

Allergan plc  
Form 10-Q  
October 31, 2018

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, 2018

OR

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

For the transition period from                      to

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

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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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

|                         |     |    |
|-------------------------|-----|----|
| 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

|                         |                         |                           |
|-------------------------|-------------------------|---------------------------|
| Allergan plc            | Large accelerated filer | Accelerated filer         |
|                         | Non-accelerated filer   | Smaller reporting company |
|                         | Emerging growth company |                           |
| Warner Chilcott Limited | Large accelerated filer | Accelerated filer         |
|                         | Non-accelerated filer   | Smaller reporting company |
|                         | Emerging growth company |                           |

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

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

|                         |     |    |
|-------------------------|-----|----|
| Allergan plc            | YES | NO |
| Warner Chilcott Limited | YES | NO |

Number of shares of Allergan plc's Ordinary Shares outstanding on October 26, 2018: 337,285,952. There is no trading market for securities of Warner Chilcott Limited, all of which are indirectly wholly owned by Allergan plc.

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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.

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## PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS  
ALLERGAN PLC

## CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except par value)

|                                                                                         | September 30,<br>2018 | December 31,<br>2017 |
|-----------------------------------------------------------------------------------------|-----------------------|----------------------|
| <b>ASSETS</b>                                                                           |                       |                      |
| Current assets:                                                                         |                       |                      |
| Cash and cash equivalents                                                               | \$1,187.9             | \$ 1,817.2           |
| Marketable securities                                                                   | 22.0                  | 4,632.1              |
| Accounts receivable, net                                                                | 2,826.9               | 2,899.0              |
| Inventories                                                                             | 894.6                 | 904.5                |
| Current assets held for sale                                                            | 7.3                   | -                    |
| Prepaid expenses and other current assets                                               | 801.5                 | 1,123.9              |
| Total current assets                                                                    | 5,740.2               | 11,376.7             |
| Property, plant and equipment, net                                                      | 1,756.6               | 1,785.4              |
| Investments and other assets                                                            | 302.8                 | 267.9                |
| Non current assets held for sale                                                        | 169.7                 | 81.6                 |
| Deferred tax assets                                                                     | 989.4                 | 319.1                |
| Product rights and other intangibles                                                    | 48,127.4              | 54,648.3             |
| Goodwill                                                                                | 49,456.4              | 49,862.9             |
| Total assets                                                                            | \$106,542.5           | \$ 118,341.9         |
| <b>LIABILITIES AND EQUITY</b>                                                           |                       |                      |
| Current liabilities:                                                                    |                       |                      |
| Accounts payable and accrued expenses                                                   | \$4,695.6             | \$ 5,541.4           |
| Income taxes payable                                                                    | 184.7                 | 74.9                 |
| Current portion of long-term debt and capital leases                                    | 1,351.6               | 4,231.8              |
| Total current liabilities                                                               | 6,231.9               | 9,848.1              |
| Long-term debt and capital leases                                                       | 22,231.8              | 25,843.5             |
| Other long-term liabilities                                                             | 752.1                 | 886.9                |
| Other taxes payable                                                                     | 1,580.5               | 1,573.9              |
| Deferred tax liabilities                                                                | 5,225.3               | 6,352.4              |
| Total liabilities                                                                       | 36,021.6              | 44,504.8             |
| Commitments and contingencies (Refer to Note 19)                                        |                       |                      |
| Equity:                                                                                 |                       |                      |
| Preferred shares, \$0.0001 par value per share, zero and 5.1 million shares authorized, |                       |                      |
| issued and outstanding, respectively                                                    | \$-                   | \$ 4,929.7           |
| Ordinary shares; \$0.0001 par value per share; 1,000.0 million shares authorized,       |                       |                      |
| 337.2 million and 330.2 million shares issued and outstanding, respectively             | -                     | -                    |
| Additional paid-in capital                                                              | 57,203.0              | 54,013.5             |

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|                                        |             |              |
|----------------------------------------|-------------|--------------|
| Retained earnings                      | 11,800.6    | 12,957.2     |
| Accumulated other comprehensive income | 1,504.2     | 1,920.7      |
| Total shareholders' equity             | 70,507.8    | 73,821.1     |
| Noncontrolling interest                | 13.1        | 16.0         |
| Total equity                           | 70,520.9    | 73,837.1     |
| Total liabilities and equity           | \$106,542.5 | \$ 118,341.9 |

See accompanying Notes to the Consolidated Financial Statements.

## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

|                                                                                                          | Three Months Ended<br>September 30, |             | Nine Months Ended<br>September 30, |              |
|----------------------------------------------------------------------------------------------------------|-------------------------------------|-------------|------------------------------------|--------------|
|                                                                                                          | 2018                                | 2017        | 2018                               | 2017         |
| Net revenues                                                                                             | \$3,911.4                           | \$4,034.3   | \$11,707.7                         | \$11,614.6   |
| Operating expenses:                                                                                      |                                     |             |                                    |              |
| Cost of sales (excludes amortization and impairment<br>of acquired intangibles including product rights) | 596.8                               | 586.5       | 1,601.4                            | 1,587.1      |
| Research and development                                                                                 | 424.2                               | 442.6       | 1,588.1                            | 1,691.9      |
| Selling and marketing                                                                                    | 755.6                               | 832.8       | 2,409.0                            | 2,637.1      |
| General and administrative                                                                               | 289.2                               | 336.9       | 919.2                              | 1,112.8      |
| Amortization                                                                                             | 1,588.5                             | 1,781.0     | 4,983.2                            | 5,274.9      |
| In-process research and development impairments                                                          | -                                   | 202.0       | 798.0                              | 1,245.3      |
| Asset sales and impairments, net                                                                         | (0.4 )                              | 3,874.8     | 272.3                              | 3,896.2      |
| Total operating expenses                                                                                 | 3,653.9                             | 8,056.6     | 12,571.2                           | 17,445.3     |
| Operating income / (loss)                                                                                | 257.5                               | (4,022.3)   | (863.5 )                           | (5,830.7 )   |
| Interest income                                                                                          | 10.0                                | 11.1        | 33.6                               | 53.0         |
| Interest (expense)                                                                                       | (220.4 )                            | (265.2 )    | (701.0 )                           | (832.3 )     |
| Other income / (expense), net                                                                            | 130.0                               | (1,310.3)   | 266.6                              | (3,366.6 )   |
| Total other (expense), net                                                                               | (80.4 )                             | (1,564.4)   | (400.8 )                           | (4,145.9 )   |
| Income / (loss) before income taxes and noncontrolling<br>interest                                       | 177.1                               | (5,586.7)   | (1,264.3 )                         | (9,976.6 )   |
| Provision / (benefit) for income taxes                                                                   | 213.4                               | (1,638.8)   | (474.0 )                           | (2,752.1 )   |
| Net (loss) from continuing operations, net of tax                                                        | (36.3 )                             | (3,947.9)   | (790.3 )                           | (7,224.5 )   |
| (Loss) from discontinued operations, net of tax                                                          | -                                   | (6.1 )      | -                                  | (17.6 )      |
| Net (loss)                                                                                               | (36.3 )                             | (3,954.0)   | (790.3 )                           | (7,242.1 )   |
| (Income) attributable to noncontrolling interest                                                         | (1.6 )                              | (1.7 )      | (6.2 )                             | (4.7 )       |
| Net (loss) attributable to shareholders                                                                  | (37.9 )                             | (3,955.7)   | (796.5 )                           | (7,246.8 )   |
| Dividends on preferred shares                                                                            | -                                   | 69.6        | 46.4                               | 208.8        |
| Net (loss) attributable to ordinary shareholders                                                         | \$(37.9 )                           | \$(4,025.3) | \$(842.9 )                         | \$(7,455.6 ) |
| (Loss) per share attributable to ordinary shareholders - basic:                                          |                                     |             |                                    |              |
| Continuing operations                                                                                    | \$(0.11 )                           | \$(12.05 )  | \$(2.50 )                          | \$(22.23 )   |
| Discontinued operations                                                                                  | -                                   | (0.02 )     | -                                  | (0.05 )      |
| Net (loss) per share - basic                                                                             | \$(0.11 )                           | \$(12.07 )  | \$(2.50 )                          | \$(22.28 )   |
| (Loss) per share attributable to ordinary shareholders -<br>diluted:                                     |                                     |             |                                    |              |
| Continuing operations                                                                                    | \$(0.11 )                           | \$(12.05 )  | \$(2.50 )                          | \$(22.23 )   |

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|                                      |           |            |           |            |
|--------------------------------------|-----------|------------|-----------|------------|
| Discontinued operations              | -         | (0.02 )    | -         | (0.05 )    |
| Net (loss) per share - diluted       | \$(0.11 ) | \$(12.07 ) | \$(2.50 ) | \$(22.28 ) |
| Dividends per ordinary share         | \$0.72    | \$0.70     | \$2.16    | \$2.10     |
| Weighted average shares outstanding: |           |            |           |            |
| Basic                                | 339.0     | 333.5      | 337.6     | 334.6      |
| Diluted                              | 339.0     | 333.5      | 337.6     | 334.6      |

See accompanying Notes to the Consolidated Financial Statements.

## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

(Unaudited; in millions)

|                                                       | Three Months<br>Ended<br>September 30, |             | Nine Months Ended<br>September 30, |             |
|-------------------------------------------------------|----------------------------------------|-------------|------------------------------------|-------------|
|                                                       | 2018                                   | 2017        | 2018                               | 2017        |
| Net (loss)                                            | \$(36.3 )                              | \$(3,954.0) | \$(790.3 )                         | \$(7,242.1) |
| Other comprehensive (loss) / income                   |                                        |             |                                    |             |
| Foreign currency translation (losses) / gains         | (87.3 )                                | 280.8       | (352.1 )                           | 1,141.2     |
| Net impact of other-than-temporary loss on investment |                                        |             |                                    |             |
| in Teva securities                                    | -                                      | (207.7 )    | -                                  | 1,599.4     |
| Unrealized (losses) / gains, net of tax               | (1.4 )                                 | 13.1        | (1.4 )                             | 9.0         |
| Impact of ASU No. 2016-01, net of tax                 | -                                      | -           | (63.0 )                            | -           |
| Total other comprehensive (loss) / income, net of tax | (88.7 )                                | 86.2        | (416.5 )                           | 2,749.6     |
| Comprehensive (loss)                                  | (125.0)                                | (3,867.8)   | (1,206.8)                          | (4,492.5)   |
| Comprehensive (income) attributable to noncontrolling |                                        |             |                                    |             |
| interest                                              | (1.6 )                                 | (1.7 )      | (6.2 )                             | (4.7 )      |
| Comprehensive (loss) attributable to ordinary         |                                        |             |                                    |             |
| shareholders                                          | \$(126.6)                              | \$(3,869.5) | \$(1,213.0)                        | \$(4,497.2) |

See accompanying Notes to the Consolidated Financial Statements.

## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

|                                                                                 | Nine Months Ended<br>September 30, |              |
|---------------------------------------------------------------------------------|------------------------------------|--------------|
|                                                                                 | 2018                               | 2017         |
| <b>Cash Flows From Operating Activities:</b>                                    |                                    |              |
| Net (loss)                                                                      | \$(790.3 )                         | \$(7,242.1 ) |
| Reconciliation to net cash provided by operating activities:                    |                                    |              |
| Depreciation                                                                    | 149.7                              | 123.2        |
| Amortization                                                                    | 4,983.2                            | 5,274.9      |
| Provision for inventory reserve                                                 | 74.9                               | 77.3         |
| Share-based compensation                                                        | 185.2                              | 220.8        |
| Deferred income tax benefit                                                     | (1,362.8)                          | (3,205.3 )   |
| In-process research and development impairments                                 | 798.0                              | 1,245.3      |
| Loss on asset sales and impairments, net                                        | 272.3                              | 3,896.2      |
| Net income impact of other-than-temporary loss on investment in Teva securities | -                                  | 3,273.5      |
| Gain on sale of Teva securities, net                                            | (60.9 )                            | -            |
| Amortization of inventory step-up                                               | -                                  | 126.2        |
| Gain on sale of business                                                        | (182.6 )                           | -            |
| Non-cash extinguishment of debt                                                 | 17.4                               | (8.2 )       |
| Cash (discount) / charge related to extinguishment of debt                      | (18.2 )                            | 170.5        |
| Amortization of deferred financing costs                                        | 17.4                               | 19.6         |
| Contingent consideration adjustments, including accretion                       | (113.1 )                           | (51.6 )      |
| Other, net                                                                      | 0.5                                | (18.2 )      |
| Changes in assets and liabilities (net of effects of acquisitions):             |                                    |              |
| Decrease / (increase) in accounts receivable, net                               | 17.0                               | (138.5 )     |
| Decrease / (increase) in inventories                                            | (136.2 )                           | (107.7 )     |
| Decrease / (increase) in prepaid expenses and other current assets              | (5.4 )                             | 45.8         |
| Increase / (decrease) in accounts payable and accrued expenses                  | (46.1 )                            | (356.3 )     |
| Increase / (decrease) in income and other taxes payable                         | 415.5                              | 646.1        |
| Increase / (decrease) in other assets and liabilities                           | (74.0 )                            | 4.0          |
| Net cash provided by operating activities                                       | 4,141.5                            | 3,995.5      |
| <b>Cash Flows From Investing Activities:</b>                                    |                                    |              |
| Additions to property, plant and equipment                                      | (165.1 )                           | (234.0 )     |
| Additions to product rights and other intangibles                               | -                                  | (604.3 )     |
| Additions to investments                                                        | (1,456.4)                          | (8,433.8 )   |
| Proceeds from sale of investments and other assets                              | 6,201.3                            | 14,474.4     |
| Payments to settle Teva related matters                                         | (466.0 )                           | -            |
| Proceeds from sales of property, plant and equipment                            | 24.6                               | 5.8          |
| Acquisitions of businesses, net of cash acquired                                | -                                  | (5,290.4 )   |
| Net cash provided by / (used in) investing activities                           | 4,138.4                            | (82.3 )      |
| <b>Cash Flows From Financing Activities:</b>                                    |                                    |              |
| Proceeds from borrowings of long-term indebtedness, including credit facility   | 717.2                              | 3,025.0      |

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|                                                                           |            |            |
|---------------------------------------------------------------------------|------------|------------|
| Proceeds from forward sale of Teva securities                             | 465.5      | -          |
| Debt issuance and other financing costs                                   | -          | (17.5 )    |
| Payments on debt, including capital lease obligations and credit facility | (7,115.9)  | (5,579.2 ) |
| Cash charge related to extinguishment of debt                             | -          | (170.5 )   |
| Proceeds from stock plans                                                 | 98.2       | 167.2      |
| Payments of contingent consideration and other financing                  | (21.7 )    | (515.2 )   |
| Payments to settle Teva related matters                                   | (234.0 )   | -          |
| Repurchase of ordinary shares                                             | (2,023.5)  | (36.4 )    |
| Dividends paid                                                            | (808.1 )   | (917.0 )   |
| Net cash (used in) financing activities                                   | (8,922.3)  | (4,043.6 ) |
| Effect of currency exchange rate changes on cash and cash equivalents     | 13.1       | 19.1       |
| Net (decrease) in cash and cash equivalents                               | (629.3 )   | (111.3 )   |
| Cash and cash equivalents at beginning of period                          | 1,817.2    | 1,724.0    |
| Cash and cash equivalents at end of period                                | \$1,187.9  | \$1,612.7  |
| Supplemental Disclosures of Cash Flow Information                         |            |            |
| Cash paid during the year for:                                            |            |            |
| Income taxes other, net of refunds                                        | \$510.1    | \$(173.6 ) |
| Interest                                                                  | \$817.6    | \$988.8    |
| Schedule of Non-Cash Investing and Financing Activities:                  |            |            |
| Conversion of mandatory convertible preferred shares                      | \$4,929.7  | \$-        |
| Settlement of Teva Shares                                                 | \$465.5    | \$-        |
| Settlement of secured financing                                           | \$(465.5 ) | \$-        |
| Non-cash equity issuance for the acquisition of Zeltiq net assets         | \$-        | \$8.5      |
| Deferred consideration for the acquisition of Zeltiq                      | \$-        | \$13.5     |
| Dividends accrued                                                         | \$1.4      | \$24.6     |

See accompanying Notes to the Consolidated Financial Statements.

## WARNER CHILCOTT LIMITED

## CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions)

|                                                      | September 30,<br>2018 | December 31,<br>2017 |
|------------------------------------------------------|-----------------------|----------------------|
| <b>ASSETS</b>                                        |                       |                      |
| Current assets:                                      |                       |                      |
| Cash and cash equivalents                            | \$ 1,185.9            | \$ 1,816.3           |
| Marketable securities                                | 22.0                  | 4,632.1              |
| Accounts receivable, net                             | 2,826.7               | 2,899.0              |
| Receivables from Parents                             | 795.7                 | 5,797.4              |
| Inventories                                          | 894.6                 | 904.5                |
| Current assets held for sale                         | 7.3                   |                      |
| Prepaid expenses and other current assets            | 800.6                 | 1,123.0              |
| Total current assets                                 | 6,532.8               | 17,172.3             |
| Property, plant and equipment, net                   | 1,756.6               | 1,785.4              |
| Investments and other assets                         | 302.8                 | 267.9                |
| Non current receivables from Parents                 | 9,046.8               | 3,964.0              |
| Non current assets held for sale                     | 169.7                 | 81.6                 |
| Deferred tax assets                                  | 989.4                 | 316.0                |
| Product rights and other intangibles                 | 48,127.4              | 54,648.3             |
| Goodwill                                             | 49,456.4              | 49,862.9             |
| Total assets                                         | \$ 116,381.9          | \$ 128,098.4         |
| <b>LIABILITIES AND EQUITY</b>                        |                       |                      |
| Current liabilities:                                 |                       |                      |
| Accounts payable and accrued expenses                | \$ 4,693.2            | \$ 5,515.6           |
| Payables to Parents                                  | 2,430.2               | 2,340.6              |
| Income taxes payable                                 | 185.6                 | 74.9                 |
| Current portion of long-term debt and capital leases | 1,351.6               | 4,231.8              |
| Total current liabilities                            | 8,660.6               | 12,162.9             |
| Long-term debt and capital leases                    | 22,231.8              | 25,843.5             |
| Other long-term liabilities                          | 752.1                 | 886.9                |
| Other taxes payable                                  | 1,575.1               | 1,573.5              |
| Deferred tax liabilities                             | 5,225.4               | 6,349.4              |
| Total liabilities                                    | 38,445.0              | 46,816.2             |
| Commitments and contingencies (Refer to Note 19)     |                       |                      |
| Equity:                                              |                       |                      |
| Members' capital                                     | 72,935.1              | 72,935.1             |
| Retained earnings                                    | 3,484.5               | 6,410.4              |
| Accumulated other comprehensive income               | 1,504.2               | 1,920.7              |
| Total members' equity                                | 77,923.8              | 81,266.2             |
| Noncontrolling interest                              | 13.1                  | 16.0                 |
| Total equity                                         | 77,936.9              | 81,282.2             |
| Total liabilities and equity                         | \$ 116,381.9          | \$ 128,098.4         |

See accompanying Notes to the Consolidated Financial Statements.

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## WARNER CHILCOTT LIMITED

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions)

|                                                                                                          | Three Months Ended<br>September 30, |             | Nine Months Ended<br>September 30, |              |
|----------------------------------------------------------------------------------------------------------|-------------------------------------|-------------|------------------------------------|--------------|
|                                                                                                          | 2018                                | 2017        | 2018                               | 2017         |
| Net revenues                                                                                             | \$3,911.4                           | \$4,034.3   | \$11,707.7                         | \$11,614.6   |
| Operating expenses:                                                                                      |                                     |             |                                    |              |
| Cost of sales (excludes amortization and impairment<br>of acquired intangibles including product rights) | 596.8                               | 586.5       | 1,601.4                            | 1,587.1      |
| Research and development                                                                                 | 424.2                               | 442.6       | 1,588.1                            | 1,691.9      |
| Selling and marketing                                                                                    | 755.6                               | 832.8       | 2,409.0                            | 2,637.1      |
| General and administrative                                                                               | 272.4                               | 277.2       | 866.0                              | 1,039.2      |
| Amortization                                                                                             | 1,588.5                             | 1,781.0     | 4,983.2                            | 5,274.9      |
| In-process research and development impairments                                                          | -                                   | 202.0       | 798.0                              | 1,245.3      |
| Asset sales and impairments, net                                                                         | (0.4 )                              | 3,874.8     | 272.3                              | 3,896.2      |
| Total operating expenses                                                                                 | 3,637.1                             | 7,996.9     | 12,518.0                           | 17,371.7     |
| Operating income / (loss)                                                                                | 274.3                               | (3,962.6)   | (810.3 )                           | (5,757.1 )   |
| Interest income                                                                                          | 77.3                                | 37.9        | 219.4                              | 126.5        |
| Interest (expense)                                                                                       | (220.4 )                            | (265.2 )    | (701.0 )                           | (832.3 )     |
| Other income / (expense), net                                                                            | 130.0                               | (1,310.3)   | 266.6                              | (3,366.6 )   |
| Total other (expense), net                                                                               | (13.1 )                             | (1,537.6)   | (215.0 )                           | (4,072.4 )   |
| Income / (loss) before income taxes and noncontrolling interest                                          | 261.2                               | (5,500.2)   | (1,025.3 )                         | (9,829.5 )   |
| Provision / (benefit) for income taxes                                                                   | 208.3                               | (1,638.8)   | (479.1 )                           | (2,752.1 )   |
| Net income / (loss) from continuing operations, net of tax                                               | 52.9                                | (3,861.4)   | (546.2 )                           | (7,077.4 )   |
| (Loss) from discontinued operations, net of tax                                                          | -                                   | (6.1 )      | -                                  | (17.6 )      |
| Net income / (loss)                                                                                      | 52.9                                | (3,867.5)   | (546.2 )                           | (7,095.0 )   |
| (Income) attributable to noncontrolling interest                                                         | (1.6 )                              | (1.7 )      | (6.2 )                             | (4.7 )       |
| Net income / (loss) attributable to members                                                              | \$51.3                              | \$(3,869.2) | \$(552.4 )                         | \$(7,099.7 ) |

See accompanying Notes to the Consolidated Financial Statements.

## WARNER CHILCOTT LIMITED

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

(Unaudited; in millions)

|                                                       | Three Months<br>Ended<br>September 30, |             | Nine Months<br>Ended<br>September 30, |             |
|-------------------------------------------------------|----------------------------------------|-------------|---------------------------------------|-------------|
|                                                       | 2018                                   | 2017        | 2018                                  | 2017        |
| Net income / (loss)                                   | \$52.9                                 | \$(3,867.5) | \$(546.2)                             | \$(7,095.0) |
| Other comprehensive (loss) / income                   |                                        |             |                                       |             |
| Foreign currency translation (losses) / gains         | (87.3)                                 | 280.8       | (352.1)                               | 1,141.2     |
| Net impact of other-than-temporary loss on investment |                                        |             |                                       |             |
| in Teva securities                                    | -                                      | (207.7 )    | -                                     | 1,599.4     |
| Unrealized (losses) / gains, net of tax               | (1.4 )                                 | 13.1        | (1.4 )                                | 9.0         |
| Impact of ASU No. 2016-01, net of tax                 | -                                      | -           | (63.0 )                               | -           |
| Total other comprehensive (loss) / income, net of tax | (88.7)                                 | 86.2        | (416.5)                               | 2,749.6     |
| Comprehensive (loss)                                  | (35.8)                                 | (3,781.3)   | (962.7)                               | (4,345.4)   |
| Comprehensive (income) attributable to noncontrolling |                                        |             |                                       |             |
| interest                                              | (1.6 )                                 | (1.7 )      | (6.2 )                                | (4.7 )      |
| Comprehensive (loss) attributable to members          | \$(37.4)                               | \$(3,783.0) | \$(968.9)                             | \$(4,350.1) |

See accompanying Notes to the Consolidated Financial Statements.

## WARNER CHILCOTT LIMITED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

|                                                                                                    | Nine Months Ended<br>September 30, |              |
|----------------------------------------------------------------------------------------------------|------------------------------------|--------------|
|                                                                                                    | 2018                               | 2017         |
| <b>Cash Flows From Operating Activities:</b>                                                       |                                    |              |
| Net (loss)                                                                                         | \$(546.2 )                         | \$(7,095.0 ) |
| Reconciliation to net cash provided by operating activities:                                       |                                    |              |
| Depreciation                                                                                       | 149.7                              | 123.2        |
| Amortization                                                                                       | 4,983.2                            | 5,274.9      |
| Provision for inventory reserve                                                                    | 74.9                               | 77.3         |
| Share-based compensation                                                                           | 185.2                              | 220.8        |
| Deferred income tax benefit                                                                        | (1,362.8)                          | (3,205.3 )   |
| In-process research and development impairments                                                    | 798.0                              | 1,245.3      |
| Loss on asset sales and impairments, net                                                           | 272.3                              | 3,896.2      |
| Net income impact of other-than-temporary loss on investment in Teva securities                    | -                                  | 3,273.5      |
| Gain on sale of Teva securities, net                                                               | (60.9 )                            | -            |
| Amortization of inventory step up                                                                  | -                                  | 126.2        |
| Gain on sale of business                                                                           | (182.6 )                           | -            |
| Non-cash extinguishment of debt                                                                    | 17.4                               | (8.2 )       |
| Cash (discount) / charge related to extinguishment of debt                                         | (18.2 )                            | 170.5        |
| Amortization of deferred financing costs                                                           | 17.4                               | 19.6         |
| Contingent consideration adjustments, including accretion                                          | (113.1 )                           | (51.6 )      |
| Other, net                                                                                         | 0.5                                | (18.2 )      |
| Changes in assets and liabilities (net of effects of acquisitions):                                |                                    |              |
| Decrease / (increase) in accounts receivable, net                                                  | 17.0                               | (138.5 )     |
| Decrease / (increase) in inventories                                                               | (136.2 )                           | (107.7 )     |
| Decrease / (increase) in prepaid expenses and other current assets                                 | (4.5 )                             | 47.4         |
| Increase / (decrease) in accounts payable and accrued expenses                                     | (43.7 )                            | (330.7 )     |
| Increase / (decrease) in income and other taxes payable                                            | 415.5                              | 646.1        |
| Increase / (decrease) in other assets and liabilities, including receivable / payable with Parents | (257.7 )                           | (32.9 )      |
| Net cash provided by operating activities                                                          | 4,205.2                            | 4,132.9      |
| <b>Cash Flows From Investing Activities:</b>                                                       |                                    |              |
| Additions to property, plant and equipment                                                         | (165.1 )                           | (234.0 )     |
| Additions to product rights and other intangibles                                                  | -                                  | (604.3 )     |
| Additions to investments                                                                           | (1,456.4)                          | (8,433.8 )   |
| Proceeds from sale of investments and other assets                                                 | 6,201.3                            | 14,474.4     |
| Payments to settle Teva related matters                                                            | (466.0 )                           | -            |
| Proceeds from sales of property, plant and equipment                                               | 24.6                               | 5.8          |
| Acquisitions of businesses, net of cash acquired                                                   | -                                  | (5,290.4 )   |
| Net cash provided by / (used in) investing activities                                              | 4,138.4                            | (82.3 )      |
| <b>Cash Flows From Financing Activities:</b>                                                       |                                    |              |
| Proceeds from borrowings of long-term indebtedness, including credit facility                      | 717.2                              | 3,025.0      |

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|                                                                           |            |            |
|---------------------------------------------------------------------------|------------|------------|
| Proceeds from forward sale of Teva securities                             | 465.5      | -          |
| Debt issuance and other financing costs                                   | -          | (17.5 )    |
| Payments on debt, including capital lease obligations and credit facility | (7,115.9)  | (5,579.2 ) |
| Cash charge related to extinguishment of debt                             | -          | (170.5 )   |
| Payments of contingent consideration and other financing                  | (21.7 )    | (515.2 )   |
| Payments to settle Teva related matters                                   | (234.0 )   | -          |
| Dividends to Parents                                                      | (2,798.2)  | (917.0 )   |
| Net cash (used in) financing activities                                   | (8,987.1)  | (4,174.4 ) |
| Effect of currency exchange rate changes on cash and cash equivalents     | 13.1       | 19.1       |
| Net (decrease) in cash and cash equivalents                               | (630.4 )   | (104.7 )   |
| Cash and cash equivalents at beginning of period                          | 1,816.3    | 1,713.2    |
| Cash and cash equivalents at end of period                                | \$1,185.9  | \$1,608.5  |
| Schedule of Non-Cash Investing and Financing Activities:                  |            |            |
| Settlement of Teva Shares                                                 | \$465.5    | \$-        |
| Settlement of secured financing                                           | \$(465.5 ) | \$-        |
| Non-cash dividends to Parents                                             | \$-        | \$4,203.9  |

See accompanying Notes to the Consolidated Financial Statements

ALLERGAN PLC AND WARNER CHILCOTT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 — General

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

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, 2017 (“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 (loss) / income 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 (loss) / income and cash flows for the interim periods are not necessarily indicative of the results of operations, comprehensive (loss) / income 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.

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

Warner Chilcott Limited is an indirect wholly-owned subsidiary of Allergan plc, the ultimate parent of the group (together with other direct or indirect parents of Warner Chilcott Limited, the “Parents”). The results of Warner Chilcott Limited are consolidated into the results of Allergan plc. Due to the de minimis activity between Warner Chilcott Limited and the Parents (including Allergan plc), content throughout this filing relates to both Allergan plc and Warner Chilcott Limited. Warner Chilcott Limited disclosures relate only to itself and not to any other

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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 financial position and results of operations of Warner Chilcott Limited to Allergan plc (\$ in millions):

|                                    | As of September 30, 2018 |           |            | As of December 31, 2017 |           |            |
|------------------------------------|--------------------------|-----------|------------|-------------------------|-----------|------------|
|                                    | Warner                   |           |            | Warner                  |           |            |
|                                    | Chilcott                 |           |            | Chilcott                |           |            |
|                                    | Allergan plc             | Limited   | Difference | Allergan plc            | Limited   | Difference |
| Cash and cash equivalents          | \$1,187.9                | \$1,185.9 | \$2.0      | \$1,817.2               | \$1,816.3 | \$0.9      |
| Accounts receivable, net           | 2,826.9                  | 2,826.7   | 0.2        | 2,899.0                 | 2,899.0   | -          |
| Prepaid expenses and other current |                          |           |            |                         |           |            |
| assets                             | 801.5                    | 800.6     | 0.9        | 1,123.9                 | 1,123.0   | 0.9        |
| Deferred tax assets                | 989.4                    | 989.4     | -          | 319.1                   | 316.0     | 3.1        |
| Accounts payable and accrued       |                          |           |            |                         |           |            |
| liabilities                        | 4,695.6                  | 4,693.2   | 2.4        | 5,541.4                 | 5,515.6   | 25.8       |
| Income taxes payable               | 184.7                    | 185.6     | (0.9 )     | 74.9                    | 74.9      | -          |
| Other taxes payables               | 1,580.5                  | 1,575.1   | 5.4        | 1,573.9                 | 1,573.5   | 0.4        |
| Deferred tax liabilities           | 5,225.3                  | 5,225.4   | (0.1 )     | 6,352.4                 | 6,349.4   | 3.0        |
| Total equity                       | 70,520.9                 | 77,936.9  | (7,416.0 ) | 73,837.1                | 81,282.2  | (7,445.1 ) |

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|                                         | Three Months Ended<br>September 30, 2018 |         |            | Nine Months Ended<br>September 30, 2018 |           |            |
|-----------------------------------------|------------------------------------------|---------|------------|-----------------------------------------|-----------|------------|
|                                         | Warner                                   |         |            | Warner                                  |           |            |
|                                         | Chilcott                                 |         |            | Chilcott                                |           |            |
|                                         | Allergan plc                             | Limited | Difference | Allergan plc                            | Limited   | Difference |
| General and administrative expenses     | \$289.2                                  | \$272.4 | \$ 16.8    | \$919.2                                 | \$866.0   | \$ 53.2    |
| Operating income / (loss)               | 257.5                                    | 274.3   | (16.8 )    | (863.5 )                                | (810.3 )  | (53.2 )    |
| Interest income                         | 10.0                                     | 77.3    | (67.3 )    | 33.6                                    | 219.4     | (185.8 )   |
| Income / (loss) before income taxes and |                                          |         |            |                                         |           |            |
| noncontrolling interest                 | 177.1                                    | 261.2   | (84.1 )    | (1,264.3)                               | (1,025.3) | (239.0 )   |
| Provision / (benefit) for income taxes  | 213.4                                    | 208.3   | 5.1        | (474.0 )                                | (479.1 )  | 5.1        |
| Net (loss) / income from continuing     |                                          |         |            |                                         |           |            |
| operations, net of tax                  | (36.3 )                                  | 52.9    | (89.2 )    | (790.3 )                                | (546.2 )  | (244.1 )   |
| Net (loss) / income                     | (36.3 )                                  | 52.9    | (89.2 )    | (790.3 )                                | (546.2 )  | (244.1 )   |
| Dividends on preferred shares           | -                                        | -       | -          | 46.4                                    | -         | 46.4       |
| Net (loss) / income attributable to     |                                          |         |            |                                         |           |            |
| ordinary shareholders/members           | (37.9 )                                  | 51.3    | (89.2 )    | (842.9 )                                | (552.4 )  | (290.5 )   |

|                                        | Three Months Ended<br>September 30, 2017 |           |            | Nine Months Ended<br>September 30, 2017 |           |            |
|----------------------------------------|------------------------------------------|-----------|------------|-----------------------------------------|-----------|------------|
|                                        | Warner                                   |           |            | Warner                                  |           |            |
|                                        | Chilcott                                 |           |            | Chilcott                                |           |            |
|                                        | Allergan plc                             | Limited   | Difference | Allergan plc                            | Limited   | Difference |
| General and administrative expenses    | \$336.9                                  | \$277.2   | \$ 59.7    | \$1,112.8                               | \$1,039.2 | \$ 73.6    |
| Operating (loss)                       | (4,022.3)                                | (3,962.6) | (59.7 )    | (5,830.7)                               | (5,757.1) | (73.6 )    |
| Interest income                        | 11.1                                     | 37.9      | (26.8 )    | 53.0                                    | 126.5     | (73.5 )    |
| (Loss) before income taxes and         |                                          |           |            |                                         |           |            |
| noncontrolling interest                | (5,586.7)                                | (5,500.2) | (86.5 )    | (9,976.6)                               | (9,829.5) | (147.1 )   |
| Net (loss) from continuing operations, |                                          |           |            |                                         |           |            |
| net of tax                             | (3,947.9)                                | (3,861.4) | (86.5 )    | (7,224.5)                               | (7,077.4) | (147.1 )   |
| Net (loss)                             | (3,954.0)                                | (3,867.5) | (86.5 )    | (7,242.1)                               | (7,095.0) | (147.1 )   |
| Dividends on preferred shares          | 69.6                                     | -         | 69.6       | 208.8                                   | -         | 208.8      |
| Net (loss) attributable to ordinary    |                                          |           |            |                                         |           |            |
| shareholders/members                   | (4,025.3)                                | (3,869.2) | (156.1 )   | (7,455.6)                               | (7,099.7) | (355.9 )   |

The differences between general and administrative expenses in the three and nine months ended September 30, 2018 and 2017 were due to corporate related expenses incurred by Allergan plc. The differences in total equity were due to historical differences in the results of operations of the companies and differences in equity awards.

As of September 30, 2018 and December 31, 2017, Warner Chilcott Limited had \$0.8 billion and \$5.8 billion, respectively, in Receivables from the Parents. As of September 30, 2018 and December 31, 2017, Warner Chilcott Limited had \$9.0 billion and \$4.0 billion, respectively, in Non-current Receivables from the Parents. These Receivables related to intercompany loans between Allergan plc and subsidiaries of Warner Chilcott Limited. These loans are interest-bearing loans with varying term dates and cause a difference in interest income between the two entities. Based on planned changes in the expected method of settlement of the Parent company receivables arising during the third quarter of 2018, the Company reclassified approximately \$5.0 billion from current to long-term.

