 %
Interest expense	\$340.2	\$132.1	\$208.1	157.5 %

Interest expense increased for the three months ended September 30, 2015 over the prior year primarily due to interest from the indebtedness incurred as part of the Allergan Acquisition of \$221.4 million.

Nine months Ended September 30, 2015 and 2014

	Nine Months Ended September 30,		Change	
(\$ in millions)	2015	2014	Dollars	%
Interest expense—Fixed Rate Notes	\$716.0	\$223.8	\$492.2	219.9%
Interest expense—AGN Term Loan	54.4	-	54.4	n.m.
Interest expense—ACT Term Loan	39.8	30.1	9.7	32.2 %
Interest expense—WC Term Loan	14.1	24.1	(10.0 )	(41.5 )%
Interest expense—Floating Rate Notes	12.9	-	12.9	n.m.

Edgar Filing: Allergan plc - Form 10-Q

Interest expense—Bridge Loan	2.0	-	2.0	n.m.
Interest expense—Revolving Credit Facility	2.1	1.9	0.2	10.5 %
Interest expense—Other	10.7	4.1	6.6	161.0%
Interest expense	\$852.0	\$284.0	\$568.0	200.0%

Interest expense increased for the nine months ended September 30, 2015 over the prior year primarily due to interest from the indebtedness incurred as part of the Allergan Acquisition of \$491.7 million and the Forest Acquisition.



## Other (expense) income, net

Three Months Ended September 30, 2015 and 2014

(\$ in millions)	Three Months Ended		Change	
	September 30, 2015	September 30, 2014	Dollars	%
Extinguishment of debt	\$ -	\$ 29.9	\$(29.9)	n.m.
Sale of business	5.0	-	5.0	n.m.
Other (expense) income	(4.8 )	(0.5 )	(4.3 )	860.0%
Other (expense) income, net	\$ 0.2	\$ 29.4	\$(29.2)	

## Extinguishment of Debt

On July 21, 2014, the Company redeemed the then outstanding WC Notes for \$1,311.8 million, which included 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 of \$29.9 million, which includes the write-off of the then outstanding unamortized premium.

Nine months Ended September 30, 2015 and 2014

(\$ in millions)	Nine Months Ended		Change	
	September 30, 2015	September 30, 2014	Dollars	%
Bridge loan commitment fee	\$(264.9)	\$(25.8)	\$(239.1)	926.7 %
Interest rate lock	31.0	-	31.0	n.m.
Disposal of a business and related charges	(0.3 )	-	(0.3 )	n.m.
Extinguishment of debt	-	29.9	(29.9 )	n.m.
Other income	(3.9 )	11.2	(15.1 )	(134.8)%
Other (expense) income, net	\$(238.1)	\$ 15.3	\$(253.4)	

## Bridge Loan Commitment Fee

During the nine months ended September 30, 2015, in connection with the Allergan Acquisition, we incurred costs associated with bridge loan commitments of \$264.9 million. In the nine months ended September 30, 2014 in connection with the Forest Acquisition, we secured a bridge loan commitment of up to \$7.0 billion and incurred associated commitment charges of \$25.8 million.

## Interest rate lock

During the nine months ended September 30, 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.

## (Benefit) / Provision for Income Taxes

Three Months Ended September 30, 2015 and 2014

(\$ in millions)	Three Months Ended		Change	
	September 30, 2015	September 30, 2014	Dollars	%
(Benefit) / Provision for income taxes	\$(824.9)	\$(221.0)	\$(603.9)	273.3%
Effective tax rate	49.1 %	16.0 %		

The Company's effective tax (benefit) rate for the three months ended September 30, 2015 was 49.1% compared to 16.0% for the three months ended September 30, 2014. The effective tax rate for the three months ended September 30, 2015 was impacted by income earned in low tax jurisdictions, losses in certain jurisdictions for which no tax benefit is provided and the amortization of intangibles and the step-up in inventory benefited at rates other than the Irish statutory rate. Additionally, the tax provision for the three months ended September 30, 2015 included a benefit of \$318.9 million for the reversal of a valuation allowance on a portion of

U.S. capital loss carryforwards resulting from restructuring associated with the sale of the generics business, a benefit of \$36.8 million for the recognition of previously unrecognized tax benefits, a benefit of \$41.3 million for certain IPR&D impairments and a benefit of \$44.0 million for net operating losses acquired as part of the Naurex Transaction. The effective tax rate for the three months ended September 30, 2014 was primarily impacted by U.S. losses tax benefited at rates greater than the Irish statutory rate. This benefit was partially offset by a one-time non-deductible pre-tax expense for the 2015 Branded Prescription Drug Fee of \$101.0 million and certain IPR&D impairments of \$305 million in low tax jurisdictions.

Nine Months Ended September 30, 2015 and 2014

(\$ in millions)	Nine Months Ended		Change	
	September 30, 2015	September 30, 2014	Dollars	%
(Benefit) / Provision for income taxes	\$(1,456.9)	\$(306.6)	\$(1,150.3)	375.2%
Effective tax rate	41.0 %	17.7 %		

The Company's effective tax (benefit) rate for the nine months ended September 30, 2015 was 41.0% compared to 17.7% for nine months ended September 30, 2014. The effective tax rate for the nine months ended September 30, 2015 was impacted by income earned in jurisdictions with tax rates different from the Irish statutory rate and U.S. losses tax benefited at rates greater than the Irish statutory rate. This is partially offset by amortization of intangibles and the step-up in inventory benefited at rates different from the Irish statutory rate. Additionally, the tax benefit for the nine months ended September 30, 2015 included a benefit of \$318.9 million for the reversal of a valuation allowance on a portion of U.S. capital loss carryforwards resulting from restructuring associated with the sale of the global generics business, a benefit of \$36.8 million for the recognition of previously unrecognized tax benefits, a benefit of \$41.3 million for certain IPR&D impairments and a benefit of \$44.0 million for net operating losses acquired as part of the Naurex Transaction. The effective tax rate for the nine months ended September 30, 2014 was primarily impacted by U.S. losses tax benefited at rates greater than the Irish statutory rate. This benefit was partially offset by a one-time non-deductible pre-tax expense for the 2015 Branded Prescription Drug Fee of \$101.0 million and certain IPR&D impairments of \$305 million in low tax jurisdictions.

#### Discontinued Operations

On July 27, 2015, the Company announced that it has entered into the Teva Transaction. Under the agreement, Teva will acquire 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 over-the-counter (OTC) commercial unit (excluding OTC eye care products) and some established international brands.

Allergan will retain its dynamic global branded pharmaceutical and medical aesthetic businesses, as well as its biosimilars development programs and the Anda distribution business.

Financial results of the global generics business are presented as "Income from discontinued operations" on the Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014; and assets and liabilities of the global generics business to be disposed of are presented as "Current assets held for sale", "Non current assets held for sale", "Current liabilities held for sale" and "Non current liabilities held for sale" on the Consolidated Balance Sheet as of September 30, 2015 and December 31, 2014.



The following table presents key financial results of the global generics business included in “Income from discontinued operations” for the three and nine months ended September 30, 2015 and 2014 (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Third party revenues	\$ 1,365.4	\$ 1,532.3	\$ 4,570.0	\$ 4,682.1
Related party sales	65.1	57.8	198.9	179.7
Net revenues	1,430.5	1,590.1	4,768.9	4,861.8
Operating expenses:				
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	775.8	757.7	2,296.1	2,280.8
Research and development	98.9	115.2	317.4	352.7
Selling and marketing	121.1	167.0	429.0	482.5
General and administrative	191.7	144.4	493.6	372.8
Amortization	33.7	168.6	326.7	528.5
In-process research and development impairments	-	-	-	1.3
Asset sales and impairments, net	3.2	7.3	54.1	18.0
Total operating expenses	1,224.4	1,360.2	3,916.9	4,036.6
Operating income	206.1	229.9	852.0	825.2
Other (expense) income, net	-	2.5	(8.4 )	(14.2 )
(Benefit) / provision for income taxes	(5,951.3)	113.1	(5,804.3)	286.7
Net income from discontinued operations	\$ 6,157.4	\$ 119.3	\$ 6,647.9	\$ 524.3

Related party revenues represent the sale of product to the Company’s Anda Distribution segment.