#### 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, 2017 included in the Annual Report.

##### Implementation of New Guidance

On January 1, 2018, we adopted ASU No. 2014-09, "Revenue from Contracts with Customers" (“Topic 606”) using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting practices. The impact to revenues for the three and nine months ended September 30, 2018 was not significant as a result of the adoption. The adoption of this guidance does not have a material impact on the Company’s financial position or results of operations as the Company’s sales primarily are governed by standard bill and ship terms of pharmaceutical products to customers.

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

On January 1, 2018, the Company adopted ASU No. 2016-01, which now requires equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. Under the previous guidance, changes in the fair value of equity securities were recognized through other comprehensive income.

On January 1, 2018, the Company adopted ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. Previously, GAAP prohibited the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This prohibition on recognition was an exception to the principle of comprehensive recognition of current and deferred income taxes in GAAP. The amendment to the guidance eliminated the exception for an intra-entity transfer of an asset other than inventory and required an entity to recognize the income tax consequences when the transfer occurs.

The following represents the impact on the Company's Consolidated Balance Sheet as a result of the adoption on January 1, 2018 of these accounting pronouncements (\$ in millions):

|                                 | Increase / (decrease) |            |           |             |             |                 |
|---------------------------------|-----------------------|------------|-----------|-------------|-------------|-----------------|
|                                 | Prepaid               |            | Accounts  |             | Accumulated |                 |
|                                 | expenses              |            | payable   |             | other       |                 |
|                                 | and                   | other      | and       | Deferred    | other       |                 |
|                                 | receivable            | net        | accrued   | tax         | Retained    | comprehensive   |
| Pronouncement                   | net                   | assets     | expenses  | liabilities | earnings    | income / (loss) |
| Accounting Standards Update No. |                       |            |           |             |             |                 |
| 2014-09                         | \$ 1.9                | \$ -       | \$ (3.6 ) | \$ -        | \$ 5.5      | \$ -            |
| Accounting Standards Update No. |                       |            |           |             |             |                 |
| 2016-01                         | \$ -                  | \$ -       | \$ -      | \$ -        | \$ 63.0     | \$ (63.0 )      |
| Accounting Standards Update No. |                       |            |           |             |             |                 |
| 2016-16                         | \$ -                  | \$ (44.8 ) | \$ -      | \$ (401.0 ) | \$ 356.2    | \$ -            |

On January 1, 2018, the Company adopted ASU 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments. This standard amends and adjusts how cash receipts and cash payments

are presented and classified in the statement of cash flows. As a result of the guidance, the Company retrospectively applied the standard which resulted in a reclassification of debt extinguishment costs from cash flows from operating activities to cash flows from financing activities. As a result of the application of the guidance, cash flows from operating activities increased by \$170.5 million and cash flows from financing activities decreased by \$170.5 million in the nine months ended September 30, 2017. Cash flows from operating activities will increase by \$205.6 million and cash flows from financing activities will decrease by \$205.6 million for the year ended December 31, 2017.

On January 1, 2018, the Company adopted ASU No. 2017-07, Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This update requires that an employer disaggregate the service cost component from the other components of net periodic benefit cost. Upon adoption, the Company recorded other components of the net periodic benefit cost with “other income / (expense), net.”

On July 1, 2018, the Company adopted Accounting Standards Update (“ASU”) No. 2017-12, Derivatives and Hedging (Topic 815) — Targeted Improvements to Accounting for Hedging Activities, which now better aligns the Company’s risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments also make certain targeted improvements to simplify the application of hedge accounting guidance and ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness on a prospective basis. After the adoption, the Company will present the entire change in fair value of a hedging instrument in the same income statement line item(s) as the earnings effect of the hedged item when that hedged item affects earnings.

## Revenue Recognition

### General

Topic 606 provides that revenues are recognized when control of the promised goods under a contract is transferred to a customer, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods as specified in the underlying terms with the customer. 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, commercial and government rebates, customer loyalty programs, fee-for-service arrangements with certain distributors, returns, and other allowances which we refer to in the aggregate as sales returns and allowances (“SRA”).

The Company’s performance obligations are primarily achieved when control of the products is transferred to the customer. Transfer of control is based on contractual performance obligations, but typically occurs upon receipt of the goods by the customer.

Prior to the achievement of performance obligations, shipping and handling costs associated with outbound freight for a product to be transferred to a customer are accounted for as a fulfillment cost and are included in selling and marketing expenses.

Other revenues earned are mainly comprised of royalty income from licensing of intellectual property. Royalty income is recognized when the licensee’s subsequent sale occurs.

Refer to “NOTE 8 –Reportable Segments” for our revenues disaggregated by product and segment and our revenues disaggregated by geography for our international segment. We believe this level of disaggregation best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

### Significant Payment Terms

A contract with a customer states the final terms of the sale, including the description, quantity, and price of each product purchased. The Company’s payment terms vary by the type and location of the customer and the products offered. A customer agrees to a stated rate and price in the contract and given that most of the products sold contain variable consideration, the amount of revenue recognized incorporates adjustments for SRAs as appropriate.

### Determining the Transaction Price

The Company offers discounts and rebates to certain customers who participate in various programs that are referred to as SRA allowances as described further below in the section “Provisions for SRAs”. Such discounting and rebating activity is included as part of the Company’s estimate of the transaction price and is accounted for as a reduction to gross sales. At time of sale, the Company records the related SRA adjustments. The Company performs validation activities each period to assess the adequacy of the liability or contra receivable estimates recorded to reflect actual activity and will adjust the reserve balances accordingly.

#### Provisions for SRAs

As is customary in the pharmaceutical industry, certain customers may receive cash-based incentives or credits, which are variable consideration accounted for as SRAs. The Company estimates SRA amounts based on the expected amount to be provided to customers, which reduces the revenues recognized. The Company believes that there will not be significant changes to our estimates of variable consideration. The Company uses a variety of methods to assess the adequacy of the SRA reserves to ensure that our financial statements are fairly stated. These provisions are estimated based on historical payment experience, the 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 provisions 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.

**Chargebacks** — A chargeback represents an amount payable in the future to a wholesaler for the difference between the invoice price paid by such wholesaler 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 credits. We continually monitor current pricing trends and wholesaler inventory levels to ensure the contra-receivable 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 contractually 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 and 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 time 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 a cash discount.

**Returns and Other Allowances** — The Company's provision for returns and other allowances include returns, promotional allowances and loyalty cards.

Consistent with industry practice, the Company maintains a returns policy that allows customers to return product for a credit. In accordance with the Company's policy, credits for customer returns of products are applied against outstanding account activity or are settled in cash. Product exchanges are generally 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.

Promotional allowances are credits with no discernable benefit offered to Allergan that are issued in connection with a product launch or as an incentive for customers to carry our product. The Company establishes a reserve for promotional allowances based upon contractual terms.

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

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

|                                    | Returns<br>and |            | Other      | Cash      |            |
|------------------------------------|----------------|------------|------------|-----------|------------|
|                                    | Chargebacks    | Rebates    | Allowances | Discounts | Total      |
| Balance at December 31, 2017       | \$ 77.2        | \$ 1,799.2 | \$ 517.6   | \$ 36.5   | \$ 2,430.5 |
| Provision related to sales in 2018 | 834.9          | 3,943.8    | 1,320.5    | 237.8     | 6,337.0    |
| Credits and payments               | (851.0 )       | (3,887.9 ) | (1,269.0 ) | (243.1 )  | (6,251.0)  |
| Balance at September 30, 2018      | \$ 61.1        | \$ 1,855.1 | \$ 569.1   | \$ 31.2   | \$ 2,516.5 |

|                                       |         |           |          |         |           |
|---------------------------------------|---------|-----------|----------|---------|-----------|
| Contra accounts receivable            |         |           |          |         |           |
| at September 30, 2018                 | \$ 61.1 | \$66.1    | \$ 58.6  | \$ 31.2 | \$217.0   |
| Accounts payable and accrued expenses |         |           |          |         |           |
| at September 30, 2018                 | \$ -    | \$1,789.0 | \$ 510.5 | \$ -    | \$2,299.5 |

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

|                                       | September 30,<br>2018 | December 31,<br>2017 |
|---------------------------------------|-----------------------|----------------------|
| Contra accounts receivable            | \$ 217.0              | \$ 250.6             |
| Accounts payable and accrued expenses | 2,299.5               | 2,179.9              |
| Total                                 | \$ 2,516.5            | \$ 2,430.5           |

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

|                                                               | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|---------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|------------|
|                                                               | 2018                                | 2017      | 2018                               | 2017       |
| Gross product sales                                           | \$6,054.3                           | \$5,994.9 | \$17,765.9                         | \$17,265.7 |
| Provisions to reduce gross product sales to net product sales | (2,214.6)                           | (2,044.6) | (6,337.0 )                         | (5,914.5 ) |
| Net product sales                                             | \$3,839.7                           | \$3,950.3 | \$11,428.9                         | \$11,351.2 |
| Percentage of SRA provisions to gross sales                   | 36.6                                | % 34.1    | % 35.7                             | % 34.3     |

### Collectability Assessment

At the time of contract inception or customer account set-up, the Company performs a collectability assessment on the creditworthiness of such customer. The Company assesses the probability that the Company will collect the consideration to which it will be entitled in exchange for the goods sold. In evaluating collectability, the Company considers the customer's ability and intention to pay consideration when it is due. On a recurring basis, the Company estimates the amount of receivables considered uncollectible after sale to the customer to reflect allowances for doubtful accounts.

### Practical Expedients and Exemptions

The Company generally expenses sales commissions when incurred because the amortization period is one year or less. These costs are recorded within selling and marketing expenses.

The Company does not adjust the promised amount of consideration for the effects of the time value of money for contracts in which the anticipated period between when the Company transfers the goods or services to the customer and when the customer pays is equal to one year or less.

The Company has chosen not to elect the remaining practical expedients.

### 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. 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 or indefinite lived intangible asset below its carrying amount. The carrying value of each reporting unit is determined by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units.

The Company tests goodwill for impairment by either performing a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors, including Reporting Unit specific operating results as well as industry, market and general economic conditions, to determine whether it is more likely than not that the fair values of a Reporting Unit is less than its carrying amount, including goodwill. The Company may elect to bypass this qualitative assessment for some or all of its Reporting Units and perform a quantitative test.

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 / (loss) and this could result in a material impact to net income / (loss) and income / (loss) per share.

Prior to Allergan's annual impairment test, the Company adopted the new guidance under Accounting Standard Update No. 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment which eliminated step 2 of the goodwill impairment test, which required a hypothetical purchase price allocation to measure goodwill impairment loss as of January 1, 2018. A goodwill impairment loss under the new guidance is instead measured using a single step test based on the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. Based on the Company's impairment test, no impairments were noted.

Acquired in-process research and development (“IPR&D”) intangible assets represent the value assigned to research and development projects acquired in a business combination 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 has not been completed or approved. The IPR&D intangible assets are subject to impairment testing until completion or abandonment of each project. Upon abandonment, the assets are impaired if there is no future alternative use or ability to sell the asset. Impairment testing requires the development of significant estimates and assumptions involving the determination of estimated net cash flows for each year for each project or product (including net revenues, cost of sales, research and development (“R&D”) costs, selling and marketing costs and other costs which may be allocated), determination of the appropriate discount rate in order to measure the risk inherent in each future cash flow stream, assessment of each asset’s life cycle, 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 IPR&D projects include legal risk, market risk and regulatory risk. Changes in our assumptions could result in future impairment charges. No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change or the timely completion of each project and commercial success will occur. For these and other reasons, actual results may vary significantly from estimated results.

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

#### Annual Testing

The Company performed its annual goodwill impairment test during the second quarter of 2018 by evaluating its five Reporting Units. In performing this test, the Company utilized long-term growth rates for its Reporting Units ranging from 1.0% to 2.0% in its estimation of fair value and discount rates ranging from 8.5% to 10.0%, which is an increase versus the prior year discount rates of 7.5% to 8.5% to reflect changes in market conditions. The assumptions 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.

Of the Reporting Units tested, the Company’s US Eye Care Reporting Unit, which is a component of its US Specialized Therapeutics Segment and has an allocated goodwill balance of \$9,824.8 million, and its General Medicine Reporting Unit, are the most sensitive to a change in future valuation assumptions. These Reporting Units had the lowest level of headroom between the carrying value of the Reporting Unit and the fair value of the Reporting Unit. While management believes the assumptions used are reasonable and commensurate with the views of a market participant, changes in key assumptions for these Reporting Units, including increasing the discount rate, lowering revenue forecasts, lowering the operating margin or lowering the long-term growth rate, could result in a future impairment.

The Company performed its annual IPR&D impairment test in the second quarter of 2018. Refer to “NOTE 11 – Goodwill, Product Rights and Other Intangible Assets” for details of the impairments identified by the Company.

#### Earnings Per Share (“EPS”)

The Company computes EPS in accordance with Accounting Standards Codification (“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) 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 issued (or issuable in 2017) upon the mandatory conversion of the Company's preferred shares which occurred on March 1, 2018. Ordinary share equivalents have been excluded where their inclusion would be anti-dilutive to continuing operations.

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

|                                                            | Three Months<br>Ended<br>September 30,<br>2018 |  | 2017         |  | Nine Months<br>Ended<br>September 30,<br>2018 |  | 2017         |  |
|------------------------------------------------------------|------------------------------------------------|--|--------------|--|-----------------------------------------------|--|--------------|--|
| Net (loss):                                                |                                                |  |              |  |                                               |  |              |  |
| Net (loss) attributable to ordinary shareholders excluding |                                                |  |              |  |                                               |  |              |  |
| income from discontinued operations, net of tax            | \$(37.9 )                                      |  | \$(4,019.2 ) |  | \$(842.9 )                                    |  | \$(7,438.0 ) |  |
| (Loss) from discontinued operations, net of tax            | -                                              |  | (6.1 )       |  | -                                             |  | (17.6 )      |  |
| Net (loss) attributable to ordinary shareholders           | \$(37.9 )                                      |  | \$(4,025.3 ) |  | \$(842.9 )                                    |  | \$(7,455.6 ) |  |
|                                                            |                                                |  |              |  |                                               |  |              |  |
| Basic weighted average ordinary shares outstanding         | 339.0                                          |  | 333.5        |  | 337.6                                         |  | 334.6        |  |
|                                                            |                                                |  |              |  |                                               |  |              |  |
| Basic EPS:                                                 |                                                |  |              |  |                                               |  |              |  |
| Continuing operations                                      | \$(0.11 )                                      |  | \$(12.05 )   |  | \$(2.50 )                                     |  | \$(22.23 )   |  |
| Discontinued operations                                    | \$-                                            |  | \$(0.02 )    |  | \$-                                           |  | \$(0.05 )    |  |
| Net (loss) per share                                       | \$(0.11 )                                      |  | \$(12.07 )   |  | \$(2.50 )                                     |  | \$(22.28 )   |  |
|                                                            |                                                |  |              |  |                                               |  |              |  |
| Dividends per ordinary share                               | \$0.72                                         |  | \$0.70       |  | \$2.16                                        |  | \$2.10       |  |
|                                                            |                                                |  |              |  |                                               |  |              |  |
| Diluted weighted average ordinary shares outstanding       | 339.0                                          |  | 333.5        |  | 337.6                                         |  | 334.6        |  |
|                                                            |                                                |  |              |  |                                               |  |              |  |
| Diluted EPS:                                               |                                                |  |              |  |                                               |  |              |  |
| Continuing operations                                      | \$(0.11 )                                      |  | \$(12.05 )   |  | \$(2.50 )                                     |  | \$(22.23 )   |  |
| Discontinued operations                                    | \$-                                            |  | \$(0.02 )    |  | \$-                                           |  | \$(0.05 )    |  |
| Net (loss) per share                                       | \$(0.11 )                                      |  | \$(12.07 )   |  | \$(2.50 )                                     |  | \$(22.28 )   |  |

Stock awards to purchase 2.7 million and 2.3 million ordinary shares for the three and nine months ended September 30, 2018, respectively, were outstanding, but not included in the computation of diluted EPS, because the awards were anti-dilutive. Stock awards to purchase 3.7 million and 4.2 million ordinary shares for the three and nine months ended September 30, 2017, respectively, were outstanding, but not included in the computation of diluted EPS, because the awards were anti-dilutive.

The weighted average impact of ordinary share equivalents of 3.9 million for the nine months ended September 30, 2018, which would result from the mandatory conversion of the Company's preferred shares at the beginning of the period, were not included in the calculation of diluted EPS as their impact would be anti-dilutive. The Company's preferred shares were converted to ordinary shares on March 1, 2018. The weighted average impact of ordinary share equivalents of 17.7 million for the three and nine months ended September 30, 2017, which were 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.

During the three and nine months ended September 30, 2018, the Company repurchased shares under its share repurchase programs. The impact of the 2.4 million and 12.0 million shares repurchased in the three and nine months ended September 30, 2018 on basic EPS was 0.5 million and 7.2 million, respectively.

Refer to “NOTE 15 –Shareholders’ Equity” for further discussion on the Company’s share repurchase programs.

#### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02, which states that a lessee should recognize the assets and liabilities that arise from leases. This update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. While the Company has not yet completed its assessment, the adoption of the guidance is anticipated to have a material impact on the Company’s financial position.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU requires the measurement of all expected credit losses for financial assets including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company evaluated the impact of this pronouncement and concluded that the guidance is not expected to have a material impact on our financial position and results of operations.

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

In August 2018, the FASB issued ASU No. 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40), relating to a customer's accounting for implementation, set-up, and other upfront costs incurred in a cloud computing arrangement that is hosted by a vendor (i.e., a service contract). Under the new guidance, a customer will apply the same criteria for capitalizing implementation costs as it would for an arrangement that has a software license. The new guidance also prescribes the balance sheet, income statement, and cash flow classification of the capitalized implementation costs and related amortization expense, and requires additional quantitative and qualitative disclosures. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application is permitted. The Company can choose to adopt the new guidance (1) prospectively to eligible costs incurred on or after the date this guidance is first applied or (2) retrospectively. The Company is evaluating the impact, if any, that this pronouncement will have on our financial position and results of operations.

In August 2018, the FASB issued ASU No. 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) – Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans, which amends ASC 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The revisions to the disclosure requirements affect only the year-end financial statements of plan sponsors, as there are no changes related to interim financial statements. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is permitted. The ASU provisions will be applied on a retrospective basis to all periods presented. The Company determined that the prior year amounts are immaterial.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which removes, adds and modifies certain disclosure requirements for fair value measurements in Topic 820. The Company will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and the valuation processes of Level 3 fair value measurements. However, the Company will be required to additionally disclose the changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements, and the range and weighted average of assumptions used to develop significant unobservable inputs for Level 3 fair value measurements. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments relating to additional disclosure requirements will be applied prospectively for only the most recent interim or annual period presented in the initial year of adoption. All other amendments will be applied retrospectively to all periods presented upon their effective date. The Company is permitted to early adopt either the entire ASU or only the provisions that eliminate or modify the requirements.

NOTE 4 — Acquisitions and Other Agreements

2018 Transactions

The following are the significant transactions that were completed or announced in the nine months ended September 30, 2018.

Held for Sale

As of June 30, 2018, the Company determined that certain assets related to Rhofade® were deemed held for sale based on the Company's intention and ability to dispose of the related assets. As a result, the Company recorded an impairment of \$252.0 million during the three months ended June 30, 2018 to reflect the anticipated sale value and reclassified the "product rights and other intangibles, net" balance of \$130.5 million to "non-current assets held for sale." On October 15, 2018, the Company entered into a definitive asset purchase agreement with Aclaris Therapeutics, Inc. to sell the worldwide rights to Rhofade®. This transaction, which is subject to customary closing conditions, including certain governmental regulatory clearances, is expected to close in the fourth quarter of 2018. Under the terms of the agreement, the purchase price includes an upfront cash payment of \$65.0 million at closing, a potential development milestone payment for an additional dermatology product, and tiered payments based on annual net sales of Rhofade® and the potential additional product with a fair value of approximately \$65.0 million.

BonTi, Inc.

On October 24, 2018, the Company acquired BonTi, Inc. ("BonTi"), a privately held clinical-stage biotechnology company focused on the development and commercialization of novel, fast-acting neurotoxin programs for aesthetic and therapeutic applications, for \$195.0 million upfront plus contingent consideration of up to \$90.0 million. This transaction was agreed to in the nine months ended September 30, 2018 and we expect to treat this transaction as an asset acquisition.

Almirall, S.A.

On September 20, 2018, the Company completed the sale of five medical dermatology products (Aczone®, Tazorac®, Azelex®, Cordran® Tape and Seysara)™ in the U.S. to Almirall, S.A. Allergan concluded that these assets constituted a business. As part of the sale, the Company received cash consideration of \$550.0 million and is eligible to receive a contingent payment of up to an additional \$100.0 million in the event that net sales of the divested products in a specified calendar year exceed a sales target, to which no fair value has been ascribed. As a result of this transaction, the Company recorded the following (\$ in millions):

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|                                                                   |         |
|-------------------------------------------------------------------|---------|
| Purchase Price                                                    | \$550.0 |
| Assets sold                                                       |         |
| Intangible assets                                                 | \$205.4 |
| Goodwill                                                          | 184.0   |
| Other assets                                                      | 31.0    |
| Net assets sold                                                   | \$420.4 |
| Net gain included as a component of Other income / (expense), net | \$129.6 |

Elastagen Pty Ltd

On April 6, 2018, the Company completed the acquisition of Elastagen Pty Ltd, which was accounted for as an asset acquisition as the purchase primarily related to one asset. An upfront expense of \$96.1 million was expensed as a component of R&D during the nine months ended September 30, 2018. Under the terms of the agreement, Elastagen Pty Ltd is eligible to receive additional contingent consideration of up to \$165.0 million.

Repros Therapeutics, Inc.

On January 31, 2018, the Company completed the acquisition of Repros Therapeutics, Inc., which was accounted for as an asset acquisition as the purchase primarily related to one asset. A net charge of \$33.2 million was expensed as a component of R&D during the nine months ended September 30, 2018.

## 2017 Acquisitions with Purchase Accounting Finalized in 2018

## ZELTIQ® Aesthetics, Inc.

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

## Assets Acquired and Liabilities Assumed at Fair Value

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

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

|                                       | Final     |
|---------------------------------------|-----------|
|                                       | Valuation |
| Cash and cash equivalents             | \$36.7    |
| Accounts receivable                   | 47.0      |
| Inventories                           | 59.3      |
| Property, plant and equipment         | 12.4      |
| Intangible assets                     | 1,185.0   |
| Goodwill                              | 1,211.6   |
| Other assets                          | 17.1      |
| Accounts payable and accrued expenses | (104.6 )  |
| Deferred revenue                      | (10.6 )   |
| Deferred taxes, net                   | (47.2 )   |
| Other liabilities                     | (1.3 )    |
| Net assets acquired                   | \$2,405.4 |

## Inventories

The fair value of inventories acquired included an acquisition accounting fair market value step-up of \$22.9 million which was recognized as a component of cost of sales as the inventory acquired was sold to the Company’s customers in the year ended December 31, 2017, including \$11.0 million and \$22.9 million, respectively, in the three and nine months ended September 30, 2017.

## Deferred Tax Liabilities

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

NOTE 5 — Discontinued Operations

Global Generics Business

On July 27, 2015, the Company announced that it entered into a divestiture agreement for our global generics business and certain other assets to Teva Pharmaceutical Industries Ltd. (“Teva”) (the “Teva Transaction”), which closed on August 2, 2016. On October 3, 2016, the Company completed the divestiture of the Anda Distribution business to Teva for \$500.0 million. The Company recognized a combined gain on the sale of the Anda Distribution business and the sale of the global generics business of \$15,932.2 million in the twelve months ended December 31, 2016.

In October 2016, pursuant to our agreement with Teva, Teva provided the Company with its proposed estimated adjustment to the closing date working capital balance. The Company disagreed with Teva’s proposed adjustment, and, pursuant to our agreement with Teva, each of the Company’s and Teva’s proposed adjustments were submitted to arbitration to determine the working capital amount in accordance with GAAP as applied by the Company consistent with past practice. On January 31, 2018, Allergan plc and Teva entered into a Settlement Agreement and Mutual Releases (the “Agreement”) pursuant to which the Company made a one-time payment of \$700.0 million to Teva; the Company and Teva jointly dismissed their working capital dispute arbitration, and the

Company and Teva released all actual or potential indemnification and other claims under the Master Purchase Agreement, dated July 26, 2015, by and between the Company and Teva, that were known as of the date of the Agreement. The Company recorded a pre-tax charge of \$466.0 million as a component of other (expense) / income, net from discontinued operations relating to the settlement in the year ended December 31, 2017. The one-time payment of \$700.0 million is shown in the Consolidated Statement of Cash Flows as both a cash outflow in investing activities of \$466.0 million and a cash outflow in financing cash flows of \$234.0 million for the portion of the payment which was outstanding greater than one year.

#### NOTE 6 – Other Income / (Expense)

Other income / (expense), net consisted of the following (\$ in millions):

|                                                            | Three Months<br>Ended<br>September 30,<br>2018 |             | Nine Months<br>Ended<br>September 30,<br>2018 |             |
|------------------------------------------------------------|------------------------------------------------|-------------|-----------------------------------------------|-------------|
|                                                            | 2018                                           | 2017        | 2018                                          | 2017        |
| Teva Share Activity                                        | \$-                                            | \$(1,295.5) | \$60.9                                        | \$(3,273.5) |
| Sale of business                                           | 129.6                                          | -           | 182.6                                         | -           |
| Debt extinguishment other                                  | (8.3 )                                         | -           | 0.8                                           | -           |
| Debt extinguishment costs as part of the debt tender offer | -                                              | -           | -                                             | (161.5 )    |
| Dividend income                                            | -                                              | 8.5         | -                                             | 76.7        |
| Naurex recovery                                            | -                                              | -           | -                                             | 20.0        |
| Other income / (expense), net                              | 8.7                                            | (23.3 )     | 22.3                                          | (28.3 )     |
| Other income / (expense), net                              | \$130.0                                        | \$(1,310.3) | \$266.6                                       | \$(3,366.6) |

#### Teva Share Activity

During the nine months ended September 30, 2018, the Company recorded the following movements in its investment in Teva securities (defined herein as “Teva Share Activity”) (\$ in millions except per share information):

| Shares | Carrying  | Market | Proceeds | Value of   | Unrealized | Gain / (Loss) | Derivative   | Retained |
|--------|-----------|--------|----------|------------|------------|---------------|--------------|----------|
|        | Value     | Price  | Received | Marketable | Gain /     | Recognized    | Instrument   | Earnings |
|        | per Share |        |          | Securities | (Loss) as  | in Other      | (Liability)/ |          |
|        |           |        |          |            | a          | Income/       | Asset        |          |
|        |           |        |          |            | Component  | (Expense),    |              |          |
|        |           |        |          |            | of Other   | Comprehensive | Net          |          |

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| Income                            |         |          |          |            |            |          |         |            |          |
|-----------------------------------|---------|----------|----------|------------|------------|----------|---------|------------|----------|
| Teva securities as of             |         |          |          |            |            |          |         |            |          |
| December 31,                      |         |          |          |            |            |          |         |            |          |
| 2017                              | 95.9    | \$ 17.60 | \$ 18.95 | n.a.       | \$ 1,817.7 | \$ 129.3 | \$ -    | \$ (62.9 ) | \$ -     |
| Impact of ASU No. 2016-01         |         |          |          |            |            |          |         |            |          |
| during the three months           |         |          |          |            |            |          |         |            |          |
| ended March 31,                   |         |          |          |            |            |          |         |            |          |
| 2018                              | -       | -        | -        | -          | -          | (129.3 ) | -       | -          | 129.3    |
| Settlement of initial accelerated |         |          |          |            |            |          |         |            |          |
| share repurchase ("ASR"), net     |         |          |          |            |            |          |         |            |          |
| during the three months           |         |          |          |            |            |          |         |            |          |
| ended March 31,                   |         |          |          |            |            |          |         |            |          |
| 2018                              | (25.0 ) | 18.95    | 16.53 *  | 413.3      | (473.8 )   | -        | 2.5     | 62.9       | -        |
| Settlement of forward sale        |         |          |          |            |            |          |         |            |          |
| entered into during the           |         |          |          |            |            |          |         |            |          |
| three months ended                |         |          |          |            |            |          |         |            |          |
| March 31, 2018,                   |         |          |          |            |            |          |         |            |          |
| net                               | (25.0 ) | 17.09    | 18.61 ** | 465.5      | (427.3 )   | -        | 38.2    | -          | -        |
| Open market sales during          |         |          |          |            |            |          |         |            |          |
| the nine months ended             |         |          |          |            |            |          |         |            |          |
| September 30,                     |         |          |          |            |            |          |         |            |          |
| 2018                              | (45.9 ) | n.a.     | 20.41    | 936.7      | (916.6 )   | -        | 20.2    | -          | -        |
| Teva securities as of             |         |          |          |            |            |          |         |            |          |
| and for the nine months           |         |          |          |            |            |          |         |            |          |
| ended September                   |         |          |          |            |            |          |         |            |          |
| 30, 2018                          | -       | \$ -     | \$ -     | \$ 1,815.5 | \$ -       | \$ -     | \$ 60.9 | \$ -       | \$ 129.3 |

\* Market price represents average price over the life of the contract. On the January 17, 2018 settlement date, the closing stock price of Teva securities was \$21.48.

\*\* Market price represents average price over the life of the contract. On the May 7, 2018 settlement date, the closing stock price of Teva securities was \$18.62.

During the three and nine months ended September 30, 2017, the Company recorded the following movements in its investment in Teva securities (\$ in millions except per share information):

|                                        |                   |                 |          |            |            |               | Movement      | Unrealized<br>Gain / (Loss)<br>as a Component<br>of Other<br>Comprehensive<br>Income | (Loss)<br>Recognized<br>in Other<br>Income/<br>(Expense),<br>Net |
|----------------------------------------|-------------------|-----------------|----------|------------|------------|---------------|---------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------|
|                                        | Carrying<br>Value | Market<br>Price | Discount | Securities | Income     | Net           |               |                                                                                      |                                                                  |
| Teva securities as of                  | Shares            | per Share       | Price    | Discount   | Securities | Income        | Net           |                                                                                      |                                                                  |
| December 31, 2016                      | 100.3             | \$ 53.39        | \$36.25  | 5.4 %      | \$ 3,439.2 | \$ (1,599.4 ) | \$ -          |                                                                                      |                                                                  |
| Other-than-temporary impairment        |                   |                 |          |            |            |               |               |                                                                                      |                                                                  |
| recognized at March 31, 2017           | 100.3             | 32.09           | 32.09    | 4.9 %      | (378.6 )   | 1,599.4       | (1,978.0 )    |                                                                                      |                                                                  |
| Other fair value movements during the  |                   |                 |          |            |            |               |               |                                                                                      |                                                                  |
| three months ended June 30, 2017       | 100.3             | 32.09           | 33.22    | 1.9 %      | 207.8      | 207.8         | -             |                                                                                      |                                                                  |
| Teva securities as of and for the six  |                   |                 |          |            |            |               |               |                                                                                      |                                                                  |
| months ended June 30, 2017             | 100.3             | \$ 32.09        | \$33.22  | 1.9 %      | \$ 3,268.4 | \$ 207.8      | \$ (1,978.0 ) |                                                                                      |                                                                  |
| Other-than-temporary impairment        |                   |                 |          |            |            |               |               |                                                                                      |                                                                  |
| recognized at September 30, 2017       | 100.3             | 17.60           | 17.60    | 0.0 %      | (1,503.3 ) | (207.8 )      | (1,295.5 )    |                                                                                      |                                                                  |
| Teva securities as of and for the nine |                   |                 |          |            |            |               |               |                                                                                      |                                                                  |
| months ended September 30, 2017        | 100.3             | \$ 17.60        | \$17.60  | 0.0 %      | \$ 1,765.1 | \$ -          | \$ (3,273.5 ) |                                                                                      |                                                                  |

The Teva stock price was discounted due to the lack of marketability.  
Sale of Business

During the three and nine months ended September 30, 2018, the Company recorded a net gain of \$129.6 million as a result of the sale of five medical dermatology products to Almirall, S.A.

During the nine months ended September 30, 2018, the Company completed the sale of a non-strategic asset group held for sale as of December 31, 2017, which was deemed a business based on the applicable guidance at the time, for \$55.0 million in cash plus deferred consideration of \$20.0 million. As a result of this transaction, the Company recognized a gain of \$53.0 million.

#### Debt Extinguishment Other

During the three and nine months ended September 30, 2018, the Company repurchased \$1,767.2 million and \$2,223.1 million, respectively, of senior notes in the open market. During the three months ended September 30, 2018, as a result of the debt extinguishment, the Company recognized a net loss of \$8.3 million within “other income / (expense), net” for the discount received upon repurchase of \$5.1 million, offset by the non-cash write-off of premiums and debt fees related to the repaid notes of \$13.4 million. During the nine months ended September 30, 2018, as a result of the debt extinguishment, the Company recognized a net gain of \$0.8 million within “other income / (expense), net” for the discount received upon repurchase of \$18.2 million, offset by the non-cash write-off of premiums and debt fees related to the repaid notes of \$17.4 million.

During the three and nine months ended September 30, 2018, the Company redeemed and retired the following senior notes (\$ in millions):

|                 | Three Months Ended<br>September 30, 2018 |                                    | Nine Months Ended<br>September 30, 2018 |                                    | Remaining<br>Value at<br>September<br>30, 2018 |
|-----------------|------------------------------------------|------------------------------------|-----------------------------------------|------------------------------------|------------------------------------------------|
|                 | Face<br>Value<br><br>Retired             | Cash Paid<br><br>for<br>Retirement | Face<br>Value<br><br>Retired            | Cash Paid<br><br>for<br>Retirement |                                                |
| Tranche         |                                          |                                    |                                         |                                    |                                                |
| 2.450% due 2019 | \$-                                      | \$ -                               | \$8.8                                   | \$ 8.8                             | \$491.2                                        |
| 3.000% due 2020 | 408.6                                    | 407.8                              | 449.3                                   | 448.4                              | 3,050.6                                        |
| 3.450% due 2022 | -                                        | -                                  | 59.5                                    | 58.6                               | 2,940.5                                        |
| 3.850% due 2024 | 52.1                                     | 52.0                               | 63.3                                    | 62.9                               | 1,136.7                                        |
| 3.800% due 2025 | 787.5                                    | 784.4                              | 872.5                                   | 867.0                              | 3,127.5                                        |
| 4.550% due 2035 | 345.0                                    | 344.7                              | 460.0                                   | 454.8                              | 2,040.0                                        |
| 4.850% due 2044 | 140.1                                    | 139.5                              | 199.1                                   | 196.8                              | 1,300.9                                        |
| 4.750% due 2045 | 33.9                                     | 33.7                               | 110.6                                   | 107.6                              | 1,089.4                                        |
| Total           | \$1,767.2                                | \$ 1,762.1                         | \$2,223.1                               | \$ 2,204.9                         | \$ 15,176.8                                    |

Allergan has repurchased and retired an additional \$388.0 million face value of senior notes through open market purchases between October 1, 2018 and October 26, 2018 (inclusive).

#### Debt Extinguishment Costs as Part of the Debt Tender Offer

On May 30, 2017, the Company completed the repurchase of certain debt securities issued for cash under a previously announced tender offer. During the nine months ended September 30, 2017, as a result of the debt extinguishment, the Company recognized a loss of \$161.5 million, within “Other income / (expense)” for the early tender payment and non-cash write-off of premiums and debt fees related to the repurchased notes, including \$170.5 million of a make-whole premium.

#### Dividend Income

During the three and nine months ended September 30, 2017, the Company received dividend income of \$8.5 million and \$76.7 million, respectively, on the 100.3 million Teva ordinary shares acquired as a result of the Teva Transaction. On February 8, 2018, Teva suspended all dividends on ordinary shares.

#### Naurex Recovery

On August 28, 2015, the Company acquired certain products in early stage development of Naurex, Inc. (“Naurex”) in an all-cash transaction, which was accounted for as an asset acquisition. The Company received a purchase price reduction of \$20.0 million in the nine months ended September 30, 2017 based on the settlement of an open contract dispute.

#### Other-than-temporary impairments

The Company recorded other-than-temporary impairment charges on other equity investments and cost method investments of \$22.6 million and \$26.1 million in the three and nine months ended September 30, 2017, respectively.