#### Liquidity and Capital Resources

##### Working Capital Position

Working capital at September 30, 2015 and December 31, 2014 is summarized as follows:

(\$ in millions):	September 30, 2015	December 31, 2014	Increase (Decrease)
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 2,063.9	\$ 250.0	\$ 1,813.9
Marketable securities	7.0	1.0	6.0
Accounts receivable, net	2,143.2	1,107.9	1,035.3
Inventories	1,285.4	976.7	308.7
Prepaid expenses and other current assets	748.6	478.8	269.8
Current assets held for sale	3,802.1	3,819.2	(17.1 )
Deferred tax assets	6,608.5	477.0	6,131.5
Total current assets	16,658.7	7,110.6	9,548.1
<b>Current liabilities:</b>			

Edgar Filing: Allergan plc - Form 10-Q

Accounts payable and accrued expenses	\$ 4,513.5	\$ 2,995.7	\$ 1,517.8
Income taxes payable	84.7	33.9	50.8
Current portion of long-term debt and capital leases	2,035.4	693.4	1,342.0
Deferred revenue	32.9	17.8	15.1
Current liabilities held for sale	1,449.5	1,465.7	(16.2 )
Deferred tax liabilities	17.0	41.0	(24.0 )
Total current liabilities	8,133.0	5,247.5	2,885.5
Working Capital	\$ 8,525.7	\$ 1,863.1	\$ 6,662.6
Working Capital excluding assets held for sale, net	\$ 6,173.1	\$ (490.4 )	\$ 6,663.5
Adjusted Current Ratio	1.92	0.87	

Working capital excluding assets held for sale, net, increased \$6,663.5 million to \$6,173.1 million at September 30, 2015 compared to \$(490.4) million at December 31, 2014. The increase in working capital is primarily due to working capital acquired as part of the Allergan Acquisition of \$1,154.2 million, excluding cash and the fact that the Company recorded a \$6.0 billion deferred tax asset in the third quarter of 2015 related to investments in certain subsidiaries as our intention is not to hold these subsidiaries indefinitely. The recognition of this benefit has been reflected in income from discontinued operations, net of tax with the deferred tax asset reflected in current deferred tax assets on the balance sheet.

#### Cash Flows from Operations

Summarized cash flow from operations is as follows:

(\$ in millions)	Nine Months Ended	
	September 30, 2015	2014
Net cash provided by operating activities	\$2,974.5	\$1,431.4

Cash flows from operations represent net income adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities increased \$1,543.1 million in the nine months ended September 30, 2015 versus the prior year period, due primarily to an increase in net income, adjusted for non-cash activity of \$2,141.8 million (\$4,027.5 million and \$1,885.7 million of adjusted cash net income in the nine months ended September 30, 2015 and 2014, respectively), offset, in part, by an increase in working capital, primarily due to the use of cash to pay accrued liabilities.

Management expects that available cash balances and the remaining 2015 cash flows from operating activities will provide sufficient resources to fund our operating liquidity needs and expected 2015 capital expenditure funding requirements.

#### Investing Cash Flows

Our cash flows from investing activities are summarized as follows:

(\$ in millions)	Nine Months Ended	
	September 30, 2015	2014
Net cash (used in) investing activities	\$(34,722.1)	\$(4,632.1)

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 nine months ended September 30, 2015 was cash used in connection with the Allergan Acquisition and the Auden Acquisition, net of cash acquired, of \$34,646.2 million and \$463.7 million, respectively, and capital expenditures for property, plant and equipment of \$350.7 million,

offset, in part by cash received from the sale of assets, primarily the respiratory business and Pharmatech assets, of \$855.8 million.

Included in the nine months ended September 30, 2014, was net cash used in connection with the acquisitions of Forest (\$3,646.4 million) and Furiex (\$1,086.0 million), of \$4,732.4 million, capital expenditures for property, plant and equipment of \$174.1 million and the purchases of other businesses, net of cash acquired of \$190.2 million, offset, in part by cash received from the sale of assets of \$452.7 million, including royalty streams related to former Furiex products.

#### Financing Cash Flows

Our cash flows from financing activities are summarized as follows:

(\$ in millions)	Nine Months Ended September 30,	
	2015	2014
Net cash provided by financing activities	\$33,566.6	\$3,176.2

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 nine months ended September 30, 2015 included the issuance of indebtedness of \$29,338.4 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 \$4,326.7 million and debt issuance costs of \$310.8 million.

Included in the nine months ended September 30, 2014 were the proceeds from the issuance of the long-term indebtedness, net of \$3,280.7 million primarily for use in the Forest Acquisition, the repurchase of shares of \$99.7 million and the payment of debt issuance costs of \$58.2 million.



## Debt and Borrowing Capacity

Total debt and capital leases consisted of the following (\$ in millions):

	Balance As of		Fair Market Value As of	
	September 30,	December 31,	September 30,	December 31,
	2015	2014	2015	2014
<b>Senior Notes:</b>				
<b>Floating Rate Notes</b>				
\$500.0 million floating rate notes due September 1, 2016	\$500.0	\$ -	\$499.2	\$ -
\$500.0 million floating rate notes due March 12, 2018	500.0	-	498.0	-
\$500.0 million floating rate notes due March 12, 2020	500.0	-	494.8	-
	1,500.0	-	1,492.0	-
<b>Fixed Rate Notes</b>				
\$800.0 million 5.750% notes due April 1, 2016	800.0	-	817.9	-
\$1,000.0 million 1.850% notes due March 1, 2017	1,000.0	-	1,002.0	-
\$500.0 million 1.300% notes due June 15, 2017	500.0	500.0	495.4	489.0
\$1,200.0 million 1.875% notes due October 1, 2017	1,200.0	1,200.0	1,197.6	1,187.3
\$3,000.0 million 2.350% notes due March 12, 2018	3,000.0	-	3,012.0	-
\$250.0 million 1.350% notes due March 15, 2018	250.0	-	244.6	-
\$1,050.0 million 4.375% notes due February 1, 2019	1,050.0	1,050.0	1,107.2	1,111.4
\$500.0 million 2.450% notes due June 15, 2019	500.0	500.0	496.4	498.2
\$400.0 million 6.125% notes due August 15, 2019	400.0	400.0	448.4	457.9
\$3,500.0 million 3.000% notes due March 12, 2020	3,500.0	-	3,509.0	-
\$650.0 million 3.375% notes due September 15, 2020	650.0	-	660.7	-
\$750.0 million 4.875% notes due February 15, 2021	750.0	750.0	807.4	808.9
\$1,200.0 million 5.000% notes due December 15, 2021	1,200.0	1,200.0	1,299.0	1,301.0
\$3,000.0 million 3.450% notes due March 15, 2022	3,000.0	-	2,976.7	-
\$1,700.0 million 3.250% notes due October 1, 2022	1,700.0	1,700.0	1,654.5	1,647.5
\$350.0 million 2.800% notes due March 15, 2023	350.0	-	327.1	-
\$1,200.0 million 3.850% notes due June 15, 2024	1,200.0	1,200.0	1,175.0	1,215.5
\$4,000.0 million 3.800% notes due March 15, 2025	4,000.0	-	3,880.1	-
\$2,500.0 million 4.550% notes due March 15, 2035	2,500.0	-	2,286.2	-
\$1,000.0 million 4.625% notes due October 1, 2042	1,000.0	1,000.0	922.9	980.1
\$1,500.0 million 4.850% notes due June 15, 2044	1,500.0	1,500.0	1,374.7	1,539.9
\$2,500.0 million 4.750% notes due March 15, 2045	2,500.0	-	2,259.3	-
	32,550.0	11,000.0	31,954.1	11,236.7
<b>Total Senior Notes Gross</b>	<b>34,050.0</b>	<b>11,000.0</b>	<b>33,446.1</b>	<b>11,236.7</b>
Unamortized premium	246.1	239.9	-	-
Unamortized discount	(110.3 )	(52.1 )	-	-
<b>Total Senior Notes Net</b>	<b>34,185.8</b>	<b>11,187.8</b>	<b>33,446.1</b>	<b>11,236.7</b>
<b>Term Loan Indebtedness:</b>				
<b>WC Term Loan</b>				
<b>WC Three Year Tranche variable rate debt maturing</b>				
October 1, 2016	191.5	506.9		
<b>WC Five Year Tranche variable rate debt maturing</b>	<b>514.9</b>	<b>744.7</b>		