#### 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.

The Company grants awards with the following features:

- Time-based restricted stock and restricted stock unit awards (including, in certain foreign jurisdictions, cash-settled restricted stock unit awards, which are recorded as a liability);
- Performance-based restricted stock unit awards measured against performance-based targets defined by the Company, including, but not limited to, total shareholder return metrics and R&D milestones, as defined by the Company; and
- Non-qualified options to purchase outstanding shares.

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

Cash-settled performance-based awards are recorded as a liability. These cash-settled performance-based awards are measured against pre-established total shareholder returns metrics.

## Fair Value Assumptions

All restricted stock and restricted stock units (whether time-based or performance-based) 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:

|                         | 2018       | 2017       |
|-------------------------|------------|------------|
|                         | Grants     | Grants     |
| Dividend yield          | 1.5 - 1.9% | 1.2%       |
| Expected volatility     | 27.0%      | 27.0%      |
| Risk-free interest rate | 2.2 - 2.9% | 2.0 - 2.3% |
| Expected term (years)   | 7.0        | 7.0        |

## Share-Based Compensation Expense

Share-based compensation expense recognized in the Company's results of operations for the three and nine months ended September 30, 2018 and 2017 was as follows (\$ in millions):

|                                                               | Three Months<br>Ended<br>September 30,<br>2018 2017 |        | Nine Months<br>Ended<br>September 30,<br>2018 2017 |         |
|---------------------------------------------------------------|-----------------------------------------------------|--------|----------------------------------------------------|---------|
| Equity-based compensation awards                              | \$57.8                                              | \$72.3 | \$185.2                                            | \$220.8 |
| Cash-settled awards in connection with the Zeltiq Acquisition | -                                                   | -      | -                                                  | 31.5    |
| Non-equity settled awards other                               | -                                                   | (32.6) | -                                                  | (19.5)  |
| Total share-based compensation expense                        | \$57.8                                              | \$39.7 | \$185.2                                            | \$232.8 |

In the three months ended September 30, 2017, the income in non-equity settled awards other was due to an actuarial reversal of \$32.6 million based on the decline of the total shareholder return metrics. These awards are cash-settled and fair valued based on a pre-determined total shareholder return metric.

Included in the share-based compensation awards for the three and nine months ended September 30, 2018 and 2017 is the impact of accelerations and step-ups relating to the acquisition accounting treatment of outstanding awards acquired in the Zeltiq Acquisition, the acquisition of Allergan, Inc. (the "Allergan Acquisition"), and the acquisition of Forest Laboratories, Inc. (the "Forest Acquisition") as follows (\$ in millions):

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|                      | Three Months<br>Ended<br>September 30,<br>2018 |         | Nine Months<br>Ended<br>September 30,<br>2018 |         |
|----------------------|------------------------------------------------|---------|-----------------------------------------------|---------|
|                      | 2018                                           | 2017    | 2018                                          | 2017    |
| Zeltiq Acquisition   | \$ 1.4                                         | \$ 5.8  | \$ 7.9                                        | \$ 43.5 |
| Allergan Acquisition | 1.1                                            | 9.7     | 7.8                                           | 37.5    |
| Forest Acquisition   | -                                              | 1.5     | -                                             | 9.0     |
| Total                | \$ 2.5                                         | \$ 17.0 | \$ 15.7                                       | \$ 90.0 |

Unrecognized future share-based compensation expense was \$368.5 million as of September 30, 2018, including \$13.0 million from the Zeltiq Acquisition. This amount will be recognized as an expense over a remaining weighted average period of 1.5 years. Share-based compensation is being amortized and charged to operations over the same period as the restrictions are eliminated for the participants, which is generally on a straight-line basis.

## Share Activity

The following is a summary of equity award activity for unvested restricted stock and stock units in the period from December 31, 2017 through September 30, 2018 (in millions, except per share data):

|                                                             |        | Weighted  |             |            |
|-------------------------------------------------------------|--------|-----------|-------------|------------|
|                                                             |        | Weighted  | Average     |            |
|                                                             |        | Average   | Remaining   | Aggregate  |
|                                                             |        | Grant     | Contractual | Grant      |
|                                                             |        | Date      | Term        | Date       |
|                                                             |        | Fair      |             | Fair Value |
|                                                             | Shares | Value     | (Years)     |            |
| Restricted shares / units outstanding at December 31, 2017  | 2.0    | \$ 237.72 | 1.8         | \$ 484.1   |
| Granted                                                     | 1.4    | 146.71    |             | 201.0      |
| Vested                                                      | (0.5 ) | 241.86    |             | (133.0 )   |
| Forfeited                                                   | (0.3 ) | 205.94    |             | (56.7 )    |
| Restricted shares / units outstanding at September 30, 2018 | 2.6    | 191.94    | 1.8         | \$ 495.4   |

The following is a summary of equity award activity for non-qualified options to purchase ordinary shares in the period from December 31, 2017 through September 30, 2018 (in millions, except per share data):

|                                                             |         | Weighted  |             |           |
|-------------------------------------------------------------|---------|-----------|-------------|-----------|
|                                                             |         | Average   |             |           |
|                                                             |         | Weighted  | Remaining   |           |
|                                                             |         | Average   | Contractual | Aggregate |
|                                                             |         | Exercise  | Term        | Intrinsic |
|                                                             | Options | Price     | (Years)     | Value     |
| Outstanding, December 31, 2017                              | 7.3     | \$ 120.94 | 5.2         | \$ 312.7  |
| Granted                                                     | 0.2     | 151.27    |             |           |
| Exercised                                                   | (0.9 )  | 103.25    |             |           |
| Cancelled                                                   | (0.1 )  | 244.70    |             |           |
| Outstanding, vested and expected to vest at September, 2018 | 6.5     | \$ 122.82 | 4.6         | \$ 436.7  |

NOTE 8 — Reportable Segments

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

The operating segments are organized as follows:

- The US Specialized Therapeutics segment includes sales and expenses relating to branded products within the U.S., including Medical Aesthetics, Medical Dermatology through September 20, 2018, Eye Care, and Neuroscience and Urology therapeutic products.
- The US General Medicine segment includes sales and expenses relating to branded products within the U.S. that do not fall into the US Specialized Therapeutics business units, including Central Nervous System, Gastrointestinal, Women's Health, Anti-Infectives and Diversified Brands.
  - The International segment includes sales and expenses relating to products sold outside the U.S.

The Company evaluates segment performance based on segment contribution. Segment contribution for our segments represents net revenues less cost of sales (defined below), selling and marketing expenses, and select general and administrative expenses. The Company does not evaluate the following items at the segment level:

- Revenues and operating expenses within cost of sales, selling and marketing expenses, and general and administrative expenses that result from the impact of corporate initiatives. Corporate initiatives primarily include integration, restructuring, divestitures, acquisitions, certain milestones and other shared costs.

General and administrative expenses that result from shared infrastructure, including certain expenses located within the United States.

Total assets including capital expenditures.

Other select revenues and operating expenses including R&D expenses, amortization, IPR&D impairments and asset sales and impairments, net as not all such information has been accounted for at the segment level, or such information has not been used by all segments.

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

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

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

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

Segment net revenues, segment operating expenses and segment contribution information consisted of the following for the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                                                 | Three Months Ended September 30, 2018 |   |            |   |               |   |           |         |
|-------------------------------------------------|---------------------------------------|---|------------|---|---------------|---|-----------|---------|
|                                                 | US Specialized                        |   |            |   | General       |   |           |         |
|                                                 | Therapeutics                          |   | Medicine   |   | International |   | Total     |         |
| Net revenues                                    | \$ 1,706.2                            |   | \$ 1,381.3 |   | \$ 821.6      |   | \$3,909.1 |         |
| Operating expenses:                             |                                       |   |            |   |               |   |           |         |
| Cost of sales <sup>(1)</sup>                    | 143.0                                 |   | 219.6      |   | 130.7         |   | 493.3     |         |
| Selling and marketing                           | 313.7                                 |   | 233.2      |   | 206.0         |   | 752.9     |         |
| General and administrative                      | 47.3                                  |   | 37.7       |   | 35.1          |   | 120.1     |         |
| Segment contribution                            | \$ 1,202.2                            |   | \$ 890.8   |   | \$ 449.8      |   | \$2,542.8 |         |
| Contribution margin                             | 70.5                                  | % | 64.5       | % | 54.7          | % | 65.0      | %       |
| Corporate <sup>(2)</sup>                        |                                       |   |            |   |               |   |           | 273.0   |
| Research and development                        |                                       |   |            |   |               |   |           | 424.2   |
| Amortization                                    |                                       |   |            |   |               |   |           | 1,588.5 |
| In-process research and development impairments |                                       |   |            |   |               |   |           | -       |
| Asset sales and impairments, net                |                                       |   |            |   |               |   |           | (0.4 )  |
| Operating income                                |                                       |   |            |   |               |   |           | \$257.5 |
| Operating margin                                |                                       |   |            |   |               |   |           | 6.6 %   |

- (1) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.
- (2) Corporate includes net revenues of \$2.3 million.

# Nine Months Ended September 30, 2018

## US Specialized General

|                                                 | Therapeutics | Medicine   | International | Total      |
|-------------------------------------------------|--------------|------------|---------------|------------|
| Net revenues                                    | \$5,111.5    | \$ 3,925.0 | \$ 2,634.5    | \$11,671.0 |
| Operating expenses:                             |              |            |               |            |
| Cost of sales <sup>(1)</sup>                    | 425.9        | 604.0      | 391.0         | 1,420.9    |
| Selling and marketing                           | 970.2        | 713.5      | 697.9         | 2,381.6    |
| General and administrative                      | 145.6        | 111.3      | 100.4         | 357.3      |
| Segment contribution                            | \$3,569.8    | \$ 2,496.2 | \$ 1,445.2    | \$7,511.2  |
| Contribution margin                             | 69.8 %       | 63.6 %     | 54.9 %        | 64.4 %     |
| Corporate <sup>(2)</sup>                        |              |            |               | 733.1      |
| Research and development                        |              |            |               | 1,588.1    |
| Amortization                                    |              |            |               | 4,983.2    |
| In-process research and development impairments |              |            |               | 798.0      |
| Asset sales and impairments, net                |              |            |               | 272.3      |
| Operating (loss)                                |              |            |               | \$(863.5 ) |
| Operating margin                                |              |            |               | (7.4 )%    |

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

(2) Corporate includes net revenues of \$36.7 million.

# Three Months Ended September 30, 2017

## US Specialized General

|                                                 | Therapeutics | Medicine   | International | Total       |
|-------------------------------------------------|--------------|------------|---------------|-------------|
| Net revenues                                    | \$1,724.8    | \$ 1,497.4 | \$ 807.8      | \$4,030.0   |
| Operating expenses:                             |              |            |               |             |
| Cost of sales <sup>(1)</sup>                    | 131.4        | 225.5      | 116.3         | 473.2       |
| Selling and marketing                           | 353.5        | 247.7      | 224.8         | 826.0       |
| General and administrative                      | 54.8         | 47.7       | 28.3          | 130.8       |
| Segment contribution                            | \$1,185.1    | \$ 976.5   | \$ 438.4      | \$2,600.0   |
| Contribution margin                             | 68.7 %       | 65.2 %     | 54.3 %        | 64.5 %      |
| Corporate <sup>(2)</sup>                        |              |            |               | 321.9       |
| Research and development                        |              |            |               | 442.6       |
| Amortization                                    |              |            |               | 1,781.0     |
| In-process research and development impairments |              |            |               | 202.0       |
| Asset sales and impairments, net                |              |            |               | 3,874.8     |
| Operating (loss)                                |              |            |               | \$(4,022.3) |
| Operating margin                                |              |            |               | (99.8 )%    |

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

(2) Corporate includes net revenues of \$4.3 million.



Nine Months Ended September 30, 2017

US Specialized General

|                                                 | Therapeutics | Medicine   | International | Total        |
|-------------------------------------------------|--------------|------------|---------------|--------------|
| Net revenues                                    | \$4,921.8    | \$ 4,270.9 | \$ 2,403.6    | \$11,596.3   |
| Operating expenses:                             |              |            |               |              |
| Cost of sales <sup>(1)</sup>                    | 349.4        | 623.2      | 341.6         | 1,314.2      |
| Selling and marketing                           | 1,040.7      | 838.3      | 673.2         | 2,552.2      |
| General and administrative                      | 149.4        | 129.7      | 86.5          | 365.6        |
| Segment contribution                            | \$3,382.3    | \$ 2,679.7 | \$ 1,302.3    | \$7,364.3    |
| Contribution margin                             | 68.7 %       | 62.7 %     | 54.2 %        | 63.5 %       |
| Corporate <sup>(2)</sup>                        |              |            |               | 1,086.7      |
| Research and development                        |              |            |               | 1,691.9      |
| Amortization                                    |              |            |               | 5,274.9      |
| In-process research and development impairments |              |            |               | 1,245.3      |
| Asset sales and impairments, net                |              |            |               | 3,896.2      |
| Operating (loss)                                |              |            |               | \$(5,830.7 ) |
| Operating margin                                |              |            |               | (50.3 )%     |

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

<sup>(2)</sup> Corporate includes net revenues of \$18.3 million.

The following table presents our net revenue disaggregated by geography for our international segment for the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                                      | Three Months Ended September 30, |         | Nine Months Ended September 30, |           |
|--------------------------------------|----------------------------------|---------|---------------------------------|-----------|
|                                      | 2018                             | 2017    | 2018                            | 2017      |
| Europe                               | \$329.8                          | \$336.6 | \$1,141.5                       | \$1,041.3 |
| Asia Pacific, Middle East and Africa | 272.4                            | 225.5   | 796.8                           | 673.9     |
| Latin America and Canada             | 203.3                            | 228.5   | 646.2                           | 626.9     |
| Other*                               | 16.1                             | 17.2    | 50.0                            | 61.5      |
| Total International                  | \$821.6                          | \$807.8 | \$2,634.5                       | \$2,403.6 |

\* Includes royalty and other revenue

The following tables present global net revenues for the top products of the Company as well as a reconciliation of segment revenues to total net revenues for the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                                                         | Three Months Ended September 30, 2018 |            |               |         |
|---------------------------------------------------------|---------------------------------------|------------|---------------|---------|
|                                                         | US Special                            | US General | International | Total   |
|                                                         | Therapeutic                           | Medicine   |               |         |
| Botox <sup>®</sup>                                      | \$623.4                               | \$ -       | \$ 256.3      | \$879.7 |
| Restasis <sup>®</sup>                                   | 298.0                                 | -          | 13.6          | 311.6   |
| Juvederm <sup>®</sup> Collection                        | 127.2                                 | -          | 138.6         | 265.8   |
| Linzess <sup>®</sup> /Constella <sup>®</sup>            | -                                     | 204.8      | 5.7           | 210.5   |
| Lumigan <sup>®</sup> /Ganfort <sup>®</sup>              | 78.0                                  | -          | 94.8          | 172.8   |
| Bystolic <sup>®</sup> / Byvalson <sup>®</sup>           | -                                     | 151.2      | 0.5           | 151.7   |
| Lo Loestrin <sup>®</sup>                                | -                                     | 141.5      | -             | 141.5   |
| Vraylar <sup>™</sup>                                    | -                                     | 138.0      | -             | 138.0   |
| Alphagan <sup>®</sup> /Combigan <sup>®</sup>            | 95.4                                  | -          | 40.5          | 135.9   |
| Eye Drops                                               | 54.8                                  | -          | 66.8          | 121.6   |
| Alloderm <sup>®</sup>                                   | 105.8                                 | -          | 1.0           | 106.8   |
| Breast Implants                                         | 58.2                                  | -          | 35.6          | 93.8    |
| Viibryd <sup>®</sup> /Fetzima <sup>®</sup>              | -                                     | 88.5       | 1.8           | 90.3    |
| Coolsculpting <sup>®</sup> Consumables                  | 55.5                                  | -          | 14.2          | 69.7    |
| Zenpep <sup>®</sup>                                     | -                                     | 62.1       | -             | 62.1    |
| Ozurdex <sup>®</sup>                                    | 28.6                                  | -          | 25.8          | 54.4    |
| Carafate <sup>®</sup> / Sulcrate <sup>®</sup>           | -                                     | 53.4       | 0.7           | 54.1    |
| Canasa <sup>®</sup> /Salofalk <sup>®</sup>              | -                                     | 46.8       | 4.4           | 51.2    |
| Armour Thyroid                                          | -                                     | 48.0       | -             | 48.0    |
| Viberzi <sup>®</sup>                                    | -                                     | 46.8       | 0.3           | 47.1    |
| Asacol <sup>®</sup> /Delzicol <sup>®</sup>              | -                                     | 32.1       | 10.9          | 43.0    |
| Coolsculpting <sup>®</sup> Systems & Add On Applicators | 29.4                                  | -          | 8.3           | 37.7    |
| Saphris <sup>®</sup>                                    | -                                     | 36.4       | -             | 36.4    |
| Teflaro <sup>®</sup>                                    | -                                     | 33.4       | -             | 33.4    |
| Namzaric <sup>®</sup>                                   | -                                     | 28.0       | -             | 28.0    |
| Avycaz <sup>®</sup>                                     | -                                     | 24.7       | -             | 24.7    |
| Savella <sup>®</sup>                                    | -                                     | 22.4       | -             | 22.4    |
| Rapaflo <sup>®</sup>                                    | 20.5                                  | -          | 1.8           | 22.3    |
| SkinMedica <sup>®</sup>                                 | 19.9                                  | -          | 1.7           | 21.6    |
| Aczone <sup>®</sup>                                     | 17.4                                  | -          | 0.1           | 17.5    |
| Namenda XR <sup>®</sup>                                 | -                                     | 16.2       | -             | 16.2    |
| Lexapro <sup>®</sup>                                    | -                                     | 15.6       | -             | 15.6    |
| Estrace <sup>®</sup> Cream                              | -                                     | 14.8       | -             | 14.8    |
| Latisse <sup>®</sup>                                    | 12.3                                  | -          | 2.0           | 14.3    |
| Liletta <sup>®</sup>                                    | -                                     | 12.7       | -             | 12.7    |
| Tazorac <sup>®</sup>                                    | 9.3                                   | -          | 0.2           | 9.5     |
| Dalvance <sup>®</sup>                                   | -                                     | 9.2        | -             | 9.2     |
| Kybella <sup>®</sup> / Belkyra <sup>®</sup>             | 5.2                                   | -          | 1.6           | 6.8     |
| Minastrin <sup>®</sup> 24                               | -                                     | 0.6        | -             | 0.6     |

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|                        |           |            |          |           |
|------------------------|-----------|------------|----------|-----------|
| Other                  | 67.3      | 154.1      | 94.4     | 315.8     |
| Total segment revenues | \$1,706.2 | \$ 1,381.3 | \$ 821.6 | \$3,909.1 |
| Corporate revenues     |           |            |          | 2.3       |
| Total net revenues     |           |            |          | \$3,911.4 |

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Nine Months Ended September 30, 2018  
US Special US General

|                                                         | Therapeutic | Medicine   | International | Total      |
|---------------------------------------------------------|-------------|------------|---------------|------------|
| Botox <sup>®</sup>                                      | \$1,854.4   | \$ -       | \$ 777.1      | \$2,631.5  |
| Restasis <sup>®</sup>                                   | 872.0       | -          | 47.9          | 919.9      |
| Juvederm <sup>®</sup> Collection                        | 389.8       | -          | 440.8         | 830.6      |
| Linzess <sup>®</sup> /Constella <sup>®</sup>            | -           | 555.9      | 17.7          | 573.6      |
| Lumigan <sup>®</sup> /Ganfort <sup>®</sup>              | 217.8       | -          | 295.7         | 513.5      |
| Bystolic <sup>®</sup> / Byvalson <sup>®</sup>           | -           | 432.1      | 1.6           | 433.7      |
| Alphagan <sup>®</sup> /Combigan <sup>®</sup>            | 277.7       | -          | 129.3         | 407.0      |
| Lo Loestrin <sup>®</sup>                                | -           | 383.9      | -             | 383.9      |
| Eye Drops                                               | 154.8       | -          | 208.0         | 362.8      |
| Vraylar <sup>™</sup>                                    | -           | 336.6      | -             | 336.6      |
| Alloderm <sup>®</sup>                                   | 312.4       | -          | 5.5           | 317.9      |
| Breast Implants                                         | 194.8       | -          | 119.6         | 314.4      |
| Viibryd <sup>®</sup> /Fetzima <sup>®</sup>              | -           | 246.9      | 4.9           | 251.8      |
| Ozurdex <sup>®</sup>                                    | 81.7        | -          | 158.1         | 239.8      |
| Coolsculpting <sup>®</sup> Consumables                  | 180.8       | -          | 40.8          | 221.6      |
| Zenpep <sup>®</sup>                                     | -           | 170.5      | -             | 170.5      |
| Carafate <sup>®</sup> / Sulcrate <sup>®</sup>           | -           | 163.7      | 2.1           | 165.8      |
| Armour Thyroid                                          | -           | 145.4      | -             | 145.4      |
| Canasa <sup>®</sup> /Salofalk <sup>®</sup>              | -           | 130.4      | 13.1          | 143.5      |
| Asacol <sup>®</sup> /Delzicol <sup>®</sup>              | -           | 102.9      | 35.0          | 137.9      |
| Viberzi <sup>®</sup>                                    | -           | 127.6      | 0.7           | 128.3      |
| Coolsculpting <sup>®</sup> Systems & Add On Applicators | 99.5        | -          | 21.8          | 121.3      |
| Saphris <sup>®</sup>                                    | -           | 102.9      | -             | 102.9      |
| Teflaro <sup>®</sup>                                    | -           | 98.0       | 0.6           | 98.6       |
| Namzaric <sup>®</sup>                                   | -           | 93.2       | -             | 93.2       |
| Avycaz <sup>®</sup>                                     | -           | 70.0       | -             | 70.0       |
| Rapaflo <sup>®</sup>                                    | 63.0        | -          | 4.6           | 67.6       |
| SkinMedica <sup>®</sup>                                 | 58.8        | -          | 5.3           | 64.1       |
| Savella <sup>®</sup>                                    | -           | 61.4       | -             | 61.4       |
| Namenda XR <sup>®</sup>                                 | -           | 60.1       | -             | 60.1       |
| Aczone <sup>®</sup>                                     | 54.5        | -          | 0.3           | 54.8       |
| Latisse <sup>®</sup>                                    | 39.6        | -          | 6.3           | 45.9       |
| Lexapro <sup>®</sup>                                    | -           | 44.8       | -             | 44.8       |
| Dalvance <sup>®</sup>                                   | -           | 38.8       | 1.3           | 40.1       |
| Liletta <sup>®</sup>                                    | -           | 36.3       | -             | 36.3       |
| Estrace <sup>®</sup> Cream                              | -           | 34.3       | -             | 34.3       |
| Kybella <sup>®</sup> / Belkyra <sup>®</sup>             | 24.6        | -          | 5.3           | 29.9       |
| Tazorac <sup>®</sup>                                    | 25.1        | -          | 0.6           | 25.7       |
| Minestrin <sup>®</sup> 24                               | -           | 6.6        | -             | 6.6        |
| Other                                                   | 210.2       | 482.7      | 290.5         | 983.4      |
| Total segment revenues                                  | \$5,111.5   | \$ 3,925.0 | \$ 2,634.5    | \$11,671.0 |
| Corporate revenues                                      |             |            |               | 36.7       |
| Total net revenues                                      |             |            |               | \$11,707.7 |



Three Months Ended September 30, 2017

US Special US General

|                                             | Therapeutic Medicine | International | Total     |
|---------------------------------------------|----------------------|---------------|-----------|
| Botox®                                      | \$558.6              | \$ -          | \$ 215.9  |
| Restasis®                                   | 366.8                | -             | 15.5      |
| Juvederm® Collection                        | 115.6                | -             | 126.5     |
| Linzess®/Constella®                         | -                    | 190.9         | 5.7       |
| Lumigan®/Ganfort®                           | 83.3                 | -             | 91.5      |
| Bystolic® / Byvalson®                       | -                    | 164.2         | 0.5       |
| Alphagan®/Combigan®                         | 92.7                 | -             | 43.4      |
| Eye Drops                                   | 53.7                 | -             | 71.2      |
| Lo Loestrin®                                | -                    | 120.0         | -         |
| Namenda XR®                                 | -                    | 114.3         | -         |
| Estrace® Cream                              | -                    | 101.6         | -         |
| Breast Implants                             | 58.0                 | -             | 38.1      |
| Viibryd®/Fetzima®                           | -                    | 86.5          | 1.0       |
| Alloderm®                                   | 84.6                 | -             | 1.5       |
| Vraylar™                                    | -                    | 80.2          | -         |
| Ozurdex®                                    | 24.6                 | -             | 50.2      |
| Coolsculpting® Consumables                  | 50.3                 | -             | 13.8      |
| Asacol®/Delzicol®                           | -                    | 49.5          | 11.9      |
| Carafate® / Sulcrate®                       | -                    | 58.7          | 0.7       |
| Zenpep®                                     | -                    | 56.8          | -         |
| Aczone®                                     | 46.7                 | -             | 0.2       |
| Canasa®/Salofalk®                           | -                    | 39.0          | 4.6       |
| Coolsculpting® Systems & Add On Applicators | 33.1                 | -             | 10.2      |
| Viberzi®                                    | -                    | 40.9          | 0.2       |
| Armour Thyroid                              | -                    | 38.5          | -         |
| Saphris®                                    | -                    | 37.2          | -         |
| Namzaric®                                   | -                    | 37.0          | -         |
| Rapaflo®                                    | 28.3                 | -             | 1.8       |
| Teflaro®                                    | -                    | 29.1          | -         |
| Savella®                                    | -                    | 24.0          | -         |
| SkinMedica®                                 | 18.7                 | -             | 1.4       |
| Avycaz®                                     | -                    | 16.9          | -         |
| Dalvance®                                   | -                    | 16.1          | -         |
| Latisse®                                    | 13.6                 | -             | 1.9       |
| Tazorac®                                    | 15.1                 | -             | 0.1       |
| Lexapro®                                    | -                    | 12.9          | -         |
| Kybella® / Belkyra®                         | 9.6                  | -             | 1.6       |
| Liletta®                                    | -                    | 9.3           | -         |
| Minastrin® 24                               | -                    | 3.6           | -         |
| Other                                       | 71.5                 | 170.2         | 98.4      |
| Total segment revenues                      | \$1,724.8            | \$ 1,497.4    | \$ 807.8  |
| Corporate revenues                          |                      |               | 4.3       |
| Total net revenues                          |                      |               | \$4,034.3 |



Nine Months Ended September 30, 2017  
US Special US General

|                                             | Therapeutic | Medicine   | International | Total      |
|---------------------------------------------|-------------|------------|---------------|------------|
| Botox®                                      | \$1,642.0   | \$ -       | \$ 662.6      | \$2,304.6  |
| Restasis®                                   | 1,012.0     | -          | 46.7          | 1,058.7    |
| Juvederm® Collection                        | 361.6       | -          | 386.0         | 747.6      |
| Linzess®/Constella®                         | -           | 506.3      | 16.1          | 522.4      |
| Lumigan®/Ganfort®                           | 236.6       | -          | 271.8         | 508.4      |
| Bystolic® / Byvalson®                       | -           | 454.7      | 1.5           | 456.2      |
| Alphagan®/Combigan®                         | 275.5       | -          | 128.4         | 403.9      |
| Eye Drops                                   | 152.2       | -          | 207.2         | 359.4      |
| Namenda XR®                                 | -           | 355.0      | -             | 355.0      |
| Lo Loestrin®                                | -           | 332.8      | -             | 332.8      |
| Breast Implants                             | 173.6       | -          | 116.8         | 290.4      |
| Estrace® Cream                              | -           | 265.1      | -             | 265.1      |
| Viibryd®/Fetzima®                           | -           | 244.2      | 2.1           | 246.3      |
| Alloderm®                                   | 223.3       | -          | 5.0           | 228.3      |
| Ozurdex®                                    | 72.0        | -          | 152.5         | 224.5      |
| Vraylar™                                    | -           | 200.1      | -             | 200.1      |
| Asacol®/Delzicol®                           | -           | 152.7      | 36.8          | 189.5      |
| Carafate® / Sulcrate®                       | -           | 176.6      | 2.1           | 178.7      |
| Zenpep®                                     | -           | 153.8      | -             | 153.8      |
| Canasa®/Salofalk®                           | -           | 115.7      | 13.3          | 129.0      |
| Aczone®                                     | 128.3       | -          | 0.3           | 128.6      |
| Coolsculpting® Consumables                  | 98.2        | -          | 26.3          | 124.5      |
| Armour Thyroid                              | -           | 117.8      | -             | 117.8      |
| Saphris®                                    | -           | 117.5      | -             | 117.5      |
| Viberzi®                                    | -           | 113.7      | 0.3           | 114.0      |
| Namzaric®                                   | -           | 94.0       | -             | 94.0       |
| Teflaro®                                    | -           | 92.7       | -             | 92.7       |
| Rapaflo®                                    | 79.9        | -          | 5.5           | 85.4       |
| Coolsculpting® Systems & Add On Applicators | 64.1        | -          | 20.4          | 84.5       |
| Savella®                                    | -           | 74.3       | -             | 74.3       |
| SkinMedica®                                 | 72.1        | -          | 1.4           | 73.5       |
| Minastrin® 24                               | -           | 56.1       | -             | 56.1       |
| Tazorac®                                    | 51.3        | -          | 0.5           | 51.8       |
| Latisse®                                    | 40.5        | -          | 6.2           | 46.7       |
| Avycaz®                                     | -           | 42.7       | -             | 42.7       |
| Kybella® / Belkyra®                         | 37.4        | -          | 5.1           | 42.5       |
| Dalvance®                                   | -           | 40.9       | 1.2           | 42.1       |
| Lexapro®                                    | -           | 39.4       | -             | 39.4       |
| Liletta®                                    | -           | 23.1       | -             | 23.1       |
| Other                                       | 201.2       | 501.7      | 287.5         | 990.4      |
| Total segment revenues                      | \$4,921.8   | \$ 4,270.9 | \$ 2,403.6    | \$11,596.3 |
| Corporate revenues                          |             |            |               | 18.3       |
| Total net revenues                          |             |            |               | \$11,614.6 |

Unless included above, no product represents ten percent or more of total net revenues.

## 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,<br>2018 | December 31,<br>2017 |
|--------------------------|-----------------------|----------------------|
| Raw materials            | \$ 325.2              | \$ 326.9             |
| Work-in-process          | 148.3                 | 158.1                |
| Finished goods           | 534.8                 | 527.8                |
|                          | 1,008.3               | 1,012.8              |
| Less: inventory reserves | 113.7                 | 108.3                |
| Total Inventories        | \$ 894.6              | \$ 904.5             |

## NOTE 10 — Accounts Payable and Accrued Expenses

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

|                                                         | September 30,<br>2018 | December 31,<br>2017 |
|---------------------------------------------------------|-----------------------|----------------------|
| Accrued expenses:                                       |                       |                      |
| Accrued third-party rebates                             | \$ 1,789.0            | \$ 1,713.7           |
| Accrued payroll and related benefits                    | 638.0                 | 635.6                |
| Accrued returns and other allowances                    | 510.5                 | 466.2                |
| Accrued R&D expenditures                                | 360.1                 | 165.9                |
| Royalties payable                                       | 181.2                 | 189.2                |
| Interest payable                                        | 129.3                 | 245.9                |
| Accrued pharmaceutical fees                             | 107.8                 | 186.4                |
| Litigation-related reserves and legal fees              | 101.5                 | 78.3                 |
| Accrued non-provision taxes                             | 73.0                  | 76.5                 |
| Accrued selling and marketing expenditures              | 66.3                  | 53.0                 |
| Accrued severance, retention and other shutdown costs   | 54.2                  | 132.8                |
| Current portion of contingent consideration obligations | 17.3                  | 56.2                 |
| Contractual commitments (including amounts due to Teva) | 5.2                   | 705.4                |

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|                                             |            |            |
|---------------------------------------------|------------|------------|
| Dividends payable                           | 1.4        | 24.6       |
| Other accrued expenses                      | 375.0      | 487.2      |
| Total accrued expenses                      | \$ 4,409.8 | \$ 5,216.9 |
| Accounts payable                            | 285.8      | 324.5      |
| Total accounts payable and accrued expenses | \$ 4,695.6 | \$ 5,541.4 |

NOTE 11 — Goodwill, Product Rights and Other Intangible Assets

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

|                                        | US Specialized |             | US General    |            |
|----------------------------------------|----------------|-------------|---------------|------------|
|                                        | Therapeutics   | Medicine    | International | Total      |
| Balance as of December 31, 2017        | \$ 20,859.6    | \$ 21,399.7 | \$ 7,603.6    | \$49,862.9 |
| Divested                               | (184.0 )       | -           | -             | (184.0 )   |
| Foreign exchange and other adjustments | -              | -           | (222.5 )      | (222.5 )   |
| Balance as of September 30, 2018       | \$ 20,675.6    | \$ 21,399.7 | \$ 7,381.1    | \$49,456.4 |

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As of September 30, 2018 and December 31, 2017, the gross balance of goodwill, prior to the consideration of impairments, was \$49,473.7 million and \$49,880.2 million, respectively.

Product rights and other intangible assets consisted of the following (\$ in millions):

|                                               |                                       |               |             | Divested<br>/    | Foreign                 |                                        |
|-----------------------------------------------|---------------------------------------|---------------|-------------|------------------|-------------------------|----------------------------------------|
| Cost Basis                                    | Balance as of<br>December 31,<br>2017 | Additions     | Impairments | Held for<br>Sale | Currency<br>Translation | Balance as of<br>September 30,<br>2018 |
| <b>Intangibles with definite lives:</b>       |                                       |               |             |                  |                         |                                        |
| Product rights and other<br>intangibles       | \$ 73,892.5                           | \$ 25.0       | \$ -        | \$(1,530.0)      | \$ (238.4 )             | \$ 72,149.1                            |
| Trade name                                    | 690.0                                 | -             | -           | -                | -                       | 690.0                                  |
| Total definite lived intangible<br>assets     | \$ 74,582.5                           | \$ 25.0       | \$ -        | \$(1,530.0)      | \$ (238.4 )             | \$ 72,839.1                            |
| <b>Intangibles with indefinite lives:</b>     |                                       |               |             |                  |                         |                                        |
| IPR&D                                         | \$ 5,874.1                            | \$ -          | \$ (798.0 ) | \$(28.0 )        | \$ -                    | \$ 5,048.1                             |
| Total indefinite lived intangible<br>assets   | \$ 5,874.1                            | \$ -          | \$ (798.0 ) | \$(28.0 )        | \$ -                    | \$ 5,048.1                             |
| Total product rights and other<br>intangibles | \$ 80,456.6                           | \$ 25.0       | \$ (798.0 ) | \$(1,558.0)      | \$ (238.4 )             | \$ 77,887.2                            |
|                                               |                                       |               |             | Divested<br>/    | Foreign                 |                                        |
| Accumulated Amortization                      | Balance as of<br>December 31,<br>2017 | Amortization  | Impairments | Held for<br>Sale | Currency<br>Translation | Balance as of<br>September 30,<br>2018 |
| <b>Intangibles with definite lives:</b>       |                                       |               |             |                  |                         |                                        |
| Product rights and other<br>intangibles       | \$ (25,593.6 )                        | \$ (4,924.7 ) | \$ (258.8 ) | \$ 1,223.9       | \$ 66.6                 | \$ (29,486.6 )                         |
| Trade name                                    | (214.7 )                              | (58.5 )       | -           | -                | -                       | (273.2 )                               |
| Total definite lived intangible<br>assets     | \$ (25,808.3 )                        | \$ (4,983.2 ) | \$ (258.8 ) | \$ 1,223.9       | \$ 66.6                 | \$ (29,759.8 )                         |
| Total product rights and other<br>intangibles | \$ (25,808.3 )                        | \$ (4,983.2 ) | \$ (258.8 ) | \$ 1,223.9       | \$ 66.6                 | \$ (29,759.8 )                         |
| Net Product Rights and Other                  | \$ 54,648.3                           |               |             |                  |                         | \$ 48,127.4                            |

## Intangibles

### Nine Months Ended September 30, 2018

The Company divested net product rights and other intangibles of \$205.4 million as part of the divestiture of the Medical Dermatology business to Almirall, S.A.