Edgar Filing: Allergan plc - Form 10-Q

October 1, 2018**		
	706.4	1,251.6
ACT Term Loan		
2017 Term Loan variable rate debt maturing October 31,		
2017**	592.6	932.6
2019 Term Loan variable rate debt maturing July 1, 2019**	1,750.0	1,900.0
	2,342.6	2,832.6
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**	2,612.5	-
	5,362.5	-
Total Term Loan Indebtedness	8,411.5	4,084.2
Other Indebtedness		
Revolver Borrowings	-	255.0
Other	83.2	-
Total Other Borrowings	83.2	255.0
Capital Leases	3.0	4.1
Total Indebtedness	\$42,683.5	\$ 15,531.1

\*\*The indebtedness requires a quarterly repayment of 2.5%.

Fair market value in the table above is determined in accordance with FASB Accounting Standards Codification Topic 820 “Fair Value Measurement” (“ASC 820”) under Level 2 based upon quoted prices for similar items in active markets. The book value of the outstanding term loan indebtedness approximates fair value as the debt is at variable interest rates and re-prices frequently.

Unless otherwise indicated, the remaining loan balances after the quarterly required payments are due upon maturity.

#### 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 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, the 2018 Floating Rate Notes and the 2020 Floating Rate Notes bear interest at a floating rate equal to three-month LIBOR plus 0.875%, 1.080% and 1.255% per annum, respectively. Interest on the 2016 Floating Rate Notes is payable quarterly on March 1, June 1, September 1 and December 1 of each year, and began on June 1, 2015. 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

The Company has issued fixed rate notes over multiple issuances for various business needs. Interest on the various notes is generally payable semi-annually with various payment dates.

The following represents the activity to the fixed rate notes during the nine months ended September 30, 2015:

- Actavis Funding SCS issued the 1.850% 2017 Notes, the 2.350% 2018 Notes, the 3.000% 2020 Notes, the 3.450% 2022 Notes, the 3.800% 2025 Notes, the 4.550% 2035 Notes and the 4.750% 2045 Notes;
- On May 7, 2015, Actavis Funding SCS and Wells Fargo entered into a second supplemental indenture amending the indenture dated as of March 12, 2015 between Actavis Funding SCS and Warner Chilcott Limited, Actavis Capital S.à r.l., and Actavis, Inc., as guarantors (collectively, the “Guarantors”), and Wells Fargo as supplemented and amended by the first supplemental indenture dated as of March 12, 2015 between Actavis Funding SCS, the Guarantors and Wells Fargo (the “Indenture”). The second supplemental indenture amends certain inconsistencies in the terms of the notes offered under the Indenture; and
- 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 are 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, 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. 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.

## Term Loan Indebtedness

### WC Term Loan

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”), 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 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 Company is subject to, and, at September 30, 2015, was in compliance with, all financial and operational covenants under the terms of the WC Term Loan.

### 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, Actavis, Inc., 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, Actavis, Inc., 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, Actavis, Inc., BofA, as administrative agent, and the lenders from time to time party thereto.

The Existing ACT Term Loan Agreement amended and restated Actavis, Inc.’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”). The 2017 Term Loan matures on October 31, 2017.

On March 31, 2014, Allergan plc, Actavis Capital, Actavis, Inc., 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 is due July 1, 2019 (the “2019 Term Loan”).

The ACT Term Loan provides that loans thereunder will bear 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.

The Company is subject to, and at September 30, 2015 was in compliance with, all financial and operational covenants under the terms of the ACT Term Loan.