During the second quarter of 2018, the Company performed its annual IPR&D impairment test and based on events occurring or decisions made within the quarter ended June 30, 2018, the Company recorded the following impairments:

- \$164.0 million impairment as a result of changes in launch plans based on clinical results of an eye care project obtained as part of the Allergan Acquisition;
- \$40.0 million impairment due to a delay in clinical studies and anticipated approval date of a project obtained as part of the acquisition of Vitae Pharmaceuticals, Inc.;
- \$27.0 million impairment due to a delay in clinical studies and anticipated approval date of a medical dermatology project obtained as part of the Allergan Acquisition;
- \$20.0 million impairment as a result of a strategic decision to no longer pursue approval internationally of an eye care project obtained as part of the Allergan Acquisition;

- \$19.0 million impairment due to a delay in clinical studies and anticipated approval date for a CNS project obtained as part of the Allergan Acquisition; and
- \$6.0 million impairment due to a delay in clinical studies and anticipated approval date of an eye care project obtained as part of the Allergan Acquisition.

In addition to the Company's annual IPR&D impairment test, the Company impaired its RAR-related orphan receptor gamma ("RORyt") IPR&D project obtained as part of the acquisition of Vitae Pharmaceuticals, Inc. by \$522.0 million as a result of negative clinical data related to the oral psoriasis indication received in March 2018.

#### Nine Months Ended September 30, 2017

During the second quarter of 2017, the Company performed its annual IPR&D impairment test and recorded the following IPR&D impairments:

- \$486.0 million impairment related to an anticipated approval delay due to certain product specifications for a CNS project obtained as part of the Allergan Acquisition;
- \$91.3 million impairment of a women's healthcare project based on the Company's intention to divest a non-strategic asset;
- \$57.0 million (\$278.0 million year to date) impairment due to a delay in an anticipated launch of a women's healthcare project coupled with an anticipated decrease in product demand;
- \$44.0 million impairment resulting from a decrease in projected cash flows due to a decline in market demand assumptions of an eye care project obtained as part of the Allergan Acquisition; and
- \$20.0 million impairment of an eye care project obtained as part of the Allergan Acquisition.

In addition to the Company's annual IPR&D impairment test, the Company noted the following impairments based on triggering events during the nine months ended September 30, 2017:

- The Company evaluated all of its dry eye related assets for impairment as a result of the U.S. District Court for the Eastern District of Texas issuing an adverse trial decision finding that the four asserted patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05% are invalid in the three months ended September 30, 2017. As a result of our review of all potential scenarios relating to these assets and a decrease in our assessment of the likelihood of revenue extending through the full patent term of 2024, the Company recognized an impairment of \$3,230.0 million related to Restasis® as well as \$164.0 million related to other Dry Eye IPR&D assets obtained in the Allergan Acquisition in the three and nine months ended September 30, 2017;
- The Company impaired the intangible asset related to Aczone® by \$646.0 million as a result of market dynamics, including erosion in the brand acne market, an anticipated decline in the market outlook, and generic entrants in the three and nine months ended September 30, 2017;
- The Company impaired an IPR&D medical aesthetics project obtained as part of the Allergan Acquisition by \$17.0 million in the three and nine months ended September 30, 2017; and
- The Company terminated its License, Transfer and Development Agreement for SER-120 (nocturia) with Serenity Pharmaceuticals, LLC. As a result of this termination, the Company recorded an impairment of \$140.0 million on the IPR&D intangible asset obtained as part of the Allergan Acquisition during the first quarter of 2017.

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, 2018 over the remainder of 2018 and each of the next five years is estimated to be as follows (\$ in millions):

| Amortization   |            |
|----------------|------------|
|                | Expense    |
| 2018 remaining | \$ 1,569.4 |
| 2019           | \$ 5,915.0 |
| 2020           | \$ 5,624.1 |
| 2021           | \$ 4,696.9 |
| 2022           | \$ 4,355.3 |
| 2023           | \$ 3,943.8 |

The above amortization expense is an estimate. Actual amounts may change from such estimated amounts due to fluctuations in foreign currency exchange rates, additional intangible asset acquisitions, potential impairments, accelerated amortization or other events. Additional amortization may occur as products are approved. In addition, the Company has certain currently marketed products for which operating contribution performance has been below that which was originally assumed in the products' initial valuations, and certain IPR&D projects which are subject to delays in timing or other events which may negatively impact the asset's value. The Company, on a quarterly basis, monitors the related intangible assets for these products for potential impairments. It is reasonably possible that impairments may occur in future periods, which may have a material adverse effect on the Company's results of operations and financial position.

## NOTE 12 — Long-Term Debt and Capital Leases

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

|                                                                       | Issuance<br>Date /  | Interest      | Balance As of         |                      | Fair Market Value As of |                      |
|-----------------------------------------------------------------------|---------------------|---------------|-----------------------|----------------------|-------------------------|----------------------|
|                                                                       | Acquisition<br>Date | Payments      | September 30,<br>2018 | December 31,<br>2017 | September 30,<br>2018   | December 31,<br>2017 |
| Senior Notes:                                                         |                     |               |                       |                      |                         |                      |
| Floating Rate Notes                                                   |                     |               |                       |                      |                         |                      |
| \$500.0 million floating rate notes due March 12, 2018 <sup>(1)</sup> | March 4, 2015       | Quarterly     | \$-                   | \$ 500.0             | \$-                     | \$ 500.6             |
| \$500.0 million floating rate notes due March 12, 2020 <sup>(2)</sup> | March 4, 2015       | Quarterly     | 500.0                 | 500.0                | 504.7                   | 508.1                |
|                                                                       |                     |               | 500.0                 | 1,000.0              | 504.7                   | 1,008.7              |
| Fixed Rate Notes                                                      |                     |               |                       |                      |                         |                      |
| \$3,000.0 million 2.350% notes due March 12, 2018                     | March 4, 2015       | Semi-annually | -                     | 3,000.0              | -                       | 3,001.9              |
| \$250.0 million 1.350% notes due March 15, 2018                       | March 17, 2015      | Semi-annually | -                     | 250.0                | -                       | 249.7                |
| \$500.0 million 2.450% notes due June 15, 2019                        | June 10, 2014       | Semi-annually | 491.2                 | 500.0                | 489.6                   | 499.7                |
| \$3,500.0 million 3.000% notes due March 12, 2020                     | March 4, 2015       | Semi-annually | 3,050.6               | 3,500.0              | 3,044.4                 | 3,528.4              |
| \$650.0 million 3.375% notes due September 15, 2020                   | March 17, 2015      | Semi-annually | 650.0                 | 650.0                | 650.1                   | 661.3                |
| \$750.0 million 4.875% notes due February 15, 2021                    | July 1, 2014        | Semi-annually | 450.0                 | 450.0                | 460.9                   | 474.3                |
| \$1,200.0 million 5.000% notes due December 15, 2021                  | July 1, 2014        | Semi-annually | 1,200.0               | 1,200.0              | 1,243.6                 | 1,282.6              |
| \$3,000.0 million 3.450% notes due March 15, 2022                     | March 4, 2015       | Semi-annually | 2,940.5               | 3,000.0              | 2,918.7                 | 3,044.5              |
| \$1,700.0 million 3.250% notes due October 1, 2022                    | October 2, 2012     | Semi-annually | 1,700.0               | 1,700.0              | 1,667.5                 | 1,703.0              |
| \$350.0 million 2.800% notes due March 15, 2023                       | March 17, 2015      | Semi-annually | 350.0                 | 350.0                | 333.4                   | 341.6                |
| \$1,200.0 million 3.850% notes due June 15, 2024                      | June 10, 2014       | Semi-annually | 1,136.7               | 1,200.0              | 1,125.2                 | 1,232.3              |
| \$4,000.0 million 3.800% notes due March 15, 2025                     | March 4, 2015       | Semi-annually | 3,127.5               | 4,000.0              | 3,055.0                 | 4,067.1              |
| \$2,500.0 million 4.550% notes due March 15, 2035                     | March 4, 2015       | Semi-annually | 2,040.0               | 2,500.0              | 1,976.7                 | 2,631.9              |
| \$1,000.0 million 4.625% notes due October 1, 2042                    | October 2, 2012     | Semi-annually | 456.7                 | 456.7                | 424.8                   | 471.2                |
|                                                                       |                     | Semi-annually | 1,300.9               | 1,500.0              | 1,281.1                 | 1,606.2              |

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|                                                   |               |               |          |          |          |          |
|---------------------------------------------------|---------------|---------------|----------|----------|----------|----------|
| \$1,500.0 million 4.850% notes due June 15, 2044  | June 10, 2014 |               |          |          |          |          |
| \$2,500.0 million 4.750% notes due March 15, 2045 | March 4, 2015 | Semi-annually | 1,089.4  | 1,200.0  | 1,056.6  | 1,277.3  |
|                                                   |               |               | 19,983.5 | 25,456.7 | 19,727.6 | 26,073.0 |

## Euro Denominated Notes

|                                                                    |              |           |            |             |            |             |
|--------------------------------------------------------------------|--------------|-----------|------------|-------------|------------|-------------|
| €750.0 million 0.500% notes due May 26, June 1, 2021               | May 26, 2017 | Annually  | 870.3      | 900.4       | 877.4      | 895.8       |
| €700.0 million 1.250% notes due May 26, June 1, 2024               | May 26, 2017 | Annually  | 812.3      | 840.4       | 807.1      | 831.1       |
| €550.0 million 2.125% notes due May 26, June 1, 2029               | May 26, 2017 | Annually  | 638.2      | 660.3       | 626.1      | 657.8       |
| €700.0 million floating rate notes due June 1, 2019 <sup>(3)</sup> | May 26, 2017 | Quarterly | 812.3      | 840.4       | 816.9      | 837.2       |
|                                                                    |              |           | 3,133.1    | 3,241.5     | 3,127.5    | 3,221.9     |
| Total Senior Notes Gross                                           |              |           | 23,616.6   | 29,698.2    | 23,359.8   | 30,303.6    |
| Unamortized premium                                                |              |           | 70.4       | 88.9        | -          | -           |
| Unamortized discount                                               |              |           | (67.7 )    | (81.7 )     | -          | -           |
| Total Senior Notes Net                                             |              |           | \$23,619.3 | \$ 29,705.4 | \$23,359.8 | \$ 30,303.6 |
| Other Indebtedness                                                 |              |           |            |             |            |             |
| Debt Issuance Costs                                                |              |           | (93.0 )    | (121.5 )    |            |             |
| Margin Loan                                                        |              |           | -          | 459.0       |            |             |
| Other                                                              |              |           | 49.2       | 29.7        |            |             |
| Total Other Borrowings                                             |              |           | (43.8 )    | 367.2       |            |             |
| Capital Leases                                                     |              |           | 7.9        | 2.7         |            |             |
| Total Indebtedness                                                 |              |           | \$23,583.4 | \$ 30,075.3 |            |             |

(1) Interest on the 2018 floating rate note was three month USD LIBOR plus 1.080% per annum

(2) Interest on the 2020 floating rate note is three month USD LIBOR plus 1.255% per annum

(3) Interest on the 2019 floating rate notes is the three month EURIBOR plus 0.350% per annum

Fair market value in the table above is determined in accordance with Fair Value Leveling (defined below) under Level 2 based upon quoted prices for similar items in active markets.

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

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

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

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

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.

The following represents the significant activity during the nine months ended September 30, 2018 to the Company’s total indebtedness:

- The Company borrowed \$700.0 million, and subsequently repaid \$700.0 million, under its revolving credit facility to fund, in part, the repurchase of the Company’s ordinary shares;
- The Company repurchased and retired \$2,223.1 million of senior notes at face value as a result of open market redemptions;
- The Company repaid scheduled maturities on senior notes of \$3,750.0 million; and
- The Company prepaid \$459.0 million of indebtedness under the Company’s margin loan.

#### Annual Debt Maturities

As of September 30, 2018, annual debt maturities were as follows (\$ in millions):

|                          | Total<br>Payments |
|--------------------------|-------------------|
| 2018 remaining           | \$-               |
| 2019                     | 1,303.5           |
| 2020                     | 4,200.6           |
| 2021                     | 2,520.3           |
| 2022                     | 4,640.5           |
| 2023                     | 350.0             |
| 2024 and after           | 10,601.7          |
| Total senior notes gross | \$23,616.6        |
| Capital leases           | 7.9               |

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|                             |            |
|-----------------------------|------------|
| Debt issuance costs         | (93.0 )    |
| Other short-term borrowings | 49.2       |
| Unamortized premium         | 70.4       |
| Unamortized discount        | (67.7 )    |
| Total Indebtedness          | \$23,583.4 |

Amounts represent total anticipated cash payments assuming scheduled repayments.

## NOTE 13 — Other Long-Term Liabilities

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

|                                                          | September 30,<br>2018 | December 31,<br>2017 |
|----------------------------------------------------------|-----------------------|----------------------|
| Acquisition related contingent consideration liabilities | \$ 333.7              | \$ 420.7             |
| Long-term pension and post retirement liability          | 145.4                 | 162.7                |
| Legacy Allergan deferred executive compensation          | 104.7                 | 113.8                |
| Long-term contractual obligations                        | 43.0                  | 45.2                 |
| Deferred revenue                                         | 36.7                  | 37.9                 |
| Product warranties                                       | 28.8                  | 28.7                 |
| Long-term severance and restructuring liabilities        | 13.6                  | 53.1                 |
| Other long-term liabilities                              | 46.2                  | 24.8                 |
| Total other long-term liabilities                        | \$ 752.1              | \$ 886.9             |

## NOTE 14 — Income Taxes

The Company's effective tax rate for the nine months ended September 30, 2018 was 37.5%, compared to 27.6% for the nine months ended September 30, 2017. The effective tax rate for the nine months ended September 30, 2018 was favorably impacted by income earned in jurisdictions with tax rates lower than the Irish statutory rate and U.S. losses tax benefited at rates greater than the Irish statutory rate. This was offset by the additional U.S. tax on the earnings of certain non-U.S. subsidiaries which are considered Global Intangible Low Taxed Income ("GILTI") and the tax impact of amortization of intangible assets at rates less than the Irish statutory rate. Additionally, the tax benefit for the nine months ended September 30, 2018 included tax benefits of \$421.9 million related to the restructuring of an acquired business, \$231.0 million related to the impairment of certain intangible assets and \$79.8 million related to excess tax over book basis in a U.S. subsidiary expected to reverse in the foreseeable future. This was partially offset by tax detriments of \$113.2 million due to the sale of the medical dermatology business and \$86.5 million related to a change in the applicable tax rate on certain temporary differences.

The effective tax rate for the nine months ended September 30, 2017 was favorably impacted by income earned in jurisdictions with tax rates lower than the Irish statutory rate and U.S. losses, including the impairment of intangible assets, tax benefited at rates greater than the Irish statutory rate. The tax benefits related to the impairment of intangible assets recorded during the nine months ended September 30, 2017 were \$1,805.9 million. The effective tax rate was unfavorably impacted by pre-tax charges for the impairment of the Company's investment in Teva Shares of \$3,273.5 million and the tax impact of amortization of intangible assets, both at rates less than the Irish statutory rate. During the nine months ended September 30, 2017, the Company determined that a temporary difference related to excess tax over book basis in a U.S. subsidiary will reverse in the foreseeable future and recorded a corresponding tax benefit of \$175.0 million.

## U.S. Tax Reform

For the year ended December 31, 2017, the income tax effects of the Tax Cuts and Jobs Act ("TCJA") were accounted for on a provisional basis pursuant to the guidance in Staff Accounting Bulletin ("SAB") 118. In the fourth quarter of

2017, the Company recorded provisional deferred tax benefits of \$2,340.4 million related to the change in Federal Corporate tax rates applicable to our deferred tax liabilities and \$1,260.0 million related to the net reversal of prior amounts accrued for taxes on unremitted earnings of certain subsidiaries. The Company also recorded a provisional income tax expense of \$728.1 million related to the tax on the deemed repatriation of deferred foreign earnings (“toll charge”) which is payable over eight years. The final toll charge is dependent on amounts that cannot be determined until the 2018 financial results of certain non-U.S. subsidiaries are completed.

The provisional estimates related to the TCJA recorded in the 2017 consolidated financial statements were based on all available information and the Company’s initial analysis and current interpretation of the legislation under the TCJA as of the time of the filing of the Company’s Form 10-K. These estimates represented amounts for which our accounting was incomplete, but a reasonable estimate could be determined. Guidance from the SEC provides for a measurement period of up to one year from the enactment date of the TCJA for which adjustments to provisional amounts may be recorded as a component of tax expense or benefit in the period the adjustment is determined.

After evaluating available information, including guidance from the U.S. Treasury issued in the third quarter of 2018, changes to the provisional amounts previously recorded are not expected to have a material impact on our financial position or results of operations. However, given the complexity of the TCJA, anticipated future guidance from the U.S. Treasury and Internal Revenue Service (“IRS”) and the potential for additional guidance from the Securities and Exchange Commission (“SEC”) or the FASB, our accounting remains incomplete as of the period ended September 30, 2018.

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

#### Tax Audits

The Company conducts business globally and, as a result, it files U.S. federal, state and foreign tax returns. The Company strives to resolve open matters with each tax authority at the examination level and could reach agreement with a tax authority at any time. While the Company has accrued for amounts it believes are in accordance with the accounting standard, the final outcome with a tax authority may result in a tax liability that is different than that reflected in the consolidated financial statements. Furthermore, the Company may decide to challenge any assessments, if made, and may exercise its right to appeal. The uncertain tax positions are reviewed quarterly and adjusted as events occur that affect potential liabilities for additional taxes, such as lapsing of applicable statutes of limitations, proposed assessments by tax authorities, negotiations with tax authorities, identification of new issues and issuance of new legislation, regulations or case law.

The Company has several concurrent audits open and pending with the IRS as set forth below:

| IRS Audits                                                 | Taxable Years                                   |
|------------------------------------------------------------|-------------------------------------------------|
| Allergan W.C. Holding Inc. f/k/a Actavis W.C. Holding Inc. | 2013, 2014, 2015 and 2016                       |
| Warner Chilcott Corporation                                | 2010, 2011, 2012 and 2013                       |
| Forest Laboratories, Inc.                                  | 2010, 2011, 2012, 2013 and 2014                 |
| Allergan, Inc.                                             | 2009, 2010, 2011, 2012, 2013, 2014 and 3/7/2015 |

#### NOTE 15 — Shareholders’ Equity

A summary of the changes in shareholders’ equity for the nine months ended September 30, 2018 consisted of the following (\$ in millions):

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|                                                                   |            |
|-------------------------------------------------------------------|------------|
| Shareholders' equity as of December 31, 2017                      | \$73,821.1 |
| Net (loss) attributable to shareholders                           | (796.5 )   |
| Other comprehensive (loss), net of tax                            | (353.5 )   |
| Share-based compensation                                          | 185.2      |
| Ordinary shares issued under employee stock plans                 | 98.2       |
| Implementation of new accounting pronouncements (Refer to Note 3) | 361.7      |
| Dividends declared                                                | (784.9 )   |
| Repurchase of ordinary shares under the share repurchase programs | (1,990.0 ) |
| Repurchase of ordinary shares                                     | (33.5 )    |
| Shareholders' equity as of September 30, 2018                     | \$70,507.8 |

## Warner Chilcott

|                                                                   | Limited     |
|-------------------------------------------------------------------|-------------|
| Members' equity as of December 31, 2017                           | \$ 81,266.2 |
| Net (loss) attributable to members                                | (552.4 )    |
| Other comprehensive (loss), net of tax                            | (353.5 )    |
| Implementation of new accounting pronouncements (Refer to Note 3) | 361.7       |
| Dividends to Parents                                              | (2,798.2 )  |
| Members' equity as of September 30, 2018                          | \$ 77,923.8 |

## Share Repurchase Programs

On September 25, 2017, the Company's Board of Directors approved a \$2.0 billion share repurchase program. As of September 30, 2018, the Company has completed this share repurchase program, repurchasing 12.2 million shares under the program. In the nine months ended September 30, 2018, the Company repurchased \$1.54 billion or 9.6 million shares.

On July 26, 2018, the Company announced that its Board of Directors approved a new \$2.0 billion share repurchase program, which is anticipated to be completed by the end of 2019. As of September 30, 2018, the Company repurchased 2.4 million shares for \$450.0 million under the program.

## Preferred Shares

In the nine months ended September 30, 2018 and 2017, the Company paid \$69.6 million and \$208.8 million, respectively, of dividends on preferred shares. Each preferred share automatically converted to approximately 3.53 ordinary shares on March 1, 2018, for a total of 17,876,930 ordinary shares.

## NOTE 16 — Hedging Activities

The Company's revenue, earnings, cash flows and fair value of its assets and liabilities can be impacted by fluctuations in foreign exchange risks and interest rates, as applicable. The Company manages the impact of foreign exchange risk and interest rate movements through operational means and through the use of various financial instruments, including derivative instruments such as foreign currency derivatives. As of September 30, 2018 and December 31, 2017, the Company had no material outstanding third-party foreign currency instruments.

Internationally, 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.

## Cash Flow Hedge

The Company anticipates issuing Euro denominated notes in the future which is deemed probable as of September 30, 2018. The Company is exposed to interest rate volatility on these future debt issuances. To manage this risk the

Company entered into forward-starting interest rate swaps that lock in benchmark rates components of the coupon rates of the planned issuance. These swaps are accounted for as cash flow hedges.

The Company entered into the following instruments:

- Two interest rate swaps for five-year anticipated debt issuances in aggregate of €250.0 million; and

- Two interest rate swaps for ten-year anticipated debt issuances in aggregate of €250.0 million.

During the three and nine months ended September 30, 2018, the impact of the cash flow hedges recorded in other comprehensive loss was a loss of \$1.4 million, net of tax.

## Net Investment Hedge

In the normal course of business, we manage certain foreign exchange risks through a variety of strategies, including hedging. Our hedging strategies include the use of net investment hedges. For net investment hedges, the effective portion of the gains and losses on the instruments arising from the effects of foreign exchange are recorded in the currency translation adjustment component of accumulated other comprehensive income / (loss), consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our hedging instruments would be substantially offset by an opposite change in the value of the underlying hedged items.

The Company is exposed to foreign exchange risk in its international operations from foreign currency purchases, net investments in foreign subsidiaries, and foreign currency assets and liabilities created in the normal course of business, including the Euro Denominated Notes. In the nine months ended September 30, 2018, we used effective net investment hedges to partially offset the effects of foreign currency on our investments in certain of our foreign subsidiaries. The total notional amount of our instruments designated as net investment hedges was \$3.6 billion as of September 30, 2018 and December 31, 2017. During the three and nine months ended September 30, 2018, the impact of the net investment hedges recorded in other comprehensive loss was a gain of \$24.6 million and \$126.6 million, respectively, which offset the impact of the Euro denominated notes. During the three and nine months ended September 30, 2017, the impact of the net investment hedges on other comprehensive loss was a loss of \$94.1 million and \$151.3 million, respectively.

## NOTE 17 — Fair Value Measurement

Assets and liabilities that are measured at fair value using Fair Value Leveling or that are disclosed at fair value on a recurring basis as of September 30, 2018 and December 31, 2017 consisted of the following (\$ in millions):

|                                             | Fair Value Measurements as of<br>September 30, 2018 Using: |           |         |         |
|---------------------------------------------|------------------------------------------------------------|-----------|---------|---------|
|                                             | Total                                                      | Level 1   | Level 2 | Level 3 |
| <b>Assets:</b>                              |                                                            |           |         |         |
| Cash equivalents*                           | \$896.1                                                    | \$896.1   | \$-     | \$-     |
| Short-term investments                      | 22.0                                                       | -         | 22.0    | -       |
| Deferred executive compensation investments | 104.7                                                      | 86.6      | 18.1    | -       |
| Investments and other                       | 69.8                                                       | 69.8      | -       | -       |
| Total assets                                | \$1,092.6                                                  | \$1,052.5 | \$40.1  | \$-     |
| <b>Liabilities:</b>                         |                                                            |           |         |         |
| Deferred executive compensation liabilities | \$104.7                                                    | \$86.6    | \$18.1  | \$-     |
| Contingent consideration obligations        | 351.0                                                      | -         | -       | 351.0   |
| Total liabilities                           | \$455.7                                                    | \$86.6    | \$18.1  | \$351.0 |

\* Marketable securities with less than 90 days remaining until maturity at the time of acquisition are classified as cash equivalents.

|                                             | Fair Value Measurements as of<br>December 31, 2017 Using: |                  |                  |                |
|---------------------------------------------|-----------------------------------------------------------|------------------|------------------|----------------|
|                                             | Total                                                     | Level 1          | Level 2          | Level<br>3     |
| <b>Assets:</b>                              |                                                           |                  |                  |                |
| Cash equivalents*                           | \$1,328.1                                                 | \$1,328.1        | \$-              | \$-            |
| Short-term investments                      | 2,814.4                                                   | -                | 2,814.4          | -              |
| Deferred executive compensation investments | 112.4                                                     | 92.9             | 19.5             | -              |
| Investment in Teva ordinary shares          | 1,817.7                                                   | 1,817.7          | -                | -              |
| Investments and other                       | 72.3                                                      | 72.3             | -                | -              |
| <b>Total assets</b>                         | <b>\$6,144.9</b>                                          | <b>\$3,311.0</b> | <b>\$2,833.9</b> | <b>\$-</b>     |
| <b>Liabilities:</b>                         |                                                           |                  |                  |                |
| Deferred executive compensation liabilities | \$113.8                                                   | \$94.3           | \$19.5           | \$-            |
| Contingent consideration obligations        | 476.9                                                     | -                | -                | 476.9          |
| <b>Total liabilities</b>                    | <b>\$590.7</b>                                            | <b>\$94.3</b>    | <b>\$19.5</b>    | <b>\$476.9</b> |

\* Marketable securities with less than 90 days remaining until maturity at the time of acquisition are classified as cash equivalents.

Investments in securities as of September 30, 2018 and December 31, 2017 included the following (\$ in millions):

| Investments in Securities as of September 30, 2018: |          |            |                         |                       |
|-----------------------------------------------------|----------|------------|-------------------------|-----------------------|
|                                                     | Carrying | Estimated  | Cash & cash equivalents | Marketable securities |
| Level 1                                             | amount   | fair value |                         |                       |
| Money market funds                                  | \$896.1  | \$ 896.1   | \$ 896.1                | \$ -                  |
| Total                                               | \$896.1  | \$ 896.1   | \$ 896.1                | \$ -                  |

  

|                   | Carrying | Estimated  | Cash & cash equivalents | Marketable securities |
|-------------------|----------|------------|-------------------------|-----------------------|
| Level 2           | amount   | fair value |                         |                       |
| Other investments | \$22.0   | \$ 22.0    | \$ -                    | \$ 22.0               |
| Total             | \$22.0   | \$ 22.0    | \$ -                    | \$ 22.0               |

| Investments in Securities as of December 31, 2017: |           |              |              |            |             |            |
|----------------------------------------------------|-----------|--------------|--------------|------------|-------------|------------|
|                                                    | Carrying  | Unrecognized | Unrecognized | Estimated  | Cash & cash | Marketable |
| Level 1                                            | amount    | gain         | loss         | fair value | equivalents | securities |
| Money market funds                                 | \$1,328.1 | \$ -         | \$ -         | \$ 1,328.1 | \$ 1,328.1  | \$ -       |
| Investment in Teva ordinary shares                 | 1,688.4   | 129.3        | -            | 1,817.7    | -           | 1,817.7    |
| Total                                              | \$3,016.5 | \$ 129.3     | \$ -         | \$ 3,145.8 | \$ 1,328.1  | \$ 1,817.7 |

  

|                            | Carrying  | Unrecognized | Unrecognized | Estimated  | Cash & cash | Marketable |
|----------------------------|-----------|--------------|--------------|------------|-------------|------------|
| Level 2                    | amount    | gain         | loss         | fair value | equivalents | securities |
| Commercial paper and other | \$1,248.9 | \$ -         | \$ (0.7)     | \$ 1,248.2 | \$ -        | \$ 1,248.2 |
| Certificates of deposit    | 1,566.2   | -            | -            | 1,566.2    | -           | 1,566.2    |
| Total                      | \$2,815.1 | \$ -         | \$ (0.7)     | \$ 2,814.4 | \$ -        | \$ 2,814.4 |

Marketable securities and investments consist of available-for-sale investments in money market securities, U.S. treasury and agency securities, and equity and debt securities of publicly traded companies for which market prices are readily available. Unrealized gains or losses on marketable equity securities and investments are recorded in either interest income or other income / (expense) beginning January 1, 2018. The Company's marketable securities and other long-term investments are classified as available-for-sale and are recorded at fair value based on quoted market prices using the specific identification method. These investments are classified as either current or non-current, as appropriate, in the Company's consolidated balance sheets. The Company may sell certain of its marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and maturity management.

## Contingent Consideration Obligations

The fair value measurement of the contingent consideration obligations is determined using Level 3 inputs and is based on a probability-weighted income approach. The measurement is based upon unobservable inputs supported by little or no market activity, and is 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 |          | Nine Months Ended |           |
|--------------------------|--------------------|----------|-------------------|-----------|
|                          | September 30,      |          | September 30,     |           |
|                          | 2018               | 2017     | 2018              | 2017      |
| Cost of sales            | \$10.0             | \$(67.0) | \$(115.4)         | \$(127.3) |
| Research and development | (21.4)             | 0.2      | 2.2               | 75.7      |
| Total                    | \$(11.4)           | \$(66.8) | \$(113.2)         | \$(51.6 ) |

In the nine months ended September 30, 2018, cost of sales primarily relates to the Company's True Tear<sup>TM</sup> product not achieving a milestone event, as well as a corresponding decrease in commercial forecasts. In the three and nine months ended September 30, 2018, research and development primarily relates to a R&D asset that was delayed, which lowered the probability of the milestone being achieved. The nine months ended September 30, 2018 also includes the progression of other R&D projects relating to the acquisition of Tobira Therapeutics, Inc.

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, 2018 and 2017 (\$ in millions):

|                          | Balance as of<br>December 31,<br>2017 | Net transfers<br>in to (out of)<br>Level 3 | Purchases,<br>settlements,<br>and<br>other net | Net accretion<br>and fair value<br>adjustments | Balance as of<br>September 30,<br>2018 |
|--------------------------|---------------------------------------|--------------------------------------------|------------------------------------------------|------------------------------------------------|----------------------------------------|
| <b>Liabilities:</b>      |                                       |                                            |                                                |                                                |                                        |
| Contingent consideration |                                       |                                            |                                                |                                                |                                        |
| obligations              | \$ 476.9                              | \$ -                                       | \$ (12.7 )                                     | \$ (113.2 )                                    | \$ 351.0                               |

|                          | Balance as of<br>December 31, 2016 | Net transfers<br>in to (out of)<br>Level 3 | Purchases,<br>settlements,<br>and<br>other net | Net accretion<br>and fair value<br>adjustments | Balance as<br>of<br>September<br>30, 2017 |
|--------------------------|------------------------------------|--------------------------------------------|------------------------------------------------|------------------------------------------------|-------------------------------------------|
| <b>Liabilities:</b>      |                                    |                                            |                                                |                                                |                                           |
| Contingent consideration |                                    |                                            |                                                |                                                |                                           |
| obligations              | \$ 1,172.1                         | \$ -                                       | \$ (560.7 )                                    | \$ (51.6 )                                     | \$ 559.8                                  |

The following is the activity during the nine months ended September 30, 2018 in contingent consideration obligations by acquisition (\$ in millions):

|                           | Fair Value                            |                                 |                       |                                        |
|---------------------------|---------------------------------------|---------------------------------|-----------------------|----------------------------------------|
|                           | Balance as of<br>December 31,<br>2017 | Adjustments<br>and<br>Accretion | Payments<br>and Other | Balance as of<br>September 30,<br>2018 |
| Business Acquisition      |                                       |                                 |                       |                                        |
| Tobira acquisition        | \$ 227.8                              | \$ 25.0                         | \$ -                  | \$ 252.8                               |
| ForSight acquisition      | 46.3                                  | (22.7 )                         | -                     | 23.6                                   |
| Medicines 360 acquisition | 44.4                                  | 10.0                            | (3.5 )                | 50.9                                   |
| Forest Acquisition        | 12.7                                  | 2.5                             | (1.6 )                | 13.6                                   |
| AqueSys acquisition       | 28.5                                  | (23.2 )                         | -                     | 5.3                                    |
| Oculeve acquisition       | 90.1                                  | (88.0 )                         | -                     | 2.1                                    |
| Allergan Acquisition      | 18.7                                  | (17.7 )                         | -                     | 1.0                                    |
| Metrogel acquisition      | 7.5                                   | -                               | (7.5 )                | -                                      |
| Other                     | 0.9                                   | 0.9                             | (0.1 )                | 1.7                                    |
| Total                     | \$ 476.9                              | \$ (113.2 )                     | \$ (12.7 )            | \$ 351.0                               |

## NOTE 18 — Business Restructuring Charges

Restructuring activities for the nine months ended September 30, 2018 were as follows (\$ in millions):

|                                       | Severance and Retention | Share-Based Compensation | Other  | Total   |
|---------------------------------------|-------------------------|--------------------------|--------|---------|
| Reserve balance at December 31, 2017  | \$ 166.0                | \$ -                     | \$19.9 | \$185.9 |
| Charged to expense                    |                         |                          |        |         |
| Cost of sales                         | 6.6                     | -                        | -      | 6.6     |
| Research and development              | 0.3                     | -                        | -      | 0.3     |
| Selling and marketing                 | 11.7                    | 4.1                      | -      | 15.8    |
| General and administrative            | 3.1                     | 4.1                      | -      | 7.2     |
| Total expense                         | 21.7                    | 8.2                      | -      | 29.9    |
| Cash payments                         | (134.5 )                | -                        | (5.3 ) | (139.8) |
| Non-cash adjustments                  | -                       | (8.2 )                   | -      | (8.2 )  |
| Reserve balance at September 30, 2018 | \$ 53.2                 | \$ -                     | \$14.6 | \$67.8  |

The Company recognized total restructuring charges of \$5.6 million and \$29.9 million, respectively, during the three and nine months ended September 30, 2018. In December 2017, the Company approved a new restructuring program intended to optimize and restructure its operations while reducing costs and global headcount, in anticipation of loss of exclusivity of several key revenue-generating products in 2018. In the three months ended September 30, 2018, the Company recorded severance and other employee related charges of \$5.6 million. In the nine months ended September 30, 2018, the Company recorded severance and other employee related charges of \$29.9 million, which includes \$8.2 million of share-based compensation related to this program.

The Company recognized total restructuring charges of \$31.8 million and \$172.7 million, respectively, during the three and nine months ended September 30, 2017. As part of the Company's internal optimization restructuring programs, the Company incurred severance and other restructuring costs relating to the commercial organization of \$20.0 million as the Company intended to eliminate approximately 400 commercial organization positions in the three months ended September 30, 2017. In addition, restructuring charges in the nine months ended September 30, 2017 included \$13.7 million of severance and restructuring costs related to a then-planned internal reduction of approximately 100 employees within the Company's R&D organization and \$39.7 million of severance and restructuring costs related to the global manufacturing operations initiating plans to close certain facilities. In the three months ended September 30, 2017, the Company reversed certain charges related to a portion of anticipated internal restructurings which were accrued in the second quarter of 2017 based on revised portfolio prioritizations and the timing of select R&D projects.

#### NOTE 19 — Commitments & Contingencies

The Company and its affiliates are involved in various disputes, governmental and/or regulatory inspections, inquiries, 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, 2018, the Company's consolidated balance sheet includes accrued loss contingencies of approximately \$65.0 million. As of December 31, 2017, the Company's consolidated balance sheet included accrued loss contingencies of approximately \$55.0 million.

The Company's legal proceedings range from cases brought by a single plaintiff to mass tort actions and class actions with thousands of putative class members. These legal proceedings, as well as other matters, involve various aspects of our business and a variety of claims (including, but not limited to, qui tam actions, antitrust, product liability, breach of contract, securities, patent infringement and trade practices), some of which present novel factual allegations and/or unique legal theories. In addition, a number of the matters pending against us are at very early stages of the legal process (which in complex proceedings of the sort faced by us often extend for several years). As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information

and legal issues to enable us to estimate a range of possible loss. In those proceedings in which plaintiffs do request publicly quantified amounts of relief, the Company does not believe that the quantified amounts are meaningful because they are merely stated jurisdictional limits, exaggerated and/or unsupported by the evidence or applicable burdens of proof.

In matters involving the assertion or defense of the Company's intellectual property, the Company believes it has meritorious claims and intends to vigorously assert or defend the patents or other intellectual property at issue in such litigation. Similarly, in matters where the Company is a defendant, the Company believes it has meritorious defenses and intends to defend itself vigorously. However, the Company can offer no assurances that it will be successful in a litigation or, in the case of patent enforcement matters, that a generic version of the product at issue will not be launched or enjoined. Failing to prevail in a litigation could adversely affect the Company and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

#### Antitrust Litigation

Asacol® Litigation. Two class action complaints were filed on June 22, 2015, and three more on September 21, 2015, in federal court in Massachusetts on behalf of a putative class of indirect purchasers. Complaints were also filed on behalf of a putative class of direct purchasers of Asacol® making similar allegations to the complaints filed by the indirect purchaser plaintiffs. Those matters have been consolidated with the indirect purchaser cases. 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. The Company has settled the claims brought by the direct purchaser plaintiffs. The court granted the indirect purchaser plaintiffs' motion for class certification. The Company filed a motion for summary judgment seeking dismissal of the indirect purchaser plaintiffs' claims which the court denied on November 9, 2017. Trial was set to begin on January 22, 2018. However, on January 17, 2018, the Court of Appeals for the First Circuit issued an order granting the Company's motion under Fed.R.Civ.P. 23(f) to appeal the district court's decision to certify the proposed class. The appellate court thereafter issued a decision staying the trial in the district court. On October 15, 2018, the appellate court issued its decision reversing the lower court's decision on class certification and remanding the case back to the district court.

**Botox® Litigation.** A class action complaint was filed in federal court in California on February 24, 2015, and amended May 29, 2015, alleging unlawful market allocation in violation of Section 1 of the Sherman Act, 15 U.S.C. §1, agreement in restraint of trade in violation of 15 U.S.C. §1 of the Sherman Act, unlawful maintenance of monopoly market power in violation of Section 2 of the Sherman Act, 15 U.S.C. §2 of the Sherman Act, violations of California's Cartwright Act, Section 16700 et seq. of Calif. Bus. and Prof. Code, and violations of California's unfair competition law, Section 17200 et seq. of Calif. Bus. and Prof. Code. In the complaint, plaintiffs seek an unspecified amount of treble damages. On November 30, 2017, the parties reached a tentative settlement. On March 8, 2018, the court granted plaintiffs' motion for preliminary approval of class action settlement and set a final fairness hearing for August 24, 2018. On August 27, 2018, the court granted plaintiffs' motion for final approval of class settlement. On September 10, 2018, the court dismissed with prejudice all claims against Allergan.

**Loestrin® 24 Litigation.** On April 5, 2013, two putative class actions were filed on behalf of putative classes of end-payors in the federal district court against Warner Chilcott and certain affiliates alleging that Warner Chilcott's 2009 patent lawsuit settlements with Watson Laboratories and Lupin related to Loestrin® 24 Fe were unlawful. The complaints generally allege that Watson and Lupin improperly delayed launching generic versions of Loestrin® 24 in exchange for substantial payments from Warner Chilcott in violation of federal and state antitrust and consumer protection laws. The complaints each seek declaratory and injunctive relief and damages. Additional complaints making the same types of allegations have been filed by different plaintiffs, including a class of direct payors and by direct purchasers in their individual capacities. All the cases have been consolidated in the federal court for the District of Rhode Island. The parties are currently engaged in discovery.

**Namenda® Litigation.** In September 2014, the State of New York, through the Office of the Attorney General of the State of New York, filed a lawsuit in the United States District Court for the Southern District of New York alleging that Forest was acting to prevent or delay generic competition to Forest's immediate-release product Namenda® in violation of federal and New York antitrust laws and committed other fraudulent acts in connection with its commercial plans for Namenda® XR. The district court granted the state's motion for a preliminary injunction which was later affirmed by the Court of Appeals for the Second Circuit. Forest and the New York Attorney General reached a settlement on November 24, 2015. On May 29, 2015, a putative class action was filed on behalf of a class of direct purchasers in the federal district court in New York. Since that time, additional complaints have been filed on behalf of putative classes of direct and indirect purchasers. The class action complaints make claims similar to those asserted by the New York Attorney General and also include claims that Namenda® patent litigation settlements between Forest and generic companies also violated the antitrust laws. Plaintiffs moved for summary judgment on two of the counts of their complaint. The Court granted plaintiffs' motion in part as to the collateral estoppel effect of a prior finding of anti-competitive conduct and denied the motions on whether the Company's obtaining pediatric exclusivity was anti-competitive conduct. On August 2, 2018, the court denied the Company's motion for summary judgment.

**Restasis® Competitor Litigation.** On October 2, 2017, Shire, which offers the dry-eye disease drug Xiidra®, sued Allergan in federal district court alleging that Allergan unlawfully harmed competition by foreclosing Xiidra® from

sales to Medicare Part D plans (and the members of such plans) through the use of discounts (a) contingent on Restasis® receiving preferential formulary treatment; and/or (b) across a bundle of Allergan's products, including Restasis®, Lumigan®, Combigan®, and Alphagan P®. The complaint seeks injunctive relief under federal and New Jersey antitrust law and New Jersey common law. On December 5, 2017, Allergan filed a motion to dismiss the complaint. A date for oral argument has not been set.

**Restasis® Class Action Litigation.** Between November 7, 2017, and February 26, 2018, seventeen putative class actions were filed in federal district courts against Allergan alleging that the company unlawfully harmed competition by engaging in conduct to delay the market entry of generic versions of Restasis®. Twelve of the complaints were filed on behalf of putative classes of end-payors, and five were filed on behalf of putative classes of direct purchasers. One direct purchaser complaint and two end-payor complaints were later voluntarily dismissed. The cases have all been consolidated in a multidistrict litigation in the federal court in the Eastern District of New York. The complaints challenge Allergan's conduct in prosecuting and obtaining patents covering Restasi®, listing those patents in the FDA's Orange Book, asserting those patents against potential generic competitors in patent-infringement litigation, filing citizens petitions with the FDA concerning generic companies' drug applications for generic Restasi®, and transferring patents to the sovereign Native American Saint Regis Mohawk Tribe. Both the end-payors and the direct purchasers allege that these actions violated federal antitrust laws, and the end-payors further allege violations of state antitrust and consumer-protection laws and unjust enrichment. All plaintiffs seek damages, declaratory relief, and injunctive relief. Plaintiffs have filed a consolidated amended complaint which the Company has since moved to dismiss. On September 18, 2018, the court denied Allergan's motion to dismiss the complaint.

## Commercial Litigation

**Celexa®/Lexapro® Class Actions.** Forest and certain of its affiliates were named as defendants in multiple federal court actions relating to the promotion of Celexa® and/or Lexapro® all of which were consolidated in the Celexa®/Lexapro® MDL proceeding in the federal district court in Massachusetts. Actions were filed in the federal district courts in Minnesota and Washington in November 2013 and August 2014, respectively, seeking to certify a nationwide class of third-party payor entities and consumers that purchased Celexa® and Lexapro® for pediatric use. The complaints each assert claims under the federal Racketeer Influenced and Corrupt Organizations (“RICO”) Act, alleging that Forest engaged in an off-label marketing scheme and paid illegal kickbacks to physicians to induce prescriptions of Celexa® and Lexapro®. The court denied both plaintiffs’ class certification motions and entered summary judgment in favor of the Company in both actions. Plaintiffs in both cases have filed a Notice of Appeal of the summary judgment order and the order denying class certification.

**Warner Chilcott Marketing Practices.** On February 13, 2018, a class action complaint was filed against Warner Chilcott and certain of its affiliates in the U.S. District Court for the District of Massachusetts. The Complaint asserts claims under the federal RICO statute, violations of number of state consumer protection statutes, common law fraud, and unjust enrichment with respect to the sale and marketing of certain products. The complaint seeks to certify a nationwide class of private payer entities, or their assignees, that paid Medicare benefits on behalf of their beneficiaries. On April 9, 2018, the plaintiffs filed an Amended Complaint, adding certain other Allergan subsidiaries as defendants. Defendants filed a motion to dismiss the Amended Complaint on June 11, 2018.

**Generic Drug Pricing Securities and ERISA Litigation.** On November 4, 2016, a class action was filed by a putative class of Allergan shareholders in federal court in California against the Company and certain of its current and former officers alleging that the Company and certain of its current and former officers made materially false and misleading statements. Additional similar class action complaints and one complaint by an individual defendant have been filed and these cases have been consolidated in the federal district court in New Jersey. The complaints allege generally that between February 2014 and November 2016, Allergan and certain of its officers made materially false and misleading statements regarding the Company’s internal controls over its financial reporting and failed to disclose that its Actavis generics unit had engaged in illegal, anticompetitive price-fixing with its generic industry peers. The complaint seeks unspecified monetary damages. After the Company filed a motion to dismiss plaintiffs filed a second amended consolidated complaint on November 28, 2017. The Company’s motion to dismiss the second amended complaint, filed on January 22, 2018, is still pending. A complaint was filed in California state court, premised on the same underlying allegations, by an individual opt-out plaintiff on February 2, 2018. Two complaints were filed, one in the federal district court in California and one in the federal district court in New Jersey, that are premised on the same alleged underlying conduct that is at issue in the securities litigation but that assert claims under the Employee Retirement Income Security Act of 1974 (“ERISA”). These complaints also have been consolidated in the district court in New Jersey. The ERISA complaints assert claims on behalf of a putative class of individuals who participated in the Company’s retirement plans and seek an unspecified amount of damages and other injunctive relief. On October 23, 2017, the ERISA litigation Plaintiffs filed an amended consolidated complaint which the Company moved to dismiss on February 2, 2018. Only July 3, 2018, the court granted the Company’s motion to dismiss the ERISA complaint in its entirety.

**Telephone Consumer Protection Act Litigation.** In October 2012, Forest and certain of its affiliates were named as defendants in a putative class action in federal court in Missouri. This suit alleges that Forest and another defendant violated the Telephone Consumer Protection Act (the “TCPA”) by sending unsolicited facsimiles and facsimiles with inadequate opt-out notices. The case was stayed pending the administrative proceeding initiated by the pending FCC Petition and a separate petition Forest filed. A similar lawsuit was filed in Missouri state court against Warner Chilcott Corporation which Warner Chilcott removed to the federal district court. In the wake of the Court of Appeals decision on the Petition discussed below, the parties reached an agreement to settle these actions.

In a related matter, on June 27, 2013, Forest filed a Petition for Declaratory Ruling with the FCC requesting that the FCC find that (1) the faxes at issue in the action complied, or substantially complied with the FCC regulation, and thus did not violate it, or (2) the FCC regulation was not properly promulgated under the TCPA. On October 30, 2014, the FCC issued a final order on the FCC Petition granting Forest and several other petitioners a retroactive waiver of the opt-out notice requirement for all faxes sent with express consent. The litigation plaintiffs appealed the final order to the Court of Appeals for the District of Columbia and on March 31, 2017, the Court of Appeals issued a decision which held that the FCC regulation at issue was not properly promulgated under the TCPA. Plaintiffs' petition for certiorari was denied by the United States Supreme Court.

Prescription Opioid Drug Abuse Litigation. The Company has been named as a defendant, along with several other manufacturers of opioid products, in approximately 1,278 matters relating to the promotion and sale of prescription opioid pain relievers and additional suits may be filed. The first complaints were filed by the California counties of Santa Clara and Orange, on behalf of the State of California, the City of Chicago and the State of Mississippi, in May 2014, June 2014 and December 2015, respectively. Each of the lawsuits allege that the manufacturer defendants engaged in a deceptive campaign to promote their products in violation of state laws and seek unspecified monetary damages, penalties and injunctive relief. In May 2017 the State of Ohio filed

a lawsuit in state court which parallels the claims in the California, Chicago and Mississippi matters. Since the filing of the complaint by the State of Ohio, additional cases have been filed, including cases filed by others states but mainly by political subdivisions of states (i.e., counties and municipalities) in state and federal courts across the country. In addition, cases have been filed on behalf of consumers who were prescribed opioid products or were prescribed opioid products and were subsequently treated for an overdose or addiction. The federal court cases have been consolidated in an MDL in the federal court for the Northern District of Ohio. In the California case, which is pending in state court in California, the court has set a trial date of June 28, 2019.

The Company is aware that other states and political subdivisions are filing comparable actions against, among others, manufacturers and parties that promoted prescription opioid pain relievers.

**Testosterone Replacement Therapy Class Action.** On November 24, 2014, the Company was served with a putative class action complaint filed on behalf a class of third party payers in federal court in Illinois. The suit alleges that the Company and other named pharmaceutical defendants violated various laws including the federal RICO statute and state consumer protection laws in connection with the sale and marketing of certain testosterone replacement therapy pharmaceutical products (“TRT Products”), including the Company Androderm® product. This matter was filed in the TRT Products Liability MDL, described in more detail below, notwithstanding that it is not a product liability matter. Plaintiff alleges that it reimbursed third parties for dispensing TRT Products to beneficiaries of its insurance policies. Plaintiff seeks to obtain certain equitable relief, including injunctive relief and an order requiring restitution and/or disgorgement, and to recover damages and multiple damages in an unspecified amount. Defendants jointly filed a motion to dismiss the third amended complaint and in its ruling the court dismissed all claims against the Company except plaintiff’s RICO conspiracy claim. Discovery in this matter is ongoing. Plaintiffs filed a motion for class certification on November 6, 2017. On March 5, 2018, Defendants filed papers in opposition to Plaintiffs’ class certification motion. On July 26, 2018, the court entered an order denying plaintiff’s class certification motion. On October 15, 2018, Defendants filed a motion for summary judgment.

**Xaleron Dispute.** On February 5, 2016, Xaleron Pharmaceuticals, Inc. filed a lawsuit against Allergan, Inc. and Actavis, Inc., now known as Allergan Finance, LLC, in state court in New York. The complaint, filed on February 26, 2016, alleges the defendants misappropriated Xaleron’s confidential business information and asserts claims for unfair competition, tortious interference with prospective economic advantage and unjust enrichment. The Company filed a motion to dismiss the complaint on April 15, 2016. On September 13, 2016, the court issued a decision denying the Company’s motion. Defendants filed an answer to the complaint and the parties are now engaged in discovery. The company filed a motion for summary judgment on April 4, 2018. The parties have reached an agreement in principle to settle the litigation.

**Zeltiq Advertising Litigation.** On April 26, 2017, a putative class action lawsuit was filed against Zeltiq in state court in California alleging that Zeltiq misled customers regarding the promotion of its CoolSculpting product and the product’s premarket notification clearance status. On May 30, 2017, the case was removed to the United States District Court for the Central District of California. On July 20, 2017, Plaintiffs filed an amended complaint. In August 2017, Zeltiq filed a motion to dismiss the amended complaint. On June 11, 2018, the Court granted Zeltiq’s motion to dismiss the amended complaint. On July 2, 2018, Plaintiffs filed a third amended complaint. On July 23, 2018, Zeltiq filed a motion to dismiss the third amended complaint. On September 4, 2018, plaintiffs filed a notice of voluntary dismissal. On October 3, 2018, plaintiffs filed a motion of appeal with the Ninth Circuit Court of Appeals.

## Patent Litigation

### Patent Enforcement Matters

Aczone<sup>®</sup> Gel, 7.5%. In June and July 2017, Allergan, Inc. brought actions for infringement of U.S. Patent No. 9,517,219 (the “‘219 patent”) in the U.S. District Court for the District of Delaware against Taro Pharmaceutical Industries Ltd. and Taro Pharmaceuticals, Inc. (collectively, “Taro”). Taro had notified Allergan in April and July 2017, that it filed an ANDA with the FDA seeking to obtain approval to market a generic version of Aczone<sup>®</sup> Gel, 7.5% before the ‘219 patent expires in November 2033. These lawsuits triggered automatic stays of approval of Taro’s ANDA that expire no earlier than October 2019 and January 2020, respectively (unless there is a final court decision adverse to Plaintiff sooner). Trial has been tentatively scheduled for February 4, 2019. In September, 2018, Allergan divested several dermatology products including Aczone<sup>®</sup> Gel, 7.5% to Almirall, S.A. and has transferred all rights to the ‘219 patent to Almirall, LLC. On October 19, 2018, an unopposed stipulation and proposed order to substitute Almirall, LLC for Allergan, Inc. as a party to this case was submitted to the district court.

Aczone® Gel, 7.5% IPR. Amneal Pharmaceuticals LLC and Amneal Pharmaceuticals of New York, LLC (collectively, “Amneal”) filed a petition for Inter Partes Review (Trial number IPR2018-00608) with the USPTO regarding U.S. Patent No. 9,161,926, which was accorded a filing date of February 12, 2018. On June 8, 2018, Allergan filed a Patent Owner Preliminary Response. On August 29, 2018, the USPTO granted Amneal’s petition to institute an IPR with respect to the ‘926 patent. In September, 2018, Allergan divested several dermatology products including Aczone® Gel, 7.5% to Almirall, S.A. and has transferred all rights to the ‘926 patent to Almirall, LLC.

Bystolic®. On January 19, 2018, Allergan Sales, LLC, Allergan USA, Inc., and Forest Laboratories Holdings, Ltd. (collectively, “Allergan”) brought an action for infringement of U.S. Patent No. 6,545,040 in the United States District Court for the District of Delaware against Aurobindo Pharma USA, Inc. and Aurobindo Pharma Ltd. (collectively, “Aurobindo”). Aurobindo had notified Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity) that Aurobindo had filed an ANDA with FDA seeking to obtain approval to market generic versions of Bystolic® 2.5 mg, 5 mg, 10 mg, and 20 mg nebivolol hydrochloride tablet products before the ‘040 Patent expires in December 17, 2021. This lawsuit triggered an automatic stay of approval of Aurobindo’s ANDA that expires no earlier than June 2020 (unless there is a final court decision adverse to Plaintiffs sooner). Allergan entered into a settlement agreement with Aurobindo on September 12, 2018, and the case was dismissed.

Previously, the Company had asserted the ‘040 patent in actions against Actavis, Alkem, Amerigen, Glenmark, Hetero, Indchemie and Torrent, and related subsidiaries and affiliates thereof (collectively, “the Original Defendants”), and reached settlements terminating those actions. As previously announced, under the terms of the settlement agreements, the Company will provide licenses to each of the Original Defendants that will permit them to launch their generic versions of Bystolic as of the date that is the later of (a) three calendar months prior to the expiration of the ‘040 patent, including any extensions and/or pediatric exclusivities, or (b) the date each company receives final FDA approval of its ANDA, or earlier in certain circumstances.

Byvalson®. On September 18, 2017, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity) and Forest Laboratories Holdings, Ltd. (collectively, “Forest”) brought an action for infringement of U.S. Patent Nos. 7,803,838 (the “‘838 patent”) and 7,838,552 (the “‘552 patent”) in the U.S. District Court for the District of New Jersey against Princeton Pharmaceutical Inc., Zhejiang Huahai Pharmaceutical Co., Ltd., Huahai US Inc. and Solco Healthcare US, LLC (collectively, “Princeton”). Princeton notified Forest that it filed an ANDA with the FDA seeking to obtain approval to market a generic version of Byvalson® before the ‘838 and ‘552 patents expire. This lawsuit triggered an automatic stay of approval of the Princeton ANDA until February 2020 (unless a court issues a decision adverse to Forest sooner). No trial date or schedule has been set.

Combigan® II-III. On March 9, 2015, Allergan filed a complaint against Sandoz in the U.S. District Court for the Eastern District of Texas, Marshall Division, alleging that Sandoz’s proposed generic product infringes certain U.S. Patents including U.S. Patent Nos. 7,030,149 (the “‘149 Patent”), 7,320,976 (the “‘976 Patent”), and 8,748,425 (the “‘425 Patent”).

A bench trial concluded on October 27, 2016. On December 30, 2016, the court entered an opinion and final judgment in favor of Allergan and against Sandoz, that the asserted claims of the ‘149 Patent, ‘976 Patent and ‘425 Patent were not invalid, and that Sandoz infringes the asserted claims of the ‘425 Patent. The court also held in favor of Sandoz and against Allergan, that Sandoz does not infringe the asserted claims of the ‘149 and ‘976 Patents. Sandoz filed a notice of appeal and Allergan filed a notice of cross appeal. The Federal Circuit heard oral arguments on October 2, 2017 and on December 22, 2017, issued a decision affirming the district court’s finding of no invalidity of the asserted claims and non-infringement of the claims of the ‘149 and ‘976 Patents, and reversing the district court’s finding of infringement of claim 1 of the ‘425 Patent. On March 29, 2018, the Federal Circuit denied Allergan’s combined petition for panel rehearing or rehearing en banc. The mandate was issued on April 4, 2018. On April 6, 2018, Sandoz

filed an unopposed motion to vacate the district court's injunction orders. The district court vacated certain final judgments on June 6, 2018. Allergan filed a petition for writ of certiorari on June 28, 2018, which the U.S. Supreme Court denied on October 1, 2018.

Combigan® IV. On October 30, 2017, Allergan Sales, LLC and Allergan, Inc. (collectively, "Allergan") filed a complaint against Sandoz, Inc. and Alcon Laboratories, Inc. ("Sandoz") in the U.S. District Court for the District of New Jersey, alleging that their proposed generic versions of Combigan® infringe U.S. Patent Number 9,770,453 (the "'453 Patent"). On March 6, 2018, Allergan and Sandoz submitted a stipulation and proposed order to grant Allergan leave to file an amended complaint to assert additional claims of infringement of U.S. Patent Nos. 9,907,801 (the "'801 Patent") and 9,907,802 (the "'802 Patent"). The '453, '801 and '802 Patents are listed in the Orange Book for Combigan® and expire on April 19, 2022. A trial date has not been set. On April 17, 2018, Sandoz filed an amended answer and counterclaims alleging non-infringement, invalidity, inequitable conduct, unclean hands and certain other antitrust counterclaims, including fraud on the U.S. Patent Office, sham litigation, abusive serial patent enforcement, and state monopolization claims. On May 22, 2018, Allergan filed a motion to dismiss Sandoz's antitrust and inequitable conduct counterclaims (and to strike a related affirmative defense), or alternatively to bifurcate and stay Sandoz's antitrust

counterclaims. On July 13, 2018, the district court adopted Allergan's proposed claim construction and granted Allergan's motion for preliminary injunction against Sandoz. On July 26, 2018, Sandoz filed a notice of appeal regarding the claim construction and preliminary injunction, and filed its opening brief on October 1, 2018. On August 1, 2018, the district court entered an order setting a preliminary injunction bond in the amount of \$157,300,000 under Federal Rule of Civil Procedure 65(c), which Allergan posted.

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. On November 9, 2015, Plaintiffs also brought an action for infringement of '180 patent in the United States District Court for the Eastern District of Texas against Mylan Pharmaceuticals, Inc., Mylan Laboratories Limited and Mylan, Inc. (collectively, "Mylan"). Mylan notified Plaintiffs that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Delzicol® before the '180 patent expires in April 2020. In March 2016, the court entered an order consolidating the Mylan litigation (C.A. 2:15-cv-01740) with the Teva litigation (C.A. 2:15-cv-01471) matter as the lead case.

On April 1, 2016, Warner Chilcott Company, LLC, Warner Chilcott (US), LLC, Allergan Pharmaceuticals International Ltd., Allergan USA, LLC and Qualicaps Co., Ltd. (collectively, "Plaintiffs") brought an action for infringement of the '180 patent in the United States District Court for the Eastern District of Texas against Zydus International Pvt. Ltd., Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Ltd. (collectively, "Zydus"). Zydus notified the Company that it has filed an ANDA with the FDA seeking to obtain approval to market generic versions of Delzicol® before the '180 patent expires. On November 28, 2016, Plaintiffs entered into a settlement agreement with Zydus. Under the terms of the settlement agreement, Zydus may launch its generic version of Delzicol® on March 1, 2020, or earlier under certain circumstances.

On April 21, 2017, Plaintiffs brought an action for infringement of the '180 patent in the United States District Court for the Eastern District of Texas against Teva Pharmaceuticals USA, Inc., which had notified Plaintiffs that, on or before March 9, 2017, it had amended its ANDA seeking to obtain approval to market generic versions of Delzicol®. Teva also notified Plaintiffs that it had submitted to FDA a new paragraph IV certification for the '180 patent in connection with its ANDA. On August 7, 2017, Teva and Mylan filed motions for summary judgment of non-infringement, and Teva filed a motion for summary judgment for alleged improper Orange Book listing. On September 28, 2017, the Magistrate Judge issued a Report and Recommendation granting Teva's and Mylan's motions for summary on non-infringement and denying, as moot, Teva's summary judgment motion concerning Orange Book listing. On October 24, 2017, the District Court adopted the Magistrate Judge's recommendation as to non-infringement and issued final judgment on that issue. The District Court also ruled that defendants' counterclaims be taken up after finality is achieved with respect to the non-infringement issue. On November 21, 2017, Plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit.

On December 18, 2017, Plaintiffs Allergan Sales, LLC and Qualicaps Co., Ltd. entered into a settlement agreement with Mylan and the actions with respect to Mylan were subsequently dismissed. Under the terms of the settlement agreement, Mylan may launch its generic version of Delzicol® on July 1, 2019, or earlier under certain circumstances.

Appeal briefing between Plaintiffs and Teva, the remaining defendant, was completed on May 8, 2018, and oral argument is scheduled for December 6, 2018.

Fetzima®. In September and October 2017, certain Allergan subsidiaries and Pierre Fabre Medicament received Paragraph IV certification notice letters from Amneal Pharmaceuticals LLC, Aurobindo Pharma USA, Inc., MSN

Laboratories Private Limited, Princeton Pharmaceutical Inc., Torrent Pharmaceuticals Limited, West-Ward Pharmaceuticals International Limited, and Zydus Pharmaceuticals (USA) Inc. indicating that they had submitted to FDA ANDAs seeking approval to manufacture and sell generic versions of FETZIMA® 20 mg, 40 mg, 80 mg, and 120 mg extended release capsules (“FETZIMA”) before the expiration of the three patents listed in the Orange Book, including U.S. Patent Nos. RE43,879 (the “‘879 Patent”); 8,481,598 (the “‘598 Patent”); and 8,865,937 (the “‘937 Patent”). The ‘879 Patent expires in June 2023 (not including a pending application for patent term extension (“PTE”)), the ‘598 patent expires in March 2031, and the ‘937 Patent expires in May 2032. These generic ANDA filers claim in their respective notice letters that the ‘879 Patent, the ‘598 Patent and the ‘937 Patent are invalid and/or would not be infringed.

On October 30, 2017, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity) and Forest Laboratories Holdings Limited, Allergan USA, Inc., and Pierre Fabre Medicament S.A.S. (collectively, “Forest”) brought an action for infringement of the ‘879 Patent, the ‘598 Patent and the ‘937 Patent against MSN Laboratories Private Limited and MSN Pharmaceuticals Inc. (collectively, “MSN”). On October 31, 2017, Forest brought actions for infringement of the ‘879 Patent, the ‘598 Patent, and the ‘937 Patent against Princeton Pharmaceutical Inc. and Solco Healthcare U.S., LLC (collectively, “Princeton”), Torrent Pharmaceuticals Limited and Torrent Pharma Inc. (collectively, “Torrent”), West-Ward

Pharmaceuticals International Limited and West-Ward Pharmaceuticals Corp. (collectively, “West-Ward”), and Zydus Pharmaceuticals (USA) Inc. (“Zydus”). On November 15, 2017, Forest brought actions for infringement of the ‘879 Patent, the ‘598 Patent and the ‘937 Patent against Aurobindo Pharma USA, Inc. and Aurobindo Pharma Limited (collectively, “Aurobindo”), and Amneal Pharmaceuticals LLC and Amneal Pharmaceuticals Private Limited (collectively, “Amneal”). Each of these lawsuits were brought in the U.S. District Court for the District of New Jersey and triggered automatic stays of approval of the ANDAs until January 2021 (unless there is a final court decision adverse to Forest sooner).

In December 2017 and January 2018 MSN, Torrent, West-Ward, Zydus, and Amneal filed answers and counterclaims, and Princeton and Aurobindo filed answers, in their respective actions. In January 2018 Forest filed answers to MSN, Torrent, West-Ward and Zydus’s counterclaims. On February 8, 2018, the district court consolidated the MSN, Princeton, Torrent, West-Ward, Zydus, Aurobindo and Amneal actions. No trial date has been set.

Lastacraft®. In July 2017, the Company and Vistakon Pharmaceuticals, LLC received a Paragraph IV certification notice letter from Aurobindo Pharma USA Inc. (“Aurobindo”) indicating that it had submitted to FDA an ANDA seeking approval to manufacture and sell a generic version of LASTACRAFT® (“LASTACRAFT”) before the expiration of U.S. Patent No. 8,664,215 (the “‘215 Patent”) listed in the Orange Book. The ‘215 Patent expires December 2027. Aurobindo claims that the patent listed in its notice letter is invalid, unenforceable and/or would not be infringed. On September 8, 2017, Allergan, Inc. and Vistakon Pharmaceuticals, LLC (collectively, “Plaintiffs”), brought an action for infringement of the ‘215 Patent in the U.S. District Court for the District of Delaware against Aurobindo Pharma Ltd., Aurobindo Pharma USA, Inc. and Auromedics Pharma LLC (collectively, “Defendants”). This lawsuit triggered an automatic stay of approval of the applicable ANDA that expires no earlier than January 2020 (unless there is a final court decision adverse to Plaintiffs sooner). Trial has been scheduled for July 2019.

Latisse® IV. In December 2016, Sandoz announced the U.S. market launch of Defendants’ generic copy of LATISSE®. In July 2017, Plaintiffs Allergan and Duke University (collectively, “Plaintiffs”) filed a complaint for infringement of U.S. Patent Number 9,579,270 (“‘270 Patent”) against Defendants Sandoz Inc. (“Sandoz”) and Alcon Laboratories, Inc. (“Alcon”) in the U.S. District Court for the Eastern District of Texas (EDTX). (The ‘270 patent expires in January 2021.) In their complaint, Plaintiffs seek, among other things, a judgment that Defendants have infringed the ‘270 patent by making, selling, and offering to sell, and/or importing, their generic copy of LATISSE® within the United States. Plaintiffs seek injunctive relief and damages for Defendants’ infringement.

On April 3, 2018, the EDTX court issued an order: (i) denying Defendant’s motion to transfer the case to MDNC, and (ii) severing Plaintiff’s claims against Defendants and transferring Plaintiff’s claims against Alcon to the District Court of Delaware and Plaintiff’s claims against Sandoz to the District of Colorado. On October 5, 2018, the Delaware District Court entered an order granting the joint stipulation and dismissing the Delaware action against Alcon.

On August 2, 2018, Sandoz filed an opposed motion to stay the Colorado case and transfer it to the MDNC, which is still pending. On October 18, 2018, Allergan filed a motion to dismiss Sandoz’s counterclaims for antitrust violations and patent unenforceability based on patent misuse and equitable estoppel, or in the alternative to bifurcate and stay Sandoz’s counterclaims. A trial date has not yet been set.

Latisse® V. In August 2017, the Company and Duke University received a Paragraph IV certification notice letter from Alembic Pharmaceuticals, Ltd. (“Alembic”) indicating that it had submitted to FDA an ANDA seeking approval to manufacture and sell a generic version of LATISSE® (“LATISSE”) before the expiration of U.S. Patent Nos. 8,038,988 (the “‘988 Patent”), 8,101,161 (the “‘161 Patent”), 8,263,054 (the “‘054 Patent”), 8,541,466 (the “‘466 Patent”), 8,632,760 (the “‘760 Patent”), 8,758,733 (the “‘733 Patent”), 8,906,962 (the “‘962 Patent”), 8,986,715 (the “‘715 Patent”), 9,216,183 (the “‘183 Patent”), 9,226,931 (the “‘931 Patent”) and 9,579,270 (the “‘270 Patent”). (The ‘466, ‘962 and ‘270 Patents expire in January 2021; the ‘054, ‘760, ‘733, ‘715, ‘183, and ‘931 Patents expire in January 2023; the ‘988 Patent expires in August 2023; and

the '161 Patent expires in May 2024). Alembic claims that the patents listed in its notice letter are invalid, unenforceable and/or would not be infringed. On September 25, 2017, Allergan, Inc., Allergan Sales, LLC and Duke University (collectively, "Plaintiffs"), brought an action for infringement of the '270 Patent in the U.S. District Court for the District of New Jersey against Alembic Pharmaceuticals, Ltd., Alembic Global Holding SA, and Alembic Pharmaceuticals, Inc. (collectively, "Alembic"). This lawsuit triggered an automatic stay of approval of the applicable ANDA that expires no earlier than February 2020 (unless there is a final court decision adverse to Plaintiffs sooner). No trial date has been set.

Latisse® VI. In July, 2018, the Company and Duke University received a Paragraph IV certification notice letter from Akorn, Inc. and Hi-Tech Pharmacal Co., Inc. (collectively, "Akorn") indicating that it had submitted to FDA an ANDA seeking approval to manufacture and sell a generic version of LATISSE® before the expiration of U.S. Patent Nos. 9,216,183 (the "'183" Patent), 9,226,931 (the "'931 Patent) and 9,579,270 (the "'270 Patent"). Akorn claims that the patents listed in its notice letter are invalid, unenforceable and/or would not be infringed. On September 19, 2018, Allergan, Inc., Allergan Sales, LLC and Duke University (collectively, "Plaintiffs"), brought an action for infringement of the '270 Patent in the U.S. District Court for the District of New Jersey against Akorn. No trial date has been set.

LinzeSS®. In October and November 2016, the Company and Ironwood received Paragraph IV certification notice letters from Teva Pharmaceuticals USA, Inc. (“Teva”), Aurobindo Pharma Ltd., Mylan Pharmaceuticals Inc. (“Mylan”), and Sandoz Inc. (“Sandoz”) indicating that they had submitted to FDA ANDAs seeking approval to manufacture and sell generic version of LINZESS® 145 mcg and 290 mcg capsules (“LINZESS”) before the expiration of some or all of the nine patents then listed in the Orange Book, including U.S. Patent Nos. 7,304,036 (the “‘036 Patent”); 7,371,727 (the “‘727 Patent”); 7,704,947 (the “‘947 Patent”); 7,745,409 (the “‘409 Patent”); 8,080,526 (the “‘526 Patent”); 8,110,553 (the “‘553 Patent”); 8,748,573 (the “‘573 Patent”); 8,802,628 (the “‘628 Patent”); and 8,933,030 (the “‘030 Patent”). (The ‘727, ‘947, ‘409, ‘526 and ‘553 Patents expire in January 2024; the ‘036 Patent expires in August 2026; and the ‘573, ‘628 and ‘030 Patents expire in 2031.) Teva, Aurobindo Pharma Ltd., Mylan and Sandoz claim that the patents discussed in their respective notice letters are invalid, unenforceable and/or would not be infringed. On November 30, 2016, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity), Forest Laboratories Holdings, Ltd., Allergan USA, Inc. and Ironwood Pharmaceuticals, Inc. (collectively, “Plaintiffs”), brought an action for infringement of some or all of the ‘036, ‘727, ‘947, ‘409, ‘526, ‘553, ‘573, ‘628 and ‘030 Patents in the U.S. District Court for the District of Delaware against Aurobindo Pharma Ltd., Aurobindo Pharma USA, Inc. (collectively, “Aurobindo”), Teva, Mylan and Sandoz. This lawsuit triggered an automatic stay of approval of the applicable ANDAs that expires no earlier than February 2020 (unless there is a final court decision adverse to Plaintiffs sooner). Trial is scheduled for June 2019. On July 13, 2017, Mylan filed a motion to dismiss for improper venue. That motion is currently pending.