#### 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, Actavis, Inc., 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 maturing on March 17, 2020 (the "AGN Five Year Tranche"). The proceeds of borrowings under the AGN Term Loan were to be 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 bear interest at our choice of a per annum rate equal to either (a) a base rate plus an applicable margin per annum varying from (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 is not subject to quarterly amortization and shall be payable in full on the maturity date. The outstanding principal amount of loans under the AGN Five Year Tranche is payable in equal quarterly amounts of 2.50% per quarter prior to March 17, 2020, with the remaining balance payable on March 17, 2020.

The obligations of Actavis Capital under the Term Loan Credit Agreement are guaranteed by Warner Chilcott Limited, Actavis, Inc. and Actavis Funding SCS and will be guaranteed by any subsidiary of Allergan plc (other than Actavis Capital or a direct subsidiary of Allergan plc) that becomes a guarantor of third party indebtedness in an aggregate principal amount exceeding \$350.0 million (unless, in the case of a foreign subsidiary, such guarantee would give rise to adverse tax consequences as reasonably determined by Allergan plc).

#### 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, Actavis, Inc., Actavis Funding SCS, the lenders from time to time party thereto (the "Bridge Lenders"), JPMCB, as administrative agent and the other financial institutions party thereto. Under the Bridge Loan Facility, the 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 Bridge Loan Facility was repaid on April 9, 2015.

Borrowings under the 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 2.50% per annum, depending on the Debt Rating and the number of days for which the loans remain outstanding from the date of funding thereunder or (b) a Eurodollar rate, plus an applicable margin varying from 1.00% per annum to 3.50% per annum, depending on the Debt Rating and the number of days for which the loans remain outstanding from the date of funding thereunder.

#### Revolving Credit Facility

On December 17, 2014, Allergan plc and certain of its subsidiaries entered into a revolving credit loan and guaranty agreement (the “Revolver Agreement”) among Actavis Capital, as borrower, Allergan plc, Warner Chilcott Limited, Actavis, Inc., Actavis Funding SCS, the lenders from time to time party thereto (the “Revolving Lenders”), JPMCB as administrative agent, J.P. Morgan Europe Limited, as London agent, and the other financial institutions party thereto. Under the Revolver Agreement, the Revolving Lenders have committed to provide an unsecured revolving credit facility in an aggregate principal amount of up to \$1.0 billion.



The Revolver Agreement provides that loans thereunder will bear interest, at our choice, of a per annum rate equal to either (a) a base rate, plus an applicable margin per annum varying from 0.00% per annum to 1.00% per annum depending on the Debt Rating or (b) a Eurodollar rate, plus an applicable margin varying from 0.875% per annum to 2.00% per annum depending on the Debt Rating. Additionally, to maintain availability of funds, the Company pays an unused commitment fee, which according to the pricing grid is set at 0.075% to 0.250% per annum, depending on the Debt Rating, of the unused portion of the revolver. The Revolving Credit Agreement will mature on December 17, 2019.

The obligations under the Revolver Agreement are guaranteed by Allergan plc, Warner Chilcott Limited, Actavis, Inc. and Actavis Funding SCS and will be guaranteed by any subsidiary of Allergan (other than Actavis Capital) that becomes a guarantor of third party indebtedness in an aggregate principal amount exceeding \$350.0 million (unless, in the case of a foreign subsidiary, such guarantee would give rise to adverse tax consequences as reasonably determined by Allergan plc).

The Company is subject to, and as of September 30, 2015 was in compliance with, all financial and operational covenants under the terms of the Revolving Credit Facility. At September 30, 2015, there was no outstanding borrowings under the Revolving Credit Facility and letters of credit outstanding were \$28.8 million. The net availability under the Revolving Credit Facility was \$971.2 million. The Company borrowed \$800.0 million against the Revolver Agreement on October 1, 2015, to finance in part, the Kythera Acquisition.

#### 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.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 September 30, 2015, our total investments in marketable and equity securities of other companies, including equity method investments were \$146.6 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.

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.

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 September 30, 2015, borrowings outstanding under the floating rate notes and term loan indebtedness were \$9,911.5 million. Assuming a one percent increase in the applicable interest rate, annual interest expense would increase by approximately \$99.1 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.

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 Canadian dollar, Mexican peso, Australian dollar, Brazilian real, euro, Korean won, Turkish lira, Polish zloty, Swiss franc, Russian ruble, Swedish krona, South African rand and Japanese yen. 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 three and nine months ended September 30, 2015 and 2014, respectively.

#### Other

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

At this time, we have no material commodity price risks.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains “disclosure controls and procedures,” as such term is defined under Rule 13a-15(e) of the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed in the Company’s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based on this evaluation, the Company’s Principal Executive Officer and Principal Financial Officer concluded that the Company’s disclosure controls and procedures were effective.

#### Changes in Internal Control Over Financial Reporting

Management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures over financial reporting for the period covered by this Form 10-Q. Based on this assessment, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of September 30, 2015, the Company's disclosure controls and procedures are effective. The Company implemented a new financial reporting consolidation system in the first quarter of 2015. The Company completed testing of this financial reporting system prior to its launch, continues to monitor impacted financial and business processes and believes that an effective control environment has been maintained post-implementation.

There have been no other changes in the Company's internal control over financial reporting, during the fiscal quarter ended September 30, 2015, that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, refer to “PART I, ITEM 3. LEGAL PROCEEDINGS,” of our Annual Report on Form 10-K for the year ended December 31, 2014 and “Legal Matters” in “NOTE 20 — Commitments and Contingencies” in the accompanying “Notes to Consolidated Financial Statements” in this Quarterly Report.

ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes in the Company’s risk factors from those disclosed in the Company’s Form 10-Q for the quarter ended June 30, 2015.

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

Recent Sale of Unregistered Securities; Uses of Proceeds from Registered Securities

None.

Issuer Purchases of Equity Securities

During the quarter ended September 30, 2015, we repurchased 22,666 of our ordinary shares to satisfy tax withholding obligations in connection with the vesting of restricted shares issued to employees as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publically	Approximate Dollar Value of Shares that May Yet Be Purchased
--------	---	--	---	---

			Announced	Under the
			Program	Program
July 1 - 31, 2015	12,373	\$308.14	—	—
August 1 - 31, 2015	8,583	\$326.12	—	—
September 1 - 30, 2015	1,710	\$300.92	—	—
July 1 – September 30, 2015	22,666	\$314.40	—	—

ITEM 6. EXHIBITS

Reference is hereby made to the Exhibit Index on page 119.

117

---

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 6, 2015.

ALLERGAN PLC

WARNER CHILCOTT LIMITED

By: /s/ Maria Teresa Hilado

Name: Maria Teresa Hilado

Title: Chief Financial Officer

(Principal Financial Officer)

By: /s/ James C. D'Arecca

Name: James C. D'Arecca

Title: Chief Accounting Officer

(Principal Accounting Officer)



EXHIBIT INDEX

Exhibit	Description
10.1#	KYTHERA Biopharmaceuticals, Inc. 2012 Equity Incentive Award Plan (incorporated by reference to Exhibit 10.3(a) of KYTHERA Biopharmaceuticals, Inc.'s Quarterly Report on Form 10-Q, filed with the SEC on November 13, 2012).
10.2#	KYTHERA Biopharmaceuticals, Inc. 2004 Stock Plan (incorporated by reference to Exhibit 10.10(a) of KYTHERA Biopharmaceuticals, Inc.'s Registration Statement on Form S-1 (No. 333-181476), filed with the SEC on May 17, 2012).
10.3#	KYTHERA Biopharmaceuticals, Inc. 2014 Employment Commencement Incentive Plan (incorporated by reference to Exhibit 99.1 of KYTHERA Biopharmaceuticals, Inc.'s Registration Statement on Form S-8 (No. 333-198512), filed with the SEC on September 2, 2014).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14a of the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14a of the Securities Exchange Act of 1934.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. of Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. of the Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Scheme Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.

\*Filed herewith.

\*\*Furnished herewith and not "filed" for purposes of Section 18 of the Exchange Act.