In May 2017, the Company and Ironwood also received a Paragraph IV certification notice letter from Sun Pharma Global FZE indicating that it had submitted to FDA an ANDA seeking approval to manufacture and sell a generic version of LINZESS before the expiration of the ‘573, ‘628 and ‘030 Patents. Sun Pharma Global FZE claims that the patents are invalid and/or would not be infringed. On June 30, 2017, Plaintiffs brought an action for infringement of the ‘573, ‘628 and ‘030 Patents in the U.S. District Court for the District of Delaware against Sun Pharma Global FZE and Sun Pharmaceutical Industries Inc. (collectively, “Sun”). In January 2018, Allergan and Ironwood entered into a settlement agreement with Sun and certain Sun affiliates. Under the terms of the settlement agreement, Plaintiffs will provide a license to Sun to market a generic version of LINZESS in the United States beginning on February 1, 2031 (subject to U.S. FDA approval), or earlier in certain circumstances. The Sun action was dismissed on January 18, 2018.

In July 2017, the Company and Ironwood received a second Notice Letter relating to the ANDA submitted to the FDA by Aurobindo. Aurobindo claims that the ‘036, ‘727, ‘947, ‘409, ‘526, ‘553 Patents, as well as the ‘573, ‘628 and ‘030 Patents, are invalid and/or would not be infringed. On August 25, 2017, Plaintiffs brought an action for infringement of these patents in the U.S. District Court for the District of Delaware against Aurobindo. On September 28, 2017, this action was consolidated with the first action filed against Aurobindo. On April 30, 2018, Allergan and Ironwood entered into a settlement agreement with Aurobindo. Under the terms of the settlement agreement, Plaintiffs will provide a license to Aurobindo to market a generic version of LINZESS in the United States beginning on August 5, 2030 (subject to U.S. FDA approval), or earlier in certain circumstances. The Aurobindo actions were dismissed on May 7, 2018.

In September 2017, October 2017 and January 2018, the Company and Ironwood received second Notice Letters relating to the ANDAs submitted to the FDA by Teva, Mylan and Sandoz, respectively. Teva, Mylan and Sandoz claim that U.S. Patent No. 9,708,371 (the “‘371 Patent”) is invalid and/or would not be infringed by their respective ANDAs. (The ‘371 Patent expires in 2033.) On October 20, 2017, November 30, 2017 and January 20, 2018, Plaintiffs brought actions for infringement of the ‘371 patent in the U.S. District Court for the District of Delaware against Teva, Mylan and Sandoz, respectively. The actions filed in October and November 2017 against Teva and Mylan have been consolidated with the lawsuit filed in November 2016.

In December 2017 and February 2018, the Company and Ironwood received Paragraph IV certification notice letters from Teva and Mylan, respectively indicating that they had submitted to FDA ANDAs seeking approval to manufacture and sell generic versions of LINZESS® 72 mcg capsules (“72 mcg ANDA”) before the expiration of the ‘036, ‘727, ‘947, ‘409, ‘526, ‘553, ‘030 and ‘371 Patents. Teva and Mylan claim that these patents are invalid, unenforceable and/or would not be infringed. On February 2, 2018 and March 29, 2018, Forest Laboratories Holdings, Ltd., Allergan USA, Inc., Allergan Sales, LLC and Ironwood Pharmaceuticals, Inc. (collectively, “Plaintiffs”), brought actions for infringement of some or all of the ‘036, ‘727, ‘947, ‘409, ‘526, ‘553, ‘030 and ‘371 Patents in the U.S. District Court for the District of Delaware against Teva and Mylan, respectively. These lawsuits triggered automatic stays of approval of Teva’s 72 mcg ANDA and Mylan’s 72 mcg ANDA that expire no earlier than June 2020 and August 2020, respectively (unless there is a final court decision adverse to Plaintiffs sooner). On March 14, 2018, the district court consolidated the Teva 72 mcg ANDA matter with the lawsuit filed in November 2016.

In May and August 2018, the district court granted joint stipulations and orders to dismiss without prejudice all claims, counterclaims, and defenses in the consolidated actions with respect to the ‘371 Patent and the ‘030 Patent, respectively, as between Plaintiffs, Teva and Sandoz. On July 10, 2018, Plaintiffs filed a motion to dismiss all claims and declaratory judgment counterclaims between Plaintiffs and Mylan with respect to the ‘371 patent for lack of subject matter jurisdiction. On July 26, 2018, Plaintiffs filed a motion for leave to file an amended complaint as to Mylan to assert the ‘628 patent against Mylan’s 72 mcg ANDA product. On

August 30, 2018, the district court entered an order granting the joint stipulation and order to dismiss without prejudice all claims, counterclaims, and defenses in the consolidated actions with respect to the '030 Patent and the '371 Patent as between Plaintiffs and Mylan, granting Plaintiffs' motion seeking leave to file an amended complaint, and withdrawing as moot Plaintiffs' motion to dismiss with respect to the '371 patent. Plaintiffs filed a corrected amended complaint as to Mylan on September 4, 2018, and Mylan filed an answer to the amended complaint on September 13, 2018.

On June 12, 2018, the district court granted the parties' request that briefing on Mylan's motion to dismiss for improper venue be stayed until after a decision issued on Mylan's renewed motion to dismiss for improper venue in *Bristol-Myers Squibb Co. v. Mylan Pharmaceuticals, Inc.*, C.A. Nos. 17-374 (LPS), 17-379 (LPS) ("BMS"). On October 18, 2018, the district court in BMS granted Mylan's motion to dismiss for improper venue in that case.

Namenda XR<sup>®</sup>. 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<sup>®</sup> (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. Plaintiffs entered settlement agreements with every defendant except Teva.

On July 26, 2016, the district court entered a final judgment of invalidity of claim 1 of the '209 patent, claims 1, 6, 10 and 15 of the '708 patent, claim 1 of the '379 patent, claims 1 and 9 of the '752 patent, claims 1 and 7 of the '085 patent and claim 1 of the '233 patent in favor of Teva, and Plaintiffs appealed. On December 11, 2017, the Court of Appeals for the Federal Circuit issued a decision affirming the district court's judgment of invalidity with respect to certain claims of the '209, '708, '379, '752 and '085 patents. On February 12, 2018, the Federal Circuit denied Plaintiffs petitions for panel rehearing and rehearing en banc.

Previously, on September 29, 2016, the Company issued a press release following announcement of ANDA approvals, including FDA final approval by Lupin which stated that if the district court ruling is upheld on appeal to the U.S. Court of Appeals for the Federal Circuit, there is a possibility that generic entry for Namenda XR could occur following an adverse decision. The Federal Circuit issued the mandate of the court on February 20, 2018, and certain generics launched the generic products shortly thereafter.

Namzarcic<sup>®</sup>. On August 27, 2015, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity), Forest Laboratories Holdings, Ltd. and Adamas Pharmaceuticals, Inc. (all collectively, "Plaintiffs"), brought an action for infringement of some or all of U.S. Patent Nos. 8,039,009 (the "'009 patent'"), 8,058,291 (the "'291 patent'"), 8,168,209 (the "'209 patent'"), 8,173,708 (the "'708 patent'"), 8,283,379 (the "'379 patent'"), 8,293,794 (the "'794 patent'"), 8,329,752 (the "'752 patent'"), 8,338,485 (the "'485 patent'"), 8,338,486 (the "'486 patent'"), 8,362,085 (the "'085 patent'"), 8,580,858 (the "'858 patent'") and 8,598,233 (the "'233 patent'") in the U.S. District Court for the District of Delaware against Amneal Pharmaceuticals LLC and Par Pharmaceutical, Inc., and related subsidiaries and affiliates thereof. 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 Company entered into a settlement agreement with Par on April 29, 2016. On August 30, 2016, Plaintiffs entered into a settlement agreement with Amneal, who is believed to be a first applicant with respect to certain dosage strengths (memantine hydrochloride extended-release and donepezil hydrochloride, 14 mg/10 mg and 28 mg/10 mg) of Namzarcic<sup>®</sup>. Under the terms of the agreement, and subject to review of the settlement terms by the U.S. Federal Trade Commission, Plaintiffs will provide a license to Amneal that will permit it to launch its generic version of Namzarcic<sup>®</sup> as of January

1, 2025, or earlier in certain circumstances. Alternatively, under certain circumstances, Amneal has an option to launch an authorized generic version of Namzaric beginning on January 1, 2026. On October 21, 2016, Plaintiffs entered into a settlement agreement with Amerigen, and the case was dismissed.

On November 10, 2016, the Company also brought an action for infringement of the '009, '291, '485, '486, and '858 patents in the U.S. District Court for the District of Delaware against Apotex Corp and Apotex Inc. ("Apotex"). On April 10, 2017, Plaintiffs entered into a settlement agreement with Apotex, and the case was dismissed.

On June 2, 2017, the Company and Adamas Pharma, LLC brought an action for infringement of the '009, '291, '485, '486, and '858 patents in the U.S. District Court for the District of Delaware against Macleods Pharmaceuticals, Ltd. and Macleods Pharma USA, Inc. (collectively, "Macleods"). On March 9, 2018, the Company entered into a settlement agreement with Macleods with respect to Macleods' proposed generic versions of Namzari® and the case was dismissed.

Restasis®. Between August 2015 and July 2016, 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"), 8,685,930 (the "'930 patent") and 9,248,191 (the "'191 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., Famy Care Limited ("Famy Care"), TWi Pharmaceuticals, Inc. ("TWi") and related subsidiaries and affiliates thereof.

Allergan entered into settlement agreements with Apotex, TWi, Famy Care and InnoPharma. As a result of certain of these settlements, Allergan will provide a license to certain parties to launch their generic versions of Restasis® beginning on February 27, 2024, or earlier in certain circumstances. Additionally, under certain circumstances, Allergan will supply and authorize certain parties to launch an authorized generic version of Restasis® on August 28, 2024.

On September 8, 2017, Allergan assigned all Orange Book-listed patents for Restasis® to the Saint Regis Mohawk Tribe (“the Tribe”), a recognized sovereign tribal government, and concurrently was granted an exclusive field-of-use license to practice the patents in the United States for all FDA-approved uses of the products under the Restasis® NDAs. On October 13, 2017, Allergan filed an opposed motion to join the Tribe as a co-plaintiff in the pending action against Teva, Mylan and Akorn.

On October 16, 2017, the District Court issued a decision and final judgment finding that the asserted claims of the ‘111 patent, the ‘048 patent, the ‘930 patent and the ‘191 patent were infringed, but invalid on the ground of obviousness. The District Court also held that the asserted claims were not invalid as anticipated, for lack of enablement, or for improper inventorship. In a separate Order, the District Court joined the Tribe as a co-plaintiff under Federal Rule of Civil Procedure 25(c) and declined to rule on the validity of the patent assignment to the Tribe. On October 27, 2017, Plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Federal Circuit. Oral argument is scheduled for November 6, 2018.

On December 22, 2016, Allergan filed a complaint for infringement of the ‘111 patent, ‘162 patent, ‘556 patent, ‘048 patent, ‘930 patent, and the ‘191 patent in the U.S. District Court for the Eastern District of Texas against Deva Holding A.S. (“Deva”). On March 6, 2018, the district court granted in part and denied in part the parties’ joint motion for entry of a stipulated order, and stayed the case until such time as the Federal Circuit in the lead appeal case with Teva, Mylan and Akorn issues a mandate. The parties’ stipulation provides that Deva will be bound by the outcome of that appeal.

In June and August 2018, the Company received Paragraph IV certification notice letters from Saptalis Pharmaceuticals, LLC (“Saptalis”) and Amneal Pharmaceuticals, LLC, respectively, indicating that they had submitted to FDA ANDAs seeking approval to manufacture and sell generic versions of RESTASIS® before the expiration of ‘111 patent, the ‘162 patent, the ‘556 patent, the ‘048 patent, the ‘930 patent and the ‘191 patent. Saptalis and Amneal claim that certain claims of these patents are invalid and/or would not be infringed by their respective products. On August 10 and September 20, 2018, Allergan and the Tribe filed complaints for infringement of the ‘162 patent and the ‘556 patent in the U.S. District Court for the District of Delaware against Saptalis and against Amneal Pharmaceuticals, LLC and Amneal Pharmaceuticals Co. India Private Limited (collectively, “Amneal”), respectively.

Restasis® IPR. On June 6, 2016, Allergan, Inc. received notification letters that Inter Partes Review of the USPTO (“IPR”) petitions were filed by Mylan Pharmaceuticals Inc. (“Mylan”) regarding U.S. Patent Nos. 8,629,111 (the “‘111 patent”), 8,633,162 (the “‘162 patent”), 8,642,556 (the “‘556 patent”), 8,648,048 (the “‘048 patent”), 8,685,930 (the “‘930 patent”) and 9,248,191 (the “‘191 patent”), which patents expire on August 27, 2024. Mylan filed the IPR petition on June 3, 2016. On June 23, 2016, Allergan received a notification letter that a IPR petition and motion for joinder was filed by Argentum Pharmaceuticals LLC (“Argentum”) regarding the ‘111 patent. On December 7, 2016, Allergan entered into a settlement agreement with Argentum and Argentum’s petition was withdrawn. On December 8, 2016, the USPTO granted Mylan’s petitions to institute IPRs with respect to these patents. On January 6, 2017, each of Akorn, Famy Care and Teva filed, and on January 9, 2017 the USPTO received, IPR petitions with respect to these patents and motions for joinder with the Mylan IPR. The USPTO granted Teva’s and Akorn’s joinder motions on March 31, 2017. On April 27, 2017, the USPTO decided not to join Famy Care as a petitioner to the earlier-filed IPR petitions. On July 10, 2017, the USPTO denied Famy Care’s motion for joinder with the IPRs instituted in December 2016, and on July 10 and 12, 2017, granted Famy Care’s petitions to institute IPRs with respect to these same

patents. On July 28, 2017, the USPTO rescheduled the hearing for September 13, 2017.

On September 8, 2017, Allergan assigned all Orange Book-listed patents for Restasis® to the Saint Regis Mohawk Tribe (“the Tribe”), a recognized sovereign tribal government, and concurrently was granted an exclusive field-of-use license to practice the patents in the United States for all FDA-approved uses of the products under the Restasis® NDAs. That same day, the Tribe filed an updated Mandatory Notice with the USPTO to reflect that the Tribe is the patent owner, and sought permission to file a motion to dismiss based on tribal sovereign immunity. During a September 11, 2017 teleconference, the USPTO postponed the September 13, 2017 hearing and set a briefing schedule on the Tribe’s motion to dismiss. The Tribe filed its opening brief on September 22, 2017, Petitioners filed their opposition brief on October 13, 2017, and the Tribe filed its reply brief on October 20, 2017. On October 4, 2017, the USPTO denied Mylan’s request for authorization to file a motion for additional discovery, and denied without prejudice Allergan’s counsel’s request to withdraw from the IPR proceedings. On November 3, 2017, the USPTO issued an order that (a) granted a motion by High Tech Inventors Alliance requesting authorization to file a brief as amicus curiae on the issues presented in the Tribe’s motion to terminate, (b) permitted any other amicus curiae wishing to file a brief related to the Tribe’s motion to terminate to do so, (c) permitted the parties to file a single response to any amicus briefs, (d) denied without prejudice Allergan’s counsel’s renewed request for authorization to file a motion to withdraw as counsel, and (e) adjusted the time to enter a final written decision in these proceedings to April 6, 2018. On November 29, 2017, the USPTO granted Patent Owner’s motions to seal certain portions of certain exhibits. Between December 1 and December 4, 2017, amicus briefs were submitted on behalf of Petitioners and Patent Owner, which both filed responses on December 15, 2017.

On December 21, 2017, Allergan's counsel renewed its request to file a motion to withdraw on the ground that, as of September 8, 2017, Allergan ceased to be an owner of the six patents involved in the IPR proceedings. On January 2, 2018, the USPTO authorized Allergan to file a motion to withdraw. Allergan filed its motion on January 9, 2018, and Petitioners filed its opposition on January 17, 2018. On December 22, 2017, the USPTO granted Petitioners' request to file supplemental briefing limited to addressing the issue of litigation waiver discussed in the USPTO's recent LSI and Ericsson decisions. Petitioners and Patent Owner filed their supplemental briefs on January 5, and January 12, 2018, respectively.

On January 2, 2018, the Tribe filed a Request for Oral Hearing pursuant to 37 C.F.R. § 42.70(a) seeking certain discovery concerning the identity and impartiality of the merits panel assigned to this IPR. On January 4, 2018, the USPTO issued an order (a) denying the Tribe's request for oral hearing, (b) denying the Tribe's request for authorization to file a motion for additional discovery, (c) ordering the Tribe not to make any further requests for additional discovery directed to the Board in the IPR proceedings, and (d) ordering the Tribe not to file any further papers in the IPR proceedings without prior authorization from the Board. On January 9, 2018, Allergan filed a motion to withdraw from the IPRs on the ground that Allergan ceased to be the patent owner.

On February 23, 2018, the USPTO issued orders denying the Tribe's motion to dismiss (or terminate), denying Allergan's motion to withdraw, setting a rescheduled hearing date for April 3, 2018, and setting a deadline to issue final written decisions by June 8, 2018. On February 28, 2018, the Tribe and Allergan filed a combined notice of appeal.

On March 8, 2018, the Tribe and Allergan filed a motion concerning the PTAB's divested jurisdiction or, in the alternative, for a stay pending the appeal. On March 22, 2018, the USPTO issued an order denying the motion.

On March 16, 2018, the Tribe and Allergan filed with the Federal Circuit a motion to stay the IPR proceedings pending review of their February 28, 2018 appeal.

On March 26, 2018, the Federal Circuit issued an order sua sponte expediting the briefing and argument schedule on the merits of the appeal. On March 28, 2018, the Federal Circuit granted the Tribe and Allergan's motion to stay the IPR proceedings. The stay remains in effect until the day after oral argument in the appeals in June 2018, at which time the Federal Circuit will address whether the stay shall remain in effect or whether it will be lifted. The parties' appeal briefing was completed on May 18, 2018. Oral argument was held on June 4, 2018. On July 20, 2018, the Federal Circuit affirmed the USPTO's denial of the Tribe's motion to dismiss and Allergan's motion to withdraw. On August 20, 2018, the Tribe and Allergan filed a petition for rehearing en banc, which the Federal Circuit denied on October 22, 2018.

Saphris®. Between September 2014 and May 2015, Forest Laboratories, LLC (which later merged with and into Allergan Sales, LLC, with Allergan Sales, LLC as the surviving entity), and Forest Laboratories Holdings Ltd. (collectively, "Forest") brought actions for infringement of some or all of U.S. Patent Nos. 5,763,476 (the "'476 patent'"), 7,741,358 (the "'358 patent'") and 8,022,228 (the "'228 patent'") in the U.S. District Court for the District of Delaware against Sigmapharm Laboratories, LLC, Hikma Pharmaceuticals, LLC, Breckenridge Pharmaceutical, Inc., Alembic Pharmaceuticals, Ltd. and Amneal Pharmaceuticals, LLC, and related subsidiaries and affiliates thereof. Including a 6-month pediatric extension of regulatory exclusivity, the '476 patent expires in December 2020, and the '358 and '228 patents expire in October 2026. On September 30, 2015, the District Court consolidated all pending actions. On March 28, 2016, the court entered Forest and Hikma's proposed joint stipulation and order of adverse judgment and dismissal of claims related to the '358 and '228 patents. In April 2016, the court granted the proposed consent judgment of non-infringement and order of dismissal of counterclaims related to the '358 and '228 patents, as well as a stipulation and order with respect to infringement of Claims 1, 2, and 6 of the '476 patent, between Plaintiffs and Breckenridge. The Court also granted the proposed stipulation of entry and proposed order of adverse judgment and dismissal of

counterclaims related to the 358 and 228 patents between Plaintiffs and Sigmapharm. In April, May and July 2016, the court granted the proposed stipulations and orders of infringement of certain claims of the '476 patent as to Hikma, Breckenridge and Alembic. On October 13, 2016, the court stayed trial as to Sigmapharm and extended the 30-month stay as to Sigmapharm. Trial with respect to the '476 patent, the only remaining patent-in-suit, concluded on November 3, 2016. On June 30, 2017, the district court issued an opinion and order finding all asserted claims of the '476 patent valid, and that claims 4, 9 and 10 were not infringed by Alembic and Breckenridge. On July 11, 2017, the district court entered a final judgment that ordered, among other things, that Alembic's, Amneal's, Breckenridge's and Hikma's respective ANDAs not be granted final approval by FDA earlier than the date of expiration of the '476 patent inclusive of any applicable adjustments, extensions or exclusivities. On July 28, 2017, Alembic, Amneal, Breckenridge and Hikma (the "Appeal Defendants") filed notices of appeal. On August 9, 2017, Plaintiffs filed a notice of cross appeal. Briefing was completed on April 4, 2018. Oral argument was held on October 3, 2018.

On July 25, 2017, the District Court actions were reassigned to Judge Mitchel S. Goldberg of the U.S. District Court for the Eastern District of Pennsylvania. On February 9, 2018, the district court lifted the stay on the issue of infringement as to Sigmapharm. On March 14, 2018, the district court issued a scheduling order setting trial to begin on June 18, 2018 with respect to Sigmapharm's infringement of claim 1 of the '476 patent. The district court also acknowledged that (a) the 30-month stay as to Sigmapharm is set to expire June 21, 2018, (b) Sigmapharm agreed not to launch its proposed generic product until FDA approval and after the district

court issues its decision, and (c) Plaintiffs and Sigmapharm agreed to be bound by the outcome of the pending appeal with the Appeal Defendants and any proceedings on remand, if necessary, with respect to infringement of claims 4, 9 and 10 of the '476 patent. A bench trial concluded on June 20, 2018. The parties' filed their opening post-trial briefs on July 19, 2018, and their responsive post-trial briefs on August 2, 2018.

Savella®. On October 5 and 6, 2017, Forest Laboratories Holdings, Ltd., Allergan Sales, LLC and Allergan USA, Inc. (collectively, "Allergan and Forest") brought actions for infringement of U.S. Patent Nos. 6,602,911 (the "'911 patent'"), 7,888,342 (the "'342 patent'"), and 7,994,220 (the "'220 patent'") in the U.S. District Court for the District of Delaware and the District of New Jersey, respectively, against Strides Pharma Global Pte Limited and Strides Pharma Inc. (collectively, Strides"). On April 20, 2018, the Company entered into a settlement agreement with Strides and the case was dismissed.

Viibryd® IPR. On January 5, 2018, Argentum Pharmaceuticals LLC submitted to the USPTO a petition for Inter Partes Review ("IPR") seeking cancellation of certain claims of U.S. Patent No. 8,673,921 (the "'921 patent'"). The '921 patent is listed in the Orange Book for Viibryd® and expires in June 2022. On July 23, 2018, the USPTO denied institution of the IPR.

#### Trademark Enforcement Matters

Juvéderm®. On April 5, 2017, Allergan, Inc. ("Allergan") brought an action for unfair competition, false advertising, dilution, conspiracy and infringement of Allergan's JUVÉDERM trademarks in the U.S. District Court for the Central District of California against Dermavita Limited Partnership ("Dermavita"), Dima Corp. S.A. ("Dima Corp.") and KBC Media Relations LLC ("KBC"). Dima Corp. had previously announced its acquisition of a license from Dermavita to develop and market in the U.S. cosmetic products under the Juvederm trademark. During June 2017, Allergan entered into a settlement agreement with KBC. During July 2017, the Court preliminarily enjoined Dima Corp. from, inter alia, promoting or selling within the United States any product bearing the trademark JUVÉDERM or any other trademark confusingly similar to it. During January 2018, the Court granted Dermavita's renewed motion to dismiss Allergan's complaint based on purported lack of personal jurisdiction.

Allergan Holdings France SAS and Allergan France SAS requested a preliminary injunction against Dermavita, Dima Corp, Aesthetic Services, Jacqueline Sillam and Dimitri Sillam in the High Court of Paris, France. During June 2017, the Paris Court preliminarily enjoined the defendants, inter alia, to refrain from promoting or selling in France its Juvederm products, to transfer various domain names and to pay provisional damages to Allergan, on the basis that such use would infringe Allergan's EU and French JUVÉDERM trademarks and would amount to unfair competition. This injunction has been appealed. Allergan France has also filed against Dermavita, Dima Corp. and others a full action of trademark infringement in the Paris court. Dermavita has requested that the full action be stayed pending the outcome of the Nanterre action and the EUIPO trademark proceedings, both mentioned below. The Paris court rejected Dermavita's stay request and subsequently ordered the defendants to pay more than 75,000 Euros in liquidated damages for violation of the preliminary injunction mentioned above. Dermavita has filed an action against Allergan in the Nanterre, France court alleging that Allergan has not used its JUVÉDERM trademark and requesting the court to revoke Allergan's trademark based on its purported lack of use. Allergan has submitted its principal brief and awaits a hearing on 19 December 2018.

Furthermore, more than 150 trademark opposition and cancellation actions between Allergan and Dermavita have been filed in front of the USPTO, EUIPO and various other national and regional trademark offices around the world. Most of these actions remain pending; however Allergan has received favorable decisions in more than ten (10) such actions.



## Product Liability Litigation

**Actonel® Litigation.** Warner Chilcott is a defendant in approximately 539 claims, including tolled claims and filed cases in various state and federal court, 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"). Warner Chilcott is in the initial stages of discovery in these litigations. All of the filed cases are in either federal or state courts in the United States, with the exception of three cases filed in provincial courts in Canada. Two Canadian cases involve a single plaintiff, and the other is a purported product liability class action involving two named plaintiffs. The Canadian action alleges, among other things, that Actonel® caused the plaintiffs and the proposed class members who ingested Actonel® to suffer ONJ or other side effects. It is expected that the plaintiffs in the purported class action will seek class certification. Plaintiffs have typically asked for unspecified monetary and injunctive relief, as well as attorneys' fees. Warner Chilcott is indemnified by Sanofi for certain Actonel claims pursuant to a collaboration agreement relating to the two parties' co-promotion of the product in the United States and other countries. In addition, Warner Chilcott is also partially indemnified by the Procter & Gamble Company ("P&G") for ONJ claims that were pending at the time Warner Chilcott acquired P&G's global pharmaceutical business in October 2009. In May and September 2013, Warner Chilcott entered into two settlement agreements that resolved a majority of the then-existing ONJ-related claims.

**AlloDerm Litigation.** LifeCell Corporation is named as a defendant in approximately 370 lawsuits alleging that its biologic mesh product AlloDerm did not perform as intended and caused various injuries. Plaintiffs allege the product was defectively designed or manufactured and/or did not have proper warnings. These cases are consolidated in Superior Court of New Jersey, Middlesex County. Prior to the close of its sale to Allergan, LifeCell mediated the New Jersey cases in December 2016 and negotiated a settlement of its pending New Jersey cases, which was paid by LifeCell on April 19, 2017. Approximately 369 of the cases have been dismissed, with the balance anticipated to be dismissed pending estate filings. LifeCell's insurers participated in the settlement. One other case is pending in Oklahoma but the Company has not yet been served.

**Benicar® Litigation.** Forest is named in approximately 1,759 actions involving allegations that Benicar®, a treatment for hypertension that Forest co-promoted with Daiichi Sankyo between 2002 and 2008, caused certain gastrointestinal injuries. Under Forest's Co-Promotion Agreement, Daiichi Sankyo is defending Forest in these lawsuits. On August 1, 2017, Daiichi announced that it has agreed to enter into a program to settle all of the pending cases on behalf of all defendants, including Forest.

**Celexa®/Lexapro® Litigation.** Certain Forest entities are defendants in approximately 166 actions alleging that Celexa® or Lexapro® caused various birth defects. Several of the cases involve multiple minor-plaintiffs. The majority of these actions have been consolidated in state court in Missouri; none of the actions are set for trial.

**RepliForm Litigation.** LifeCell Corporation has been named as a defendant in approximately 325 cases alleging that its biologic mesh product RepliForm did not perform as intended and caused various injuries. In all of those cases Boston Scientific Corporation, LifeCell's distributor, has been named as a co-defendant. In addition, a significant portion of those cases also name another manufacturer as a defendant whose product was implanted at the same time. All but a few of the cases have been consolidated for centralized management in the Superior Court of Massachusetts, Middlesex County. The other cases are venued in federal court in West Virginia, and state courts in Delaware and Minnesota. Approximately 200 of these cases have been settled or dismissed.

**Testosterone Litigation.** Beginning in 2014, a number of product liability suits were filed against Actavis, Inc., now known as Allergan Finance, LLC, and one or more of its former subsidiaries as well as other manufacturers and distributors of testosterone products, for personal injuries including but not limited to cardiovascular events allegedly

arising out of the use of Androderm®. There are approximately 525 currently pending actions which have been consolidated in an MDL in federal court in Illinois. The defendants have responded to the plaintiffs' master complaint in the MDL and discovery is ongoing. The parties have reached an agreement in principle to settle the remaining cases.

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

The Company and its affiliates are involved in various disputes, governmental and/or regulatory inspections, inquiries, investigations and proceedings that could result in litigation, and other litigation matters that arise from time to time.

Forest. Forest received a subpoena, dated April 29, 2015, from the U.S. Department of Health and Human Services, Office of Inspector General ("OIG"). The subpoena requests documents relating to Average Manufacturer ("AMP") and Best Price calculations for several of its products. Subsequently, Forest received a Civil Investigative Demand ("CID") from the OIG, dated August 16, 2016, primarily related to the calculation of Best Price. The Company is cooperating fully with the OIG's requests.

Forest and certain of its affiliates are defendants in three state court actions pending in Illinois, Utah and Wisconsin involving qui tam actions alleging generally that the plaintiffs (all government agencies) were overcharged for their share of Medicaid drug reimbursement costs. Forest and the other defendants filed a motion to dismiss Utah's amended complaint. This motion to dismiss was denied in part. On October 30, 2017, the Company reached an agreement to settle the Utah action. On February 17, 2014, the Wisconsin state court granted defendants' motion to dismiss plaintiff's second amended complaint. However, the relator filed a separate action making the same basic allegations as in its amended complaint in the original action. On May 17, 2017, the Wisconsin state court granted defendants' motion to dismiss the amended complaint.

On December 28, 2015, a putative class action complaint was filed in state court in Pennsylvania on behalf of a putative class of private payers. Defendants removed the complaint to the federal court in Pennsylvania. The complaint alleges that manufacturers of generic drugs, including a subsidiary of Forest Laboratories, Inc. that in the past had marketed generic products, caused plaintiffs to overpay for prescription drug products through the use of inflated AWP's. The complaint alleges violations of the Pennsylvania Unfair Trade Practices and Consumer Protection Law, negligent misrepresentation/fraud, unjust enrichment, civil conspiracy and aiding and abetting. On July 24, 2017, the state court issued a decision on the Company's individual motion to dismiss, granting it in part and denying it in part.

Allergan. On April 18, 2017, the Company received a CID, dated April 12, 2017, from the Department of Justice. The CID seeks information relating to the Company's sales and marketing practices of Botox to urology practices. The Company is cooperating fully with DOJ requests.

On October 3, 2017, the Company received a letter from the House of Representatives Committee on Oversight and Government Reform. The letter seeks information relating to the Saint Regis Mohawk Tribe's acquisition of six Restasis® patents and the granting of exclusive licenses to the Restasis® product to the Company. The Company has received other information requests from regulatory agencies concerning the transaction and is cooperating fully with these requests.

In June 2018, the Company received CID from the Department of Justice and a subpoena from the California Department of Insurance, Office of Insurance Commissioner, requesting information related to the Company's promotion and sale of two gastroenterology products. The Company is cooperating fully with these requests.

The Company has received subpoenas from multiple states relating to the legacy Actavis and Watson companies' promotional efforts relating to opioid products, none of which are currently promoted and many of which the Company no longer sells. The Company is cooperating fully with the states' requests.

#### Matters Relating to the Company's Divested Generics Business

The following matters relate to the former generics business of the Company or the transaction pursuant to which that business was sold to Teva, effective August 2, 2016. Teva has agreed to indemnify and defend the Company against all matters asserted in litigation against the Company arising out of the former generics business, including litigations and investigations relating to generic opioid products including, without limitation, the actions described below.

Lidoderm® Litigation. On March 30, 2016, the U.S. Federal Trade Commission filed a lawsuit in federal district court in the Eastern District of Pennsylvania against the Company and one of its global generics business subsidiaries, Watson Laboratories, Inc., Endo Pharmaceuticals Inc. and others arising out of patent settlements relating to Lidoderm. The Lidoderm settlement was reached by Endo Pharmaceuticals Inc. and Watson Laboratories, Inc. in May 2012, prior to Watson's affiliation with the Company. On October 25, 2016, the FTC voluntarily withdrew its complaint in federal court in Pennsylvania. Then, in January 2017, the FTC filed a similar complaint in the federal

district court in California where similar lawsuits filed by private plaintiffs were already pending and where the State of California filed a similar complaint against the same defendants. On January 27, 2017, Allergan Finance LLC filed a declaratory judgment action against the FTC in the same federal district court in the Eastern District of Pennsylvania where the FTC's original action had been pending. In April 2017, the FTC and State of California's actions were stayed pending the declaratory judgment action in the Eastern District of Pennsylvania. On May 9, 2017, plaintiffs filed a motion for summary judgment in the Eastern District of Pennsylvania.

**Hydrocortisone Investigation.** On November 10, 2016, the Company received notice from the UK Competition and Markets Authority ("CMA") that it would be included within the scope of the CMA's formal investigation under Section 25 of the Competition Act of 1998 ("CA98") into suspected abuse of dominance by a former generics business subsidiary of the Company in relation to the supply of 10mg and 20mg hydrocortisone tablets. The CMA is investigating alleged excessive and unfair prices with respect to hydrocortisone tablets and whether the former generics business subsidiary entered into anti-competitive agreements with a potential competitor relating to the hydrocortisone product. The CMA is investigating whether the conduct infringes the Chapter II prohibition of the CA98 and/or Article 102 of the Treaty on the Functioning of the European Union. The CMA issued a statement of objection

with respect to the alleged excessive and unfair pricing in December 2016 and a separate statement of objection with respect to the alleged anti-competitive agreements in March 2017. The CMA may pursue additional similar investigations relating to this former generic subsidiary of the Company in relation to the hydrocortisone tablet products. The Company intends to cooperate fully with the investigation.

**Teva Shareholder Derivative Litigation.** On or about February 26, 2017, Allergan plc was named as defendant in a proposed Teva shareholder derivative litigation filed in the Economic Division of the Tel Aviv District Court in Israel. In order to proceed with the lawsuit, plaintiffs have to secure court approval and have filed a motion seeking such approval. The lawsuit contains allegations directed at Teva's board of directors and the approval process needed by Teva to approve the Master Purchase Agreement and also includes claims regarding the amount and form of consideration Teva paid in connection with the Master Purchase Agreement. Pursuant to the court's order, plaintiffs have filed a consolidated motion seeking approval from the court to commence the shareholder derivative suit. The Company submitted a written response to plaintiffs' motion on December 5, 2017.

**Florida Subpoena Related to Oxymorphone Products.** In January 2018, the Company received a grand jury subpoena from the U.S. Attorney's Office for the Southern District of Florida seeking information related to oxymorphone products which were sold by the divested generics business. This subpoena appears to be related to a similar inquiry disclosed by Endo International plc on January 11, 2018. The subpoena was directed to the Company as a source of information, not as a target, along with others.

**NOTE 20 — 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, Allergan Funding SCS, and Allergan Finance, LLC (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, Allergan Capital S.à.r.l. and Allergan Finance, LLC are guarantors of the long-term notes. The Company anticipates future legal entity structure changes which may impact the presentation of this footnote in the future.

WCL has revised its consolidating balance sheets as previously presented in Footnote 25 of the December 31, 2017 Annual Report on Form 10-K and its consolidating financial statements as previously presented in Footnote 21 of the September 30, 2017 Quarterly Report on Form 10-Q due to a change in the Company's legal entity structure and other reclassifications that occurred during the nine months ended September 30, 2018. As a result, prior period information has been recast to conform to the current period presentation.

The following financial information presents the consolidating balance sheets as of September 30, 2018 and December 31, 2017, the related statement of operations for the three and nine months ended September 30, 2018 and 2017 and the statements of cash flows for the nine months ended September 30, 2018 and 2017.



Warner Chilcott Limited

Consolidating Balance Sheets

As of September 30, 2018

(Unaudited; in millions)

|                                           | Warner     |             | Allergan |             |            |              |              |
|-------------------------------------------|------------|-------------|----------|-------------|------------|--------------|--------------|
|                                           | Chilcott   | Allergan    | Allergan | Finance,    |            |              | Consolidated |
|                                           | Limited    | Capital     | Funding  | LLC         |            |              | Warner       |
|                                           | (Parent    | S.a.r.l.    | SCS      | (Issuer and | Non-       |              | Chilcott     |
|                                           | Guarantor) | (Guarantor) | (Issuer) | Guarantor)  | guarantors | Eliminations | Limited      |
| <b>ASSETS</b>                             |            |             |          |             |            |              |              |
| Current assets:                           |            |             |          |             |            |              |              |
| Cash and cash equivalents                 | \$0.1      | \$101.9     | \$0.1    | \$-         | \$1,083.8  | \$-          | \$1,185.9    |
| Marketable securities                     | -          | -           | -        | -           | 22.0       | -            | 22.0         |
| Accounts receivable, net                  | -          | -           | -        | -           | 2,826.7    | -            | 2,826.7      |
| Receivables from Parents                  | -          | -           | -        | -           | 795.7      | -            | 795.7        |
| Inventories                               | -          | -           | -        | -           | 894.6      | -            | 894.6        |
| Intercompany receivables                  | -          | 1,470.6     | 1,342.1  | 90.8        | 21,898.3   | (24,801.8 )  | -            |
| Current assets held for sale              | -          | -           | -        | -           | 7.3        | -            | 7.3          |
| Prepaid expenses and other current assets | -          | -           | 17.4     | 92.8        | 690.4      | -            | 800.6        |
| Total current assets                      | 0.1        | 1,572.5     | 1,359.6  | 183.6       | 28,218.8   | (24,801.8 )  | 6,532.8      |
| Property, plant and equipment, net        | -          | -           | -        | -           | 1,756.6    | -            | 1,756.6      |
| Investments and other assets              | -          | -           | -        | -           | 302.8      | -            | 302.8        |
| Investment in subsidiaries                | 77,936.8   | 85,745.4    | -        | 108,888.9   | -          | (272,571.1 ) | -            |
| Non current intercompany receivables      | -          | 31,850.9    | 17,407.2 | -           | 27,556.9   | (76,815.0 )  | -            |
| Non current receivables from Parents      | -          | 3,463.3     | -        | -           | 5,583.5    | -            | 9,046.8      |
| Non current assets held for sale          | -          | -           | -        | -           | 169.7      | -            | 169.7        |

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|                                                      |            |             |            |             |             |               |             |
|------------------------------------------------------|------------|-------------|------------|-------------|-------------|---------------|-------------|
| Deferred tax assets                                  | -          | -           | -          | -           | 989.4       | -             | 989.4       |
| Product rights and other intangibles                 | -          | -           | -          | -           | 48,127.4    | -             | 48,127.4    |
| Goodwill                                             | -          | -           | -          | -           | 49,456.4    | -             | 49,456.4    |
| Total assets                                         | \$77,936.9 | \$122,632.1 | \$18,766.8 | \$109,072.5 | \$162,161.5 | \$(374,187.9) | \$116,381.9 |
| <b>LIABILITIES AND EQUITY</b>                        |            |             |            |             |             |               |             |
| <b>Current liabilities:</b>                          |            |             |            |             |             |               |             |
| Accounts payable and accrued expenses                | -          | -           | 75.0       | 111.6       | 4,506.6     | -             | 4,693.2     |
| Intercompany payables                                | -          | 11,298.1    | 0.3        | 10,599.9    | 2,903.5     | (24,801.8)    | -           |
| Payables to Parents                                  | -          | -           | -          | -           | 2,430.2     | -             | 2,430.2     |
| Income taxes payable                                 | -          | -           | -          | -           | 185.6       | -             | 185.6       |
| Current portion of long-term debt and capital leases | -          | -           | 1,283.3    | -           | 68.3        | -             | 1,351.6     |
| Total current liabilities                            | -          | 11,298.1    | 1,358.6    | 10,711.5    | 10,094.2    | (24,801.8)    | 8,660.6     |
| Long-term debt and capital leases                    | -          | -           | 17,407.2   | 2,134.8     | 2,689.8     | -             | 22,231.8    |
| Other long-term liabilities                          | -          | 0.2         | -          | -           | 751.9       | -             | 752.1       |
| Long-term intercompany payables                      | -          | 26,519.9    | -          | 1,037.0     | 49,258.1    | (76,815.0)    | -           |
| Other taxes payable                                  | -          | -           | -          | -           | 1,575.1     | -             | 1,575.1     |
| Deferred tax liabilities                             | -          | 0.2         | -          | -           | 5,225.2     | -             | 5,225.4     |
| Total liabilities                                    | -          | 37,818.4    | 18,765.8   | 13,883.3    | 69,594.3    | (101,616.8)   | 38,445.0    |
| Total equity / (deficit)                             | 77,936.9   | 84,813.7    | 1.0        | 95,189.2    | 92,567.2    | (272,571.1)   | 77,936.9    |
| Total liabilities and equity                         | \$77,936.9 | \$122,632.1 | \$18,766.8 | \$109,072.5 | \$162,161.5 | \$(374,187.9) | \$116,381.9 |

Warner Chilcott Limited

Consolidating Balance Sheets

As of December 31, 2017

(\$ in millions)

|                                           | Warner<br>Chilcott<br>Limited<br>(Parent<br>Guarantor) | Allergan<br>Capital<br>S.a.r.l.<br>(Guarantor) | Allergan<br>Funding<br>SCS<br>(Issuer) | Allergan<br>Finance,<br>LLC<br>(Issuer and<br>Guarantor) | Non-<br>guarantors | Eliminations | Consolidated<br>Warner<br>Chilcott<br>Limited |
|-------------------------------------------|--------------------------------------------------------|------------------------------------------------|----------------------------------------|----------------------------------------------------------|--------------------|--------------|-----------------------------------------------|
| <b>ASSETS</b>                             |                                                        |                                                |                                        |                                                          |                    |              |                                               |
| Current assets:                           |                                                        |                                                |                                        |                                                          |                    |              |                                               |
| Cash and cash equivalents                 | \$0.1                                                  | \$593.1                                        | \$0.1                                  | \$-                                                      | \$1,223.0          | \$-          | \$1,816.3                                     |
| Marketable securities                     | -                                                      | 400.2                                          | -                                      | -                                                        | 4,231.9            | -            | 4,632.1                                       |
| Accounts receivable, net                  | -                                                      | -                                              | -                                      | -                                                        | 2,899.0            | -            | 2,899.0                                       |
| Receivables from Parents                  | -                                                      | 4,223.5                                        | -                                      | -                                                        | 1,573.9            | -            | 5,797.4                                       |
| Inventories                               | -                                                      | -                                              | -                                      | -                                                        | 904.5              | -            | 904.5                                         |
| Intercompany receivables                  | -                                                      | 8,118.7                                        | 5,507.6                                | 19.6                                                     | 25,417.0           | (39,062.9 )  | -                                             |
| Prepaid expenses and other current assets | -                                                      | -                                              | -                                      | 85.0                                                     | 1,038.0            | -            | 1,123.0                                       |
| Total current assets                      | 0.1                                                    | 13,335.5                                       | 5,507.7                                | 104.6                                                    | 37,287.3           | (39,062.9 )  | 17,172.3                                      |
| Property, plant and equipment, net        | -                                                      | -                                              | -                                      | -                                                        | 1,785.4            | -            | 1,785.4                                       |
| Investments and other assets              | -                                                      | -                                              | -                                      | -                                                        | 267.9              | -            | 267.9                                         |
| Investment in subsidiaries                | 81,282.1                                               | 87,583.9                                       | -                                      | 109,169.8                                                | -                  | (278,035.8 ) | -                                             |
| Non current intercompany receivables      | -                                                      | 27,518.7                                       | 20,985.0                               | -                                                        | 30,544.0           | (79,047.7 )  | -                                             |
| Non current receivables from Parents      | -                                                      | -                                              | -                                      | -                                                        | 3,964.0            | -            | 3,964.0                                       |
| Non current assets held for sale          | -                                                      | -                                              | -                                      | -                                                        | 81.6               | -            | 81.6                                          |
| Deferred tax assets                       | -                                                      | -                                              | -                                      | -                                                        | 316.0              | -            | 316.0                                         |
|                                           | -                                                      | -                                              | -                                      | -                                                        | 54,648.3           | -            | 54,648.3                                      |

Product rights and  
other intangibles

|              |             |              |             |              |              |                 |              |
|--------------|-------------|--------------|-------------|--------------|--------------|-----------------|--------------|
| Goodwill     | -           | -            | -           | -            | 49,862.9     | -               | 49,862.9     |
| Total assets | \$ 81,282.2 | \$ 128,438.1 | \$ 26,492.7 | \$ 109,274.4 | \$ 178,757.4 | \$ (396,146.4 ) | \$ 128,098.4 |

## LIABILITIES AND EQUITY

Current liabilities:

|                                          |   |          |         |          |          |             |         |
|------------------------------------------|---|----------|---------|----------|----------|-------------|---------|
| Accounts payable and<br>accrued expenses | - | 0.6      | 202.9   | 89.3     | 5,222.8  | -           | 5,515.6 |
| Intercompany payables                    | - | 12,186.2 | 1,828.5 | 11,402.3 | 13,645.9 | (39,062.9 ) | -       |
| Payables to Parents                      | - | -        | -       | -        | 2,340.6  | -           | 2,340.6 |
| Income taxes payable                     | - | -        | -       | -        | 74.9     | -           | 74.9    |

|                                                            |   |          |         |          |          |             |          |
|------------------------------------------------------------|---|----------|---------|----------|----------|-------------|----------|
| Current portion of<br>long-term debt and<br>capital leases | - | -        | 3,475.4 | -        | 756.4    | -           | 4,231.8  |
| Total current liabilities                                  | - | 12,186.8 | 5,506.8 | 11,491.6 | 22,040.6 | (39,062.9 ) | 12,162.9 |

|                                      |   |   |          |         |         |   |          |
|--------------------------------------|---|---|----------|---------|---------|---|----------|
| Long-term debt and<br>capital leases | - | - | 20,985.0 | 2,130.1 | 2,728.4 | - | 25,843.5 |
|--------------------------------------|---|---|----------|---------|---------|---|----------|

|                                |   |     |   |   |       |   |       |
|--------------------------------|---|-----|---|---|-------|---|-------|
| Other long-term<br>liabilities | - | 0.2 | - | - | 886.7 | - | 886.9 |
|--------------------------------|---|-----|---|---|-------|---|-------|

|                                    |   |          |   |       |          |             |   |
|------------------------------------|---|----------|---|-------|----------|-------------|---|
| Long-term<br>intercompany payables | - | 30,395.0 | - | 149.0 | 48,503.7 | (79,047.7 ) | - |
|------------------------------------|---|----------|---|-------|----------|-------------|---|

|                     |   |   |   |   |         |   |         |
|---------------------|---|---|---|---|---------|---|---------|
| Other taxes payable | - | - | - | - | 1,573.5 | - | 1,573.5 |
|---------------------|---|---|---|---|---------|---|---------|

|                          |   |     |   |   |         |   |         |
|--------------------------|---|-----|---|---|---------|---|---------|
| Deferred tax liabilities | - | 0.2 | - | - | 6,349.2 | - | 6,349.4 |
|--------------------------|---|-----|---|---|---------|---|---------|

|                   |   |          |          |          |          |              |          |
|-------------------|---|----------|----------|----------|----------|--------------|----------|
| Total liabilities | - | 42,582.2 | 26,491.8 | 13,770.7 | 82,082.1 | (118,110.6 ) | 46,816.2 |
|-------------------|---|----------|----------|----------|----------|--------------|----------|

|                          |          |          |     |          |          |              |          |
|--------------------------|----------|----------|-----|----------|----------|--------------|----------|
| Total equity / (deficit) | 81,282.2 | 85,855.9 | 0.9 | 95,503.7 | 96,675.3 | (278,035.8 ) | 81,282.2 |
|--------------------------|----------|----------|-----|----------|----------|--------------|----------|

|                                 |             |              |             |              |              |                 |              |
|---------------------------------|-------------|--------------|-------------|--------------|--------------|-----------------|--------------|
| Total liabilities and<br>equity | \$ 81,282.2 | \$ 128,438.1 | \$ 26,492.7 | \$ 109,274.4 | \$ 178,757.4 | \$ (396,146.4 ) | \$ 128,098.4 |
|---------------------------------|-------------|--------------|-------------|--------------|--------------|-----------------|--------------|

Warner Chilcott Limited

Consolidating Statements of Operations

For the Three Months Ended September 30, 2018

(Unaudited; in millions)

|                                                                                                                           | Warner<br>Chilcott<br>Limited<br>(Parent<br>Guarantor) | Allergan<br>Capital<br>S.a.r.l.<br>(Guarantor) | Allergan<br>Funding<br>SCS<br>(Issuer) | Allergan<br>Finance,<br>LLC<br>(Issuer<br>and<br>Guarantor) | Non-<br>guarantors | Eliminations | Consolidated<br>Warner<br>Chilcott<br>Limited |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|----------------------------------------|-------------------------------------------------------------|--------------------|--------------|-----------------------------------------------|
| Net revenues                                                                                                              | \$ -                                                   | \$ -                                           | \$ -                                   | \$ -                                                        | \$ 3,911.4         | \$ -         | \$ 3,911.4                                    |
| Operating expenses:                                                                                                       |                                                        |                                                |                                        |                                                             |                    |              |                                               |
| Cost of sales (excludes<br>amortization and<br><br>impairment of acquired<br>intangibles including<br><br>product rights) | -                                                      | -                                              | -                                      | -                                                           | 596.8              | -            | 596.8                                         |
| Research and development                                                                                                  | -                                                      | -                                              | -                                      | -                                                           | 424.2              | -            | 424.2                                         |
| Selling and marketing                                                                                                     | -                                                      | -                                              | -                                      | -                                                           | 755.6              | -            | 755.6                                         |
| General and administrative                                                                                                | -                                                      | -                                              | 0.1                                    | -                                                           | 272.3              | -            | 272.4                                         |
| Amortization                                                                                                              | -                                                      | -                                              | -                                      | -                                                           | 1,588.5            | -            | 1,588.5                                       |
| In-process research and<br>development<br><br>impairments                                                                 | -                                                      | -                                              | -                                      | -                                                           | -                  | -            | -                                             |
| Asset sales and impairments, net                                                                                          | -                                                      | -                                              | -                                      | -                                                           | (0.4 )             | -            | (0.4 )                                        |
| Total operating expenses                                                                                                  | -                                                      | -                                              | 0.1                                    | -                                                           | 3,637.0            | -            | 3,637.1                                       |
| Operating (loss) / income                                                                                                 | -                                                      | -                                              | (0.1 )                                 | -                                                           | 274.4              | -            | 274.3                                         |
| Interest income / (expense), net                                                                                          | -                                                      | 269.9                                          | 7.7                                    | (20.7 )                                                     | (400.0 )           | -            | (143.1 )                                      |
| Other (expense) / income, net                                                                                             | -                                                      | -                                              | (7.5 )                                 | -                                                           | 137.5              | -            | 130.0                                         |
| Total other income / (expense), net                                                                                       | -                                                      | 269.9                                          | 0.2                                    | (20.7 )                                                     | (262.5 )           | -            | (13.1 )                                       |
| Income / (loss) before income taxes<br>and<br><br>noncontrolling interest                                                 | -                                                      | 269.9                                          | 0.1                                    | (20.7 )                                                     | 11.9               | -            | 261.2                                         |

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|                                                     |            |         |        |             |            |          |            |
|-----------------------------------------------------|------------|---------|--------|-------------|------------|----------|------------|
| (Benefit) / provision for income taxes              | -          | -       | -      | (12.4 )     | 220.7      | -        | 208.3      |
| (Earnings) / losses of equity interest subsidiaries | (51.3 )    | 243.5   | -      | (142.8 )    | -          | (49.4 )  | -          |
| Net income / (loss) from continuing operations,     |            |         |        |             |            |          |            |
| net of tax                                          | \$ 51.3    | \$ 26.4 | \$ 0.1 | \$ 134.5    | \$(208.8 ) | \$ 49.4  | \$ 52.9    |
| (Loss) from discontinued operations, net of tax     | -          | -       | -      | -           | -          | -        | -          |
| Net income / (loss)                                 | \$ 51.3    | \$ 26.4 | \$ 0.1 | \$ 134.5    | \$(208.8 ) | \$ 49.4  | \$ 52.9    |
| (Income) attributable to noncontrolling interest    | -          | -       | -      | -           | (1.6 )     | -        | (1.6 )     |
| Net income / (loss) attributable to members         | \$ 51.3    | \$ 26.4 | \$ 0.1 | \$ 134.5    | \$(210.4 ) | \$ 49.4  | \$ 51.3    |
| Other comprehensive (loss) / income, net of tax     | (88.7 )    | 35.3    | -      | (357.1 )    | (88.7 )    | 410.5    | (88.7 )    |
| Comprehensive (loss) / income attributable to       |            |         |        |             |            |          |            |
| members                                             | \$ (37.4 ) | \$ 61.7 | \$ 0.1 | \$ (222.6 ) | \$(299.1 ) | \$ 459.9 | \$ (37.4 ) |

Warner Chilcott Limited

Consolidating Statements of Operations

For the Nine Months Ended September 30, 2018

(Unaudited; in millions)

|                                                                                                                   | Warner<br>Chilcott<br>Limited<br>(Parent<br>Guarantor) | Allergan<br>Capital<br>S.a.r.l.<br>(Guarantor) | Allergan<br>Funding<br>SCS<br>(Issuer) | Allergan<br>Finance,<br>LLC<br>(Issuer<br>and<br>Non-<br>guarantors) | Eliminations | Consolidated<br>Warner<br>Chilcott<br>Limited |
|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|----------------------------------------|----------------------------------------------------------------------|--------------|-----------------------------------------------|
| Net revenues                                                                                                      | \$ -                                                   | \$ -                                           | \$ -                                   | \$ -                                                                 | \$ 11,707.7  | \$ 11,707.7                                   |
| Operating expenses:                                                                                               |                                                        |                                                |                                        |                                                                      |              |                                               |
| Cost of sales (excludes<br>amortization and<br>impairment of acquired<br>intangibles including<br>product rights) | -                                                      | -                                              | -                                      | -                                                                    | 1,601.4      | 1,601.4                                       |
| Research and development                                                                                          | -                                                      | -                                              | -                                      | -                                                                    | 1,588.1      | 1,588.1                                       |
| Selling and marketing                                                                                             | -                                                      | -                                              | -                                      | -                                                                    | 2,409.0      | 2,409.0                                       |
| General and administrative                                                                                        | -                                                      | -                                              | 0.6                                    | -                                                                    | 865.4        | 866.0                                         |
| Amortization                                                                                                      | -                                                      | -                                              | -                                      | -                                                                    | 4,983.2      | 4,983.2                                       |
| In-process research and<br>development<br>impairments                                                             | -                                                      | -                                              | -                                      | -                                                                    | 798.0        | 798.0                                         |
| Asset sales and impairments,<br>net                                                                               | -                                                      | -                                              | -                                      | -                                                                    | 272.3        | 272.3                                         |
| Total operating expenses                                                                                          | -                                                      | -                                              | 0.6                                    | -                                                                    | 12,517.4     | 12,518.0                                      |
| Operating (loss)                                                                                                  | -                                                      | -                                              | (0.6 )                                 | -                                                                    | (809.7 )     | (810.3 )                                      |
| Interest income / (expense), net                                                                                  | -                                                      | 796.3                                          | (0.7 )                                 | (62.6 )                                                              | (1,214.6 )   | (481.6 )                                      |
| Other income, net                                                                                                 | -                                                      | -                                              | 1.7                                    | -                                                                    | 264.9        | 266.6                                         |
| Total other income / (expense),<br>net                                                                            | -                                                      | 796.3                                          | 1.0                                    | (62.6 )                                                              | (949.7 )     | (215.0 )                                      |
| Income / (loss) before income<br>taxes and                                                                        | -                                                      | 796.3                                          | 0.4                                    | (62.6 )                                                              | (1,759.4 )   | (1,025.3 )                                    |

|                                                     |             |               |        |             |               |            |             |
|-----------------------------------------------------|-------------|---------------|--------|-------------|---------------|------------|-------------|
| noncontrolling interest                             |             |               |        |             |               |            |             |
| Provision / (benefit) for income taxes              | -           | -             | 0.3    | (29.0 )     | (450.4 )      | -          | (479.1 )    |
| Losses / (earnings) of equity interest subsidiaries | 552.4       | 1,445.0       | -      | (648.4 )    | -             | (1,349.0 ) | -           |
| Net (loss) / income from continuing operations,     |             |               |        |             |               |            |             |
| net of tax                                          | \$ (552.4 ) | \$ (648.7 )   | \$ 0.1 | \$ 614.8    | \$ (1,309.0 ) | \$ 1,349.0 | \$ (546.2 ) |
| (Loss) from discontinued operations, net of tax     | -           | -             | -      | -           | -             | -          | -           |
| Net (loss) / income                                 | \$ (552.4 ) | \$ (648.7 )   | \$ 0.1 | \$ 614.8    | \$ (1,309.0 ) | \$ 1,349.0 | \$ (546.2 ) |
| (Income) attributable to noncontrolling interest    | -           | -             | -      | -           | (6.2 )        | -          | (6.2 )      |
| Net (loss) / income attributable to members         | \$ (552.4 ) | \$ (648.7 )   | \$ 0.1 | \$ 614.8    | \$ (1,315.2 ) | \$ 1,349.0 | \$ (552.4 ) |
| Other comprehensive (loss) / income, net of tax     | (416.5 )    | (393.5 )      | -      | (929.3 )    | (416.5 )      | 1,739.3    | (416.5 )    |
| Comprehensive (loss) / income attributable to       |             |               |        |             |               |            |             |
| members                                             | \$ (968.9 ) | \$ (1,042.2 ) | \$ 0.1 | \$ (314.5 ) | \$ (1,731.7 ) | \$ 3,088.3 | \$ (968.9 ) |

Warner Chilcott Limited

Consolidating Statements of Operations

For the Three Months Ended September 30, 2017

(Unaudited; in millions)

|                                                                                                                           | Warner<br>Chilcott<br>Limited<br>(Parent<br>Guarantor) | Allergan<br>Capital<br>S.a.r.l.<br>(Guarantor) | Allergan<br>Funding<br>SCS<br>(Issuer) | Allergan<br>Finance,<br>LLC<br>(Issuer<br>and<br>Non-<br>guarantors) | Eliminations | Consolidated<br>Warner<br>Chilcott<br>Limited |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|----------------------------------------|----------------------------------------------------------------------|--------------|-----------------------------------------------|
| Net revenues                                                                                                              | \$ -                                                   | \$ -                                           | \$ -                                   | \$ -                                                                 | \$4,034.3    | \$4,034.3                                     |
| Operating expenses:                                                                                                       |                                                        |                                                |                                        |                                                                      |              |                                               |
| Cost of sales (excludes<br>amortization and<br><br>impairment of acquired<br>intangibles including<br><br>product rights) | -                                                      | -                                              | -                                      | -                                                                    | 586.5        | 586.5                                         |
| Research and development                                                                                                  | -                                                      | -                                              | -                                      | -                                                                    | 442.6        | 442.6                                         |
| Selling and marketing                                                                                                     | -                                                      | -                                              | -                                      | -                                                                    | 832.8        | 832.8                                         |
| General and administrative                                                                                                | -                                                      | -                                              | (0.9 )                                 | -                                                                    | 278.1        | 277.2                                         |
| Amortization                                                                                                              | -                                                      | -                                              | -                                      | -                                                                    | 1,781.0      | 1,781.0                                       |
| In-process research and<br>development<br><br>impairments                                                                 | -                                                      | -                                              | -                                      | -                                                                    | 202.0        | 202.0                                         |
| Asset sales and impairments,<br>net                                                                                       | -                                                      | -                                              | -                                      | -                                                                    | 3,874.8      | 3,874.8                                       |
| Total operating expenses                                                                                                  | -                                                      | -                                              | (0.9 )                                 | -                                                                    | 7,997.8      | 7,996.9                                       |
| Operating income / (loss)                                                                                                 | -                                                      | -                                              | 0.9                                    | -                                                                    | (3,963.5 )   | (3,962.6 )                                    |
| Interest income / (expense),<br>net                                                                                       | -                                                      | 193.6                                          | 52.5                                   | (26.3 )                                                              | (447.1 )     | (227.3 )                                      |
| Other (expense), net                                                                                                      | -                                                      | -                                              | -                                      | -                                                                    | (1,310.3 )   | (1,310.3 )                                    |
| Total other income /<br>(expense), net                                                                                    | -                                                      | 193.6                                          | 52.5                                   | (26.3 )                                                              | (1,757.4 )   | (1,537.6 )                                    |
|                                                                                                                           | -                                                      | 193.6                                          | 53.4                                   | (26.3 )                                                              | (5,720.9 )   | (5,500.2 )                                    |

|                                                                 |              |              |         |              |              |             |              |
|-----------------------------------------------------------------|--------------|--------------|---------|--------------|--------------|-------------|--------------|
| Income / (loss) before income taxes and noncontrolling interest |              |              |         |              |              |             |              |
| Provision / (benefit) for income taxes                          | -            | -            | 0.3     | (14.4 )      | (1,624.7 )   | -           | (1,638.8 )   |
| Losses / (earnings) of equity interest subsidiaries             | 3,869.2      | 4,086.9      | -       | 4,399.6      | -            | (12,355.7 ) | -            |
| Net (loss) / income from continuing operations,                 |              |              |         |              |              |             |              |
| net of tax                                                      | \$(3,869.2 ) | \$(3,893.3 ) | \$ 53.1 | \$(4,411.5 ) | \$(4,096.2 ) | \$ 12,355.7 | \$(3,861.4 ) |
| (Loss) from discontinued operations, net of tax                 | -            | -            | -       | -            | (6.1 )       | -           | (6.1 )       |
| Net (loss) / income                                             | \$(3,869.2 ) | \$(3,893.3 ) | \$ 53.1 | \$(4,411.5 ) | \$(4,102.3 ) | \$ 12,355.7 | \$(3,867.5 ) |
| (Income) attributable to noncontrolling interest                | -            | -            | -       | -            | (1.7 )       | -           | (1.7 )       |
| Net (loss) / income attributable to members                     | \$(3,869.2 ) | \$(3,893.3 ) | \$ 53.1 | \$(4,411.5 ) | \$(4,104.0 ) | \$ 12,355.7 | \$(3,869.2 ) |
| Other comprehensive income / (loss), net of tax                 | 86.2         | 179.4        | -       | 427.0        | 86.2         | (692.6 )    | 86.2         |
| Comprehensive (loss) / income attributable to members           | \$(3,783.0 ) | \$(3,713.9 ) | \$ 53.1 | \$(3,984.5 ) | \$(4,017.8 ) | \$ 11,663.1 | \$(3,783.0 ) |

Warner Chilcott Limited

Consolidating Statements of Operations

For the Nine Months Ended September 30, 2017

(Unaudited; in millions)

|                                                                                                                           | Warner<br>Chilcott<br>Limited<br>(Parent<br>Guarantor) | Allergan<br>Capital<br>S.a.r.l.<br>(Guarantor) | Allergan<br>Funding<br>SCS<br>(Issuer) | Allergan<br>Finance,<br>LLC<br>(Issuer<br>and<br>Guarantor) | Non-<br>guarantors | Eliminations | Consolidated<br>Warner<br>Chilcott<br>Limited |
|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|----------------------------------------|-------------------------------------------------------------|--------------------|--------------|-----------------------------------------------|
| Net revenues                                                                                                              | \$ -                                                   | \$ -                                           | \$ -                                   | \$ -                                                        | \$ 11,614.6        | \$ -         | \$ 11,614.6                                   |
| Operating expenses:                                                                                                       |                                                        |                                                |                                        |                                                             |                    |              |                                               |
| Cost of sales (excludes<br>amortization and<br><br>impairment of acquired<br>intangibles including<br><br>product rights) | -                                                      | -                                              | -                                      | -                                                           | 1,587.1            | -            | 1,587.1                                       |
| Research and development                                                                                                  | -                                                      | -                                              | -                                      | -                                                           | 1,691.9            | -            | 1,691.9                                       |
| Selling and marketing                                                                                                     | -                                                      | -                                              | -                                      | -                                                           | 2,637.1            | -            | 2,637.1                                       |
| General and administrative                                                                                                | -                                                      | -                                              | 9.2                                    | 1.1                                                         | 1,028.9            | -            | 1,039.2                                       |
| Amortization                                                                                                              | -                                                      | -                                              | -                                      | -                                                           | 5,274.9            | -            | 5,274.9                                       |
| In-process research and<br>development<br>impairments                                                                     | -                                                      | -                                              | -                                      | -                                                           | 1,245.3            | -            | 1,245.3                                       |
| Asset sales and<br>impairments, net                                                                                       | -                                                      | -                                              | -                                      | -                                                           | 3,896.2            | -            | 3,896.2                                       |
| Total operating expenses                                                                                                  | -                                                      | -                                              | 9.2                                    | 1.1                                                         | 17,361.4           | -            | 17,371.7                                      |
| Operating (loss)                                                                                                          | -                                                      | -                                              | (9.2 )                                 | (1.1 )                                                      | (5,746.8 )         | -            | (5,757.1 )                                    |
| Interest income / (expense),<br>net                                                                                       | -                                                      | 721.7                                          | 117.3                                  | (104.3 )                                                    | (1,440.5 )         | -            | (705.8 )                                      |
| Other (expense), net                                                                                                      | -                                                      | -                                              | (110.4 )                               | (39.9 )                                                     | (3,216.3 )         | -            | (3,366.6 )                                    |
| Total other income /<br>(expense), net                                                                                    | -                                                      | 721.7                                          | 6.9                                    | (144.2 )                                                    | (4,656.8 )         | -            | (4,072.4 )                                    |
|                                                                                                                           | -                                                      | 721.7                                          | (2.3 )                                 | (145.3 )                                                    | (10,403.6 )        | -            | (9,829.5 )                                    |

|                                                                       |              |              |          |              |              |             |              |  |
|-----------------------------------------------------------------------|--------------|--------------|----------|--------------|--------------|-------------|--------------|--|
| Income / (loss) before<br>income taxes and<br>noncontrolling interest |              |              |          |              |              |             |              |  |
| (Benefit) / provision for<br>income taxes                             | -            | (0.2 )       | 0.3      | (73.4 )      | (2,678.8 )   | -           | (2,752.1 )   |  |
| Losses / (earnings) of<br>equity interest subsidiaries                | 7,099.7      | 7,869.3      | -        | 6,625.4      | -            | (21,594.4 ) | -            |  |
| Net (loss) / income from<br>continuing operations,<br>net of tax      | \$(7,099.7 ) | \$(7,147.4 ) | \$(2.6 ) | \$(6,697.3 ) | \$(7,724.8 ) | \$21,594.4  | \$(7,077.4 ) |  |
| (Loss) from discontinued<br>operations, net of tax                    | -            | -            | -        | -            | (17.6 )      | -           | (17.6 )      |  |
| Net (loss) / income                                                   | \$(7,099.7 ) | \$(7,147.4 ) | \$(2.6 ) | \$(6,697.3 ) | \$(7,742.4 ) | \$21,594.4  | \$(7,095.0 ) |  |
| (Income) attributable to<br>noncontrolling interest                   | -            | -            | -        | -            | (4.7 )       | -           | (4.7 )       |  |
| Net (loss) / income<br>attributable to members                        | \$(7,099.7 ) | \$(7,147.4 ) | \$(2.6 ) | \$(6,697.3 ) | \$(7,747.1 ) | \$21,594.4  | \$(7,099.7 ) |  |
| Other comprehensive<br>income / (loss), net of tax                    | 2,749.6      | 2,900.0      | -        | 4,220.6      | 2,749.6      | (9,870.2 )  | 2,749.6      |  |
| Comprehensive (loss) /<br>income attributable to<br>members           | \$(4,350.1 ) | \$(4,247.4 ) | \$(2.6 ) | \$(2,476.7 ) | \$(4,997.5 ) | \$11,724.2  | \$(4,350.1 ) |  |

Warner Chilcott Limited

Consolidating Statements of Cash Flows

For the Nine Months Ended September 30, 2018

(Unaudited; in millions)

|                                                                          | Warner<br>Chilcott<br>Limited<br>(Parent<br>Guarantor) | Allergan<br>Capital<br>S.a.r.l.<br>(Guarantor) | Allergan<br>Funding<br>SCS<br>(Issuer) | Allergan<br>Finance,<br>LLC<br>(Issuer<br>and<br>Guarantor) | Non-<br>guarantors | Eliminations | Consolidated<br>Warner<br>Chilcott<br>Limited |
|--------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|----------------------------------------|-------------------------------------------------------------|--------------------|--------------|-----------------------------------------------|
| Cash Flows From Operating Activities:                                    |                                                        |                                                |                                        |                                                             |                    |              |                                               |
| Net (loss) / income                                                      | \$ (552.4 )                                            | \$ (648.7 )                                    | \$ 0.1                                 | \$ 614.8                                                    | \$ (1,309.0 )      | \$ 1,349.0   | \$ (546.2 )                                   |
| Reconciliation to net cash provided by / (used in) operating activities: |                                                        |                                                |                                        |                                                             |                    |              |                                               |
| Losses / (earnings) of equity interest subsidiaries                      | 552.4                                                  | 1,445.0                                        | -                                      | (648.4 )                                                    | -                  | (1,349.0 )   | -                                             |
| Depreciation                                                             | -                                                      | -                                              | -                                      | -                                                           | 149.7              | -            | 149.7                                         |
| Amortization                                                             | -                                                      | -                                              | -                                      | -                                                           | 4,983.2            | -            | 4,983.2                                       |
| Provision for inventory reserve                                          | -                                                      | -                                              | -                                      | -                                                           | 74.9               | -            | 74.9                                          |
| Share-based compensation                                                 | -                                                      | -                                              | -                                      | -                                                           | 185.2              | -            | 185.2                                         |
| Deferred income tax benefit                                              | -                                                      | -                                              | -                                      | -                                                           | (1,362.8 )         | -            | (1,362.8 )                                    |
| In-process research and development impairments                          | -                                                      | -                                              | -                                      | -                                                           | 798.0              | -            | 798.0                                         |
| Loss on asset sales and impairments, net                                 | -                                                      | -                                              | -                                      | -                                                           | 272.3              | -            | 272.3                                         |
| Gain on sale of Teva securities, net                                     | -                                                      | -                                              | -                                      | -                                                           | (60.9 )            | -            | (60.9 )                                       |
| Gain on sale of business                                                 | -                                                      | -                                              | -                                      | -                                                           | (182.6 )           | -            | (182.6 )                                      |
| Non-cash extinguishment of debt                                          | -                                                      | -                                              | 17.4                                   | -                                                           | -                  | -            | 17.4                                          |
| Cash (discount) related to extinguishment of debt                        | -                                                      | -                                              | (18.2 )                                | -                                                           | -                  | -            | (18.2 )                                       |
| Amortization of deferred financing costs                                 | -                                                      | -                                              | 16.2                                   | 1.2                                                         | -                  | -            | 17.4                                          |
|                                                                          | -                                                      | -                                              | -                                      | -                                                           | (113.1 )           | -            | (113.1 )                                      |

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|                                                                               |            |            |           |        |            |            |            |
|-------------------------------------------------------------------------------|------------|------------|-----------|--------|------------|------------|------------|
| Contingent consideration adjustments, including accretion                     |            |            |           |        |            |            |            |
| Dividends from subsidiaries                                                   | 2,798.2    | -          | -         | -      | -          | (2,798.2 ) | -          |
| Other, net                                                                    | -          | -          | (4.2 )    | (1.3 ) | 6.0        | -          | 0.5        |
| Changes in assets and liabilities (net of effects of acquisitions)            | -          | (1,687.5 ) | 5,693.7   | 33.7   | (4,049.5 ) | -          | (9.6 )     |
| Net cash provided by / (used in) operating activities                         | 2,798.2    | (891.2 )   | 5,705.0   | -      | (608.6 )   | (2,798.2 ) | 4,205.2    |
| Cash Flows From Investing Activities:                                         |            |            |           |        |            |            |            |
| Additions to property, plant and equipment                                    | -          | -          | -         | -      | (165.1 )   | -          | (165.1 )   |
| Additions to investments                                                      | -          | (400.0 )   | -         | -      | (1,056.4 ) | -          | (1,456.4 ) |
| Proceeds from sale of investments and other assets                            | -          | 800.0      | -         | -      | 5,401.3    | -          | 6,201.3    |
| Payments to settle Teva related matters                                       | -          | -          | -         | -      | (466.0 )   | -          | (466.0 )   |
| Proceeds from sales of property, plant and equipment                          | -          | -          | -         | -      | 24.6       | -          | 24.6       |
| Net cash provided by investing activities                                     | -          | 400.0      | -         | -      | 3,738.4    | -          | 4,138.4    |
| Cash Flows From Financing Activities:                                         |            |            |           |        |            |            |            |
| Proceeds from borrowings of long-term indebtedness, including credit facility | -          | 700.0      | -         | -      | 17.2       | -          | 717.2      |
| Proceeds from forward sale of Teva securities                                 | -          | -          | -         | -      | 465.5      | -          | 465.5      |
| Payments on debt, including capital lease obligations and credit facility     | -          | (700.0 )   | (5,705.0) | -      | (710.9 )   | -          | (7,115.9 ) |
| Payments of contingent consideration and other financing                      | -          | -          | -         | -      | (21.7 )    | -          | (21.7 )    |
| Payments to settle Teva related matters                                       | -          | -          | -         | -      | (234.0 )   | -          | (234.0 )   |
| Dividends to Parents                                                          | (2,798.2 ) | -          | -         | -      | (2,798.2 ) | 2,798.2    | (2,798.2 ) |
| Net cash (used in) / provided by financing                                    | (2,798.2 ) | -          | (5,705.0) | -      | (3,282.1 ) | 2,798.2    | (8,987.1 ) |

|                                                  |        |          |        |      |            |      |            |
|--------------------------------------------------|--------|----------|--------|------|------------|------|------------|
| activities                                       |        |          |        |      |            |      |            |
| Effect of currency exchange rate changes on cash |        |          |        |      |            |      |            |
| and cash equivalents                             | -      | -        | -      | -    | 13.1       | -    | 13.1       |
| Net (decrease) in cash and cash equivalents      | -      | (491.2 ) | -      | -    | (139.2 )   | -    | (630.4 )   |
| Cash and cash equivalents at beginning of period | 0.1    | 593.1    | 0.1    | -    | 1,223.0    | -    | 1,816.3    |
| Cash and cash equivalents at end of period       | \$ 0.1 | \$ 101.9 | \$ 0.1 | \$ - | \$ 1,083.8 | \$ - | \$ 1,185.9 |

Warner Chilcott Limited

Consolidating Statements of Cash Flows

For the Nine Months Ended September 30, 2017

(Unaudited; in millions)

|                                                        | Warner<br>Chilcott<br>Limited<br>(Parent<br>Guarantor) | Allergan<br>Capital<br>S.a.r.l.<br>(Guarantor) | Allergan<br>Funding<br>SCS<br>(Issuer) | Allergan<br>Finance,<br>LLC<br>(Issuer<br>and<br>Guarantor) | Non-<br>guarantors | Eliminations | Consolidated<br>Warner<br>Chilcott<br>Limited |
|--------------------------------------------------------|--------------------------------------------------------|------------------------------------------------|----------------------------------------|-------------------------------------------------------------|--------------------|--------------|-----------------------------------------------|
| Cash Flows From<br>Operating Activities:               |                                                        |                                                |                                        |                                                             |                    |              |                                               |
| Net (loss) / income                                    | \$ (7,099.7 )                                          | \$ (7,147.4 )                                  | \$ (2.6 )                              | \$ (6,697.3 )                                               | \$ (7,742.4 )      | \$ 21,594.4  | \$ (7,095.0 )                                 |
| Reconciliation to net cash<br>provided by / (used in)  |                                                        |                                                |                                        |                                                             |                    |              |                                               |
| operating activities:                                  |                                                        |                                                |                                        |                                                             |                    |              |                                               |
| Losses / (earnings) of<br>equity interest subsidiaries | 7,099.7                                                | 7,869.3                                        | -                                      | 6,625.4                                                     | -                  | (21,594.4 )  | -                                             |
| Depreciation                                           | -                                                      | -                                              | -                                      | -                                                           | 123.2              | -            | 123.2                                         |
| Amortization                                           | -                                                      | -                                              | -                                      | -                                                           | 5,274.9            | -            | 5,274.9                                       |
| Provision for inventory<br>reserve                     | -                                                      | -                                              | -                                      | -                                                           | 77.3               | -            | 77.3                                          |
| Share-based compensation                               | -                                                      | -                                              | -                                      | -                                                           | 220.8              | -            | 220.8                                         |
| Deferred income tax benefit                            | -                                                      | -                                              | -                                      | -                                                           | (3,205.3 )         | -            | (3,205.3 )                                    |
| In-process research and<br>development impairments     | -                                                      | -                                              | -                                      | -                                                           | 1,245.3            | -            | 1,245.3                                       |
| Loss on asset sales and<br>impairments, net            | -                                                      | -                                              | -                                      | -                                                           | 3,896.2            | -            | 3,896.2                                       |
| Net income impact of<br>other-than-temporary loss      |                                                        |                                                |                                        |                                                             |                    |              |                                               |
| on investment in Teva<br>securities                    | -                                                      | -                                              | -                                      | -                                                           | 3,273.5            | -            | 3,273.5                                       |
| Amortization of inventory<br>step up                   | -                                                      | -                                              | -                                      | -                                                           | 126.2              | -            | 126.2                                         |
| Non-cash extinguishment<br>of debt                     | -                                                      | -                                              | 17.6                                   | 12.2                                                        | (38.0 )            | -            | (8.2 )                                        |
|                                                        | -                                                      | -                                              | 91.6                                   | 26.1                                                        | 52.8               | -            | 170.5                                         |

|                                                      |       |            |           |            |            |          |            |
|------------------------------------------------------|-------|------------|-----------|------------|------------|----------|------------|
| Cash charge related to extinguishment of debt        |       |            |           |            |            |          |            |
| Amortization of deferred financing costs             | -     | -          | 17.0      | 2.6        | -          | -        | 19.6       |
| Contingent consideration adjustments, including      |       |            |           |            |            |          |            |
| accretion                                            | -     | -          | -         | -          | (51.6 )    | -        | (51.6 )    |
| Dividends from subsidiaries                          | 917.0 | -          | -         | -          | -          | (917.0 ) | -          |
| Other, net                                           | -     | (10.0 )    | -         | -          | (8.2 )     | -        | (18.2 )    |
| Changes in assets and liabilities (net of effects    |       |            |           |            |            |          |            |
| of acquisitions)                                     | -     | (5,072.9 ) | (235.4 )  | 1,800.4    | 3,591.6    | -        | 83.7       |
| Net cash provided by / (used in) operating           |       |            |           |            |            |          |            |
| activities                                           | 917.0 | (4,361.0 ) | (111.8 )  | 1,769.4    | 6,836.3    | (917.0 ) | 4,132.9    |
| Cash Flows From Investing Activities:                |       |            |           |            |            |          |            |
| Additions to property, plant and equipment           | -     | -          | -         | -          | (234.0 )   | -        | (234.0 )   |
| Additions to product rights and other intangibles    | -     | -          | -         | -          | (604.3 )   | -        | (604.3 )   |
| Additions to investments                             | -     | (3,989.6 ) | -         | -          | (4,444.2 ) | -        | (8,433.8 ) |
| Proceeds from sale of investments and other assets   | -     | 7,866.4    | -         | -          | 6,608.0    | -        | 14,474.4   |
| Proceeds from sales of property, plant and equipment | -     | -          | -         | -          | 5.8        | -        | 5.8        |
| Acquisitions of business, net of cash acquired       | -     | -          | -         | -          | (5,290.4 ) | -        | (5,290.4 ) |
| Net cash provided by / (used in) investing           |       |            |           |            |            |          |            |
| activities                                           | -     | 3,876.8    | -         | -          | (3,959.1 ) | -        | (82.3 )    |
| Cash Flows From Financing Activities:                |       |            |           |            |            |          |            |
| Proceeds from borrowings of long-term indebtedness,  |       |            |           |            |            |          |            |
| including credit facility                            | -     | -          | 3,020.9   | -          | 4.1        | -        | 3,025.0    |
| Debt issuance and other financing costs              | -     | -          | (17.5 )   | -          | -          | -        | (17.5 )    |
| Payments on debt, including capital lease            |       |            |           |            |            |          |            |
| obligations and credit facility                      | -     | -          | (2,800.0) | (1,743.3 ) | (1,035.9 ) | -        | (5,579.2 ) |
|                                                      | -     | -          | (91.6 )   | (26.1 )    | (52.8 )    | -        | (170.5 )   |

Cash charge related to  
extinguishment of debt  
Payments of contingent  
consideration and other

|           |   |   |   |   |          |   |          |
|-----------|---|---|---|---|----------|---|----------|
| financing | - | - | - | - | (515.2 ) | - | (515.2 ) |
|-----------|---|---|---|---|----------|---|----------|

|                      |          |   |   |   |          |       |          |
|----------------------|----------|---|---|---|----------|-------|----------|
| Dividends to Parents | (917.0 ) | - | - | - | (917.0 ) | 917.0 | (917.0 ) |
|----------------------|----------|---|---|---|----------|-------|----------|

Net cash (used in) /  
provided by financing

|            |          |   |       |            |            |       |            |
|------------|----------|---|-------|------------|------------|-------|------------|
| activities | (917.0 ) | - | 111.8 | (1,769.4 ) | (2,516.8 ) | 917.0 | (4,174.4 ) |
|------------|----------|---|-------|------------|------------|-------|------------|

Effect of currency exchange  
rate changes on cash

|                      |   |   |   |   |      |   |      |
|----------------------|---|---|---|---|------|---|------|
| and cash equivalents | - | - | - | - | 19.1 | - | 19.1 |
|----------------------|---|---|---|---|------|---|------|

Net (decrease) / increase in  
cash and cash

|             |   |          |   |   |       |   |          |
|-------------|---|----------|---|---|-------|---|----------|
| equivalents | - | (484.2 ) | - | - | 379.5 | - | (104.7 ) |
|-------------|---|----------|---|---|-------|---|----------|

Cash and cash equivalents  
at beginning of period

|  |     |       |   |   |         |   |         |
|--|-----|-------|---|---|---------|---|---------|
|  | 0.1 | 513.9 | - | - | 1,199.2 | - | 1,713.2 |
|--|-----|-------|---|---|---------|---|---------|

Cash and cash equivalents  
at end of period

|  |       |         |     |     |            |     |            |
|--|-------|---------|-----|-----|------------|-----|------------|
|  | \$0.1 | \$ 29.7 | \$- | \$- | \$ 1,578.7 | \$- | \$ 1,608.5 |
|--|-------|---------|-----|-----|------------|-----|------------|

## 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, 2017 (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 (together with other direct or indirect parents of Warner Chilcott Limited, the "Parents"). The results of Warner Chilcott Limited are consolidated into the results of Allergan plc. Due to the de minimis activity between Warner Chilcott Limited and the Parents (including Allergan plc), content throughout this filing relates to both Allergan plc and Warner Chilcott Limited. Warner Chilcott Limited disclosures relate only to itself and not to any other company.

### Recent Business Transactions

The following are the significant transactions that were completed or announced in the nine months ended September 30, 2018.

#### Held for Sale

On October 15, 2018, the Company entered into a definitive asset purchase agreement with Aclaris Therapeutics, Inc. to sell the worldwide rights to Rhofade®. This transaction, which is subject to customary closing conditions, including certain governmental regulatory clearances, is expected to close in the fourth quarter of 2018. Under the terms of the agreement, the purchase price includes an upfront cash payment of \$65.0 million at closing, a potential development milestone payment for an additional dermatology product, and tiered payments based on annual net sales of Rhofade® and the potential additional product with a fair value of approximately \$65.0 million.

#### BonTi, Inc.

On October 24, 2018, the Company acquired BonTi, Inc. ("BonTi"), a privately held clinical-stage biotechnology company focused on the development and commercialization of novel, fast-acting neurotoxin programs for aesthetic and therapeutic applications, for \$195.0 million upfront plus contingent consideration of up to \$90.0 million. This transaction was agreed to in the nine months ended September 30, 2018 and we expect to treat this transaction as an asset acquisition.

#### Almirall, S.A.

On September 20, 2018, the Company completed the sale of five medical dermatology products (Aczone®, Tazorac®, Azelex®, Cordran® Tape and Seysara)™ in the U.S. to Almirall, S.A. Allergan concluded that these assets constituted a business. As part of the sale, the Company received cash consideration of \$550.0 million and is eligible to receive a

contingent payment of up to an additional \$100.0 million in the event that net sales of the divested products in a specified calendar year exceed a sales target, to which no fair value has been ascribed. As a result of this transaction, the Company recorded a net gain of \$129.6 million included as a component of “other income / (expense), net”.

## Elastagen Pty Ltd

On April 6, 2018, the Company completed the acquisition of Elastagen Pty Ltd, which was accounted for as an asset acquisition as the purchase primarily related to one asset. An upfront expense of \$96.1 million was expensed as a component of research and development (“R&D”) during the nine months ended September 30, 2018. Under the terms of the agreement, Elastagen Pty Ltd is eligible to receive additional contingent consideration of up to \$165.0 million.

## Repros Therapeutics, Inc.

On January 31, 2018, the Company completed the acquisition of Repros Therapeutics, Inc., which was accounted for as an asset acquisition as the purchase primarily related to one asset. A net charge of \$33.2 million was expensed as a component of R&D during the nine months ended September 30, 2018.

## Operating Results for the Three and Nine Months Ended September 30, 2018 and 2017

Results of operations, including segment net revenues, segment operating expenses and segment contribution consisted of the following for the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                                                 | Three Months Ended September 30, 2018 |            |               |            |
|-------------------------------------------------|---------------------------------------|------------|---------------|------------|
|                                                 | US Specialized                        |            | General       |            |
|                                                 | Therapeutics                          | Medicine   | International | Total      |
| Net revenues                                    | \$ 1,706.2                            | \$ 1,381.3 | \$ 821.6      | \$ 3,909.1 |
| Operating expenses:                             |                                       |            |               |            |
| Cost of sales <sup>(1)</sup>                    | 143.0                                 | 219.6      | 130.7         | 493.3      |
| Selling and marketing                           | 313.7                                 | 233.2      | 206.0         | 752.9      |
| General and administrative                      | 47.3                                  | 37.7       | 35.1          | 120.1      |
| Segment contribution                            | \$ 1,202.2                            | \$ 890.8   | \$ 449.8      | \$ 2,542.8 |
| Contribution margin                             | 70.5 %                                | 64.5 %     | 54.7 %        | 65.0 %     |
| Corporate <sup>(2)</sup>                        |                                       |            |               | 273.0      |
| Research and development                        |                                       |            |               | 424.2      |
| Amortization                                    |                                       |            |               | 1,588.5    |
| In-process research and development impairments |                                       |            |               | -          |
| Asset sales and impairments, net                |                                       |            |               | (0.4 )     |
| Operating income                                |                                       |            |               | \$ 257.5   |
| Operating margin                                |                                       |            |               | 6.6 %      |

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

<sup>(2)</sup> Corporate includes net revenues of \$2.3 million.

Nine Months Ended September 30, 2018  
US Specialized & General

|                                                 | Therapeutics | Medicine   | International | Total      |
|-------------------------------------------------|--------------|------------|---------------|------------|
| Net revenues                                    | \$5,111.5    | \$ 3,925.0 | \$ 2,634.5    | \$11,671.0 |
| Operating expenses:                             |              |            |               |            |
| Cost of sales <sup>(1)</sup>                    | 425.9        | 604.0      | 391.0         | 1,420.9    |
| Selling and marketing                           | 970.2        | 713.5      | 697.9         | 2,381.6    |
| General and administrative                      | 145.6        | 111.3      | 100.4         | 357.3      |
| Segment contribution                            | \$3,569.8    | \$ 2,496.2 | \$ 1,445.2    | \$7,511.2  |
| Contribution margin                             | 69.8 %       | 63.6 %     | 54.9 %        | 64.4 %     |
| Corporate <sup>(2)</sup>                        |              |            |               | 733.1      |
| Research and development                        |              |            |               | 1,588.1    |
| Amortization                                    |              |            |               | 4,983.2    |
| In-process research and development impairments |              |            |               | 798.0      |
| Asset sales and impairments, net                |              |            |               | 272.3      |
| Operating (loss)                                |              |            |               | \$(863.5 ) |
| Operating margin                                |              |            |               | (7.4 )%    |

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

(2) Corporate includes net revenues of \$36.7 million.

Three Months Ended September 30, 2017  
US Specialized & General

|                                                 | Therapeutics | Medicine   | International | Total       |
|-------------------------------------------------|--------------|------------|---------------|-------------|
| Net revenues                                    | \$1,724.8    | \$ 1,497.4 | \$ 807.8      | \$4,030.0   |
| Operating expenses:                             |              |            |               |             |
| Cost of sales <sup>(1)</sup>                    | 131.4        | 225.5      | 116.3         | 473.2       |
| Selling and marketing                           | 353.5        | 247.7      | 224.8         | 826.0       |
| General and administrative                      | 54.8         | 47.7       | 28.3          | 130.8       |
| Segment contribution                            | \$1,185.1    | \$ 976.5   | \$ 438.4      | \$2,600.0   |
| Contribution margin                             | 68.7 %       | 65.2 %     | 54.3 %        | 64.5 %      |
| Corporate <sup>(2)</sup>                        |              |            |               | 321.9       |
| Research and development                        |              |            |               | 442.6       |
| Amortization                                    |              |            |               | 1,781.0     |
| In-process research and development impairments |              |            |               | 202.0       |
| Asset sales and impairments, net                |              |            |               | 3,874.8     |
| Operating (loss)                                |              |            |               | \$(4,022.3) |
| Operating margin                                |              |            |               | (99.8 )%    |

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

<sup>(2)</sup> Corporate includes net revenues of \$4.3 million.

Nine Months Ended September 30, 2017

US Specialized General

|                                                 | Therapeutics | Medicine   | International | Total        |
|-------------------------------------------------|--------------|------------|---------------|--------------|
| Net revenues                                    | \$4,921.8    | \$ 4,270.9 | \$ 2,403.6    | \$11,596.3   |
| Operating expenses:                             |              |            |               |              |
| Cost of sales <sup>(1)</sup>                    | 349.4        | 623.2      | 341.6         | 1,314.2      |
| Selling and marketing                           | 1,040.7      | 838.3      | 673.2         | 2,552.2      |
| General and administrative                      | 149.4        | 129.7      | 86.5          | 365.6        |
| Segment contribution                            | \$3,382.3    | \$ 2,679.7 | \$ 1,302.3    | \$7,364.3    |
| Contribution margin                             | 68.7 %       | 62.7 %     | 54.2 %        | 63.5 %       |
| Corporate <sup>(2)</sup>                        |              |            |               | 1,086.7      |
| Research and development                        |              |            |               | 1,691.9      |
| Amortization                                    |              |            |               | 5,274.9      |
| In-process research and development impairments |              |            |               | 1,245.3      |
| Asset sales and impairments, net                |              |            |               | 3,896.2      |
| Operating (loss)                                |              |            |               | \$(5,830.7 ) |
| Operating margin                                |              |            |               | (50.3 )%     |

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

<sup>(2)</sup> Corporate includes net revenues of \$18.3 million.

## US Specialized Therapeutics Segment

The following tables present top product sales and net contribution for the US Specialized Therapeutics segment for the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                                             | Three Months Ended<br>September 30, |           | Change   |         |
|---------------------------------------------|-------------------------------------|-----------|----------|---------|
|                                             | 2018                                | 2017      | Dollars  | %       |
| Total Eye Care                              | \$570.3                             | \$635.3   | \$(65.0) | (10.2)% |
| Restasis®                                   | 298.0                               | 366.8     | (68.8)   | (18.8)% |
| Alphagan®/Combigan®                         | 95.4                                | 92.7      | 2.7      | 2.9 %   |
| Lumigan®/Ganfort®                           | 78.0                                | 83.3      | (5.3 )   | (6.4 )% |
| Eye Drops                                   | 54.8                                | 53.7      | 1.1      | 2.0 %   |
| Ozurdex®                                    | 28.6                                | 24.6      | 4.0      | 16.3 %  |
| Other Eye Care                              | 15.5                                | 14.2      | 1.3      | 9.2 %   |
| Total Medical Aesthetics                    | 657.1                               | 602.3     | 54.8     | 9.1 %   |
| Facial Aesthetics                           | 348.4                               | 314.9     | 33.5     | 10.6 %  |
| Botox® Cosmetics                            | 216.0                               | 189.7     | 26.3     | 13.9 %  |
| Juvederm® Collection                        | 127.2                               | 115.6     | 11.6     | 10.0 %  |
| Kybella®                                    | 5.2                                 | 9.6       | (4.4 )   | (45.8)% |
| Plastic Surgery                             | 58.2                                | 58.0      | 0.2      | 0.3 %   |
| Breast Implants                             | 58.2                                | 58.0      | 0.2      | 0.3 %   |
| Regenerative Medicine                       | 133.4                               | 113.7     | 19.7     | 17.3 %  |
| Alloderm®                                   | 105.8                               | 84.6      | 21.2     | 25.1 %  |
| Other Regenerative Medicine                 | 27.6                                | 29.1      | (1.5 )   | (5.2 )% |
| Body Contouring                             | 84.9                                | 83.4      | 1.5      | 1.8 %   |
| Coolsculpting® Consumables                  | 55.5                                | 50.3      | 5.2      | 10.3 %  |
| Coolsculpting® Systems & Add On Applicators | 29.4                                | 33.1      | (3.7 )   | (11.2)% |
| Skin Care                                   | 32.2                                | 32.3      | (0.1 )   | (0.3 )% |
| SkinMedica®                                 | 19.9                                | 18.7      | 1.2      | 6.4 %   |
| Latisse®                                    | 12.3                                | 13.6      | (1.3 )   | (9.6 )% |
| Total Medical Dermatology                   | 35.1                                | 70.1      | (35.0)   | (49.9)% |
| Aczone®                                     | 17.4                                | 46.7      | (29.3)   | (62.7)% |
| Tazorac®                                    | 9.3                                 | 15.1      | (5.8 )   | (38.4)% |
| Other Medical Dermatology                   | 8.4                                 | 8.3       | 0.1      | 1.2 %   |
| Total Neuroscience and Urology              | 427.9                               | 397.2     | 30.7     | 7.7 %   |
| Botox® Therapeutics <sup>(3)</sup>          | 407.4                               | 368.9     | 38.5     | 10.4 %  |
| Rapaflo®                                    | 20.5                                | 28.3      | (7.8 )   | (27.6)% |
| Other Revenues                              | 15.8                                | 19.9      | (4.1 )   | (20.6)% |
| Net revenues                                | \$1,706.2                           | \$1,724.8 | \$(18.6) | (1.1 )% |
| Operating expenses:                         |                                     |           |          |         |
| Cost of sales <sup>(1)</sup>                | 143.0                               | 131.4     | 11.6     | 8.8 %   |
| Selling and marketing                       | 313.7                               | 353.5     | (39.8)   | (11.3)% |
| General and administrative                  | 47.3                                | 54.8      | (7.5 )   | (13.7)% |
| Segment contribution                        | \$1,202.2                           | \$1,185.1 | \$17.1   | 1.4 %   |
| Segment margin                              | 70.5 %                              | 68.7 %    |          | 1.8 %   |
| Segment gross margin <sup>(2)</sup>         | 91.6 %                              | 92.4 %    |          | (0.8 )% |

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

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

(3) Includes Botox® Hyperhidrosis of \$16.8 million which was previously disclosed under Medical Dermatology in the three months ended September 30, 2017.

|                                             | Nine Months Ended<br>September 30, |           | Change    |         |
|---------------------------------------------|------------------------------------|-----------|-----------|---------|
|                                             | 2018                               | 2017      | Dollars   | %       |
| Total Eye Care                              | \$1,648.4                          | \$1,788.5 | \$(140.1) | (7.8)%  |
| Restasis®                                   | 872.0                              | 1,012.0   | (140.0)   | (13.8)% |
| Alphagan®/Combigan®                         | 277.7                              | 275.5     | 2.2       | 0.8%    |
| Lumigan®/Ganfort®                           | 217.8                              | 236.6     | (18.8)    | (7.9)%  |
| Eye Drops                                   | 154.8                              | 152.2     | 2.6       | 1.7%    |
| Ozurdex®                                    | 81.7                               | 72.0      | 9.7       | 13.5%   |
| Other Eye Care                              | 44.4                               | 40.2      | 4.2       | 10.4%   |
| Total Medical Aesthetics                    | 2,036.3                            | 1,736.3   | 300.0     | 17.3%   |
| Facial Aesthetics                           | 1,063.6                            | 982.8     | 80.8      | 8.2%    |
| Botox® Cosmetics                            | 649.2                              | 583.8     | 65.4      | 11.2%   |
| Juvederm® Collection                        | 389.8                              | 361.6     | 28.2      | 7.8%    |
| Kybella®                                    | 24.6                               | 37.4      | (12.8)    | (34.2)% |
| Plastic Surgery                             | 194.8                              | 173.6     | 21.2      | 12.2%   |
| Breast Implants                             | 194.8                              | 173.6     | 21.2      | 12.2%   |
| Regenerative Medicine                       | 399.2                              | 305.0     | 94.2      | 30.9%   |
| Alloderm®                                   | 312.4                              | 223.3     | 89.1      | 39.9%   |
| Other Regenerative Medicine                 | 86.8                               | 81.7      | 5.1       | 6.2%    |
| Body Contouring                             | 280.3                              | 162.3     | 118.0     | 72.7%   |
| Coolsculpting® Consumables                  | 180.8                              | 98.2      | 82.6      | 84.1%   |
| Coolsculpting® Systems & Add On Applicators | 99.5                               | 64.1      | 35.4      | 55.2%   |
| Skin Care                                   | 98.4                               | 112.6     | (14.2)    | (12.6)% |
| SkinMedica®                                 | 58.8                               | 72.1      | (13.3)    | (18.4)% |
| Latisse®                                    | 39.6                               | 40.5      | (0.9)     | (2.2)%  |
| Total Medical Dermatology                   | 111.0                              | 204.9     | (93.9)    | (45.8)% |
| Aczone®                                     | 54.5                               | 128.3     | (73.8)    | (57.5)% |
| Tazorac®                                    | 25.1                               | 51.3      | (26.2)    | (51.1)% |
| Other Medical Dermatology                   | 31.4                               | 25.3      | 6.1       | 24.1%   |
| Total Neuroscience and Urology              | 1,268.2                            | 1,138.1   | 130.1     | 11.4%   |
| Botox® Therapeutics <sup>(3)</sup>          | 1,205.2                            | 1,058.2   | 147.0     | 13.9%   |
| Rapaflo®                                    | 63.0                               | 79.9      | (16.9)    | (21.2)% |
| Other Revenues                              | 47.6                               | 54.0      | (6.4)     | (11.9)% |
| Net revenues                                | \$5,111.5                          | \$4,921.8 | \$189.7   | 3.9%    |
| Operating expenses:                         |                                    |           |           |         |
| Cost of sales <sup>(1)</sup>                | 425.9                              | 349.4     | 76.5      | 21.9%   |
| Selling and marketing                       | 970.2                              | 1,040.7   | (70.5)    | (6.8)%  |
| General and administrative                  | 145.6                              | 149.4     | (3.8)     | (2.5)%  |
| Segment contribution                        | \$3,569.8                          | \$3,382.3 | \$187.5   | 5.5%    |
| Segment margin                              | 69.8                               | %         | 68.7      | %       |
| Segment gross margin <sup>(2)</sup>         | 91.7                               | %         | 92.9      | %       |

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

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

<sup>(3)</sup> Includes Botox® Hyperhidrosis of \$50.4 million which was previously disclosed under Medical Dermatology in the nine months ended September 30, 2017.

The Zeltiq® Aesthetics, Inc. (“Zeltiq”) acquisition (the “Zeltiq Acquisition”) and the LifeCell Corporation (“LifeCell”) acquisition (the “LifeCell Acquisition”) contributed the following to the segment in the nine months ended September 30, 2018 and 2017 (\$ in millions):

|                            | Nine Months Ended<br>September 30, 2018 |         |              | Nine Months Ended<br>September 30, 2017 |         |              |
|----------------------------|-----------------------------------------|---------|--------------|-----------------------------------------|---------|--------------|
|                            | Combined                                |         |              | Combined                                |         |              |
|                            | LifeCell                                | Zeltiq  | Contribution | LifeCell                                | Zeltiq  | Contribution |
| Net revenues               | \$400.8                                 | \$280.4 | \$ 681.2     | \$306.6                                 | \$162.3 | \$ 468.9     |
| Operating expenses:        |                                         |         |              |                                         |         |              |
| Cost of sales              | 82.2                                    | 78.9    | 161.1        | 74.6                                    | 46.0    | 120.6        |
| Selling and marketing      | 84.5                                    | 114.6   | 199.1        | 69.2                                    | 61.4    | 130.6        |
| General and administrative | 6.5                                     | 4.5     | 11.0         | 9.3                                     | 4.9     | 14.2         |

#### Net Revenues

##### Three Months Ended September 30, 2018 and 2017

The decrease in net revenues in the three months ended September 30, 2018 was primarily driven by price and volume declines for Restasis® and a decline in Aczone® revenues due to genericization of the branded acne market and a generic launch of Aczone 5%, partially offset by increased demand for Botox® Therapeutics, Botox® Cosmetics and Juvederm® Collection and Alloderm®.

##### Nine Months Ended September 30, 2018 and 2017

The increase in net revenues in the nine months ended September 30, 2018 was primarily driven by the Zeltiq and LifeCell acquisitions and growth in Botox® Therapeutics and Botox® Cosmetics, partially offset by decreases in Restasis® and Aczone®. Botox® Therapeutics and Botox® Cosmetics increased versus the prior year period primarily driven by demand growth. The decline in Restasis® revenues was due to both price declines and volume declines. The decline in Aczone® revenues was due to genericization of the branded acne market, increased discounts to maintain formulary access and a generic launch of Aczone 5%.

#### Cost of Sales

##### Three Months Ended September 30, 2018 and 2017

Segment gross margin was 91.6% in the three months ended September 30, 2018 compared to 92.4% in the prior year period due to product mix, including a decline in Restasis® sales.

##### Nine Months Ended September 30, 2018 and 2017

The increase in cost of sales in the nine months ended September 30, 2018 was primarily due to the Zeltiq and LifeCell acquisitions. Excluding the Zeltiq and LifeCell acquisitions in both periods, segment gross margin decreased to 94.0% in the nine months ended September 30, 2018 versus 94.9% in the prior year period primarily due to product mix and due in part to a decline in Restasis® sales.

#### Selling and Marketing Expenses

Three and Nine Months Ended September 30, 2018 and 2017

The decrease in selling and marketing expenses in both periods primarily related to lower headcount in the Eye Care and Medical Dermatology field forces due to the Company's restructuring initiatives, lower promotional costs and a decrease in the charge for the non-tax deductible Branded Prescription Drug Fee, offset in part by the impact of the Zeltiq Acquisition in the nine months ended September 30, 2018.

General and Administrative Expenses

Three and Nine Months Ended September 30, 2018 and 2017

General and administrative expenses in both periods decreased period-over-period due to cost savings initiatives.

## US General Medicine Segment

The following tables present top product sales and net contribution for the US General Medicine segment for the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                                    | Three Months Ended<br>September 30, |           | Change     |         |
|------------------------------------|-------------------------------------|-----------|------------|---------|
|                                    | 2018                                | 2017      | Dollars    | %       |
| Total Central Nervous System (CNS) | \$307.2                             | \$355.2   | \$(48.0 )  | (13.5)% |
| Vraylar™                           | 138.0                               | 80.2      | 57.8       | 72.1 %  |
| Viibryd®/Fetzima®                  | 88.5                                | 86.5      | 2.0        | 2.3 %   |
| Saphris®                           | 36.4                                | 37.2      | (0.8 )     | (2.2 )% |
| Namzaric®                          | 28.0                                | 37.0      | (9.0 )     | (24.3)% |
| Namenda XR®                        | 16.2                                | 114.3     | (98.1 )    | (85.8)% |
| Namenda® IR                        | 0.1                                 | -         | 0.1        | n.a.    |
| Total Gastrointestinal (GI)        | 453.3                               | 443.5     | 9.8        | 2.2 %   |
| Linzess®                           | 204.8                               | 190.9     | 13.9       | 7.3 %   |
| Zenpep®                            | 62.1                                | 56.8      | 5.3        | 9.3 %   |
| Carafate®/Sulcrate®                | 53.4                                | 58.7      | (5.3 )     | (9.0 )% |
| Canasa®/Salofalk®                  | 46.8                                | 39.0      | 7.8        | 20.0 %  |
| Viberzi®                           | 46.8                                | 40.9      | 5.9        | 14.4 %  |
| Asacol®/Delzicol®                  | 32.1                                | 49.5      | (17.4 )    | (35.2)% |
| Other GI                           | 7.3                                 | 7.7       | (0.4 )     | (5.2 )% |
| Total Women's Health               | 213.1                               | 265.7     | (52.6 )    | (19.8)% |
| Lo Loestrin®                       | 141.5                               | 120.0     | 21.5       | 17.9 %  |
| Estrace® Cream                     | 14.8                                | 101.6     | (86.8 )    | (85.4)% |
| Liletta®                           | 12.7                                | 9.3       | 3.4        | 36.6 %  |
| Minastrin® 24                      | 0.6                                 | 3.6       | (3.0 )     | (83.3)% |
| Other Women's Health               | 43.5                                | 31.2      | 12.3       | 39.4 %  |
| Total Anti-Infectives              | 74.2                                | 67.2      | 7.0        | 10.4 %  |
| Teflaro®                           | 33.4                                | 29.1      | 4.3        | 14.8 %  |
| Avycaz®                            | 24.7                                | 16.9      | 7.8        | 46.2 %  |
| Dalvance®                          | 9.2                                 | 16.1      | (6.9 )     | (42.9)% |
| Other Anti-Infectives              | 6.9                                 | 5.1       | 1.8        | 35.3 %  |
| Diversified Brands                 | 296.1                               | 318.7     | (22.6 )    | (7.1 )% |
| Bystolic®/ Byvalson®               | 151.2                               | 164.2     | (13.0 )    | (7.9 )% |
| Armour Thyroid                     | 48.0                                | 38.5      | 9.5        | 24.7 %  |
| Savella®                           | 22.4                                | 24.0      | (1.6 )     | (6.7 )% |
| Lexapro®                           | 15.6                                | 12.9      | 2.7        | 20.9 %  |
| PacPharma                          | 2.5                                 | 3.0       | (0.5 )     | (16.7)% |
| Other Diversified Brands           | 56.4                                | 76.1      | (19.7 )    | (25.9)% |
| Other revenues                     | 37.4                                | 47.1      | (9.7 )     | (20.6)% |
| Net revenues                       | \$1,381.3                           | \$1,497.4 | \$(116.1 ) | (7.8 )% |
| Operating expenses:                |                                     |           |            |         |
| Cost of sales <sup>(1)</sup>       | 219.6                               | 225.5     | (5.9 )     | (2.6 )% |
| Selling and marketing              | 233.2                               | 247.7     | (14.5 )    | (5.9 )% |
| General and administrative         | 37.7                                | 47.7      | (10.0 )    | (21.0)% |

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|                                     |         |   |         |   |           |         |
|-------------------------------------|---------|---|---------|---|-----------|---------|
| Segment contribution                | \$890.8 |   | \$976.5 |   | \$(85.7 ) | (8.8 )% |
| Segment margin                      | 64.5    | % | 65.2    | % | (0.7 )    | %       |
| Segment gross margin <sup>(2)</sup> | 84.1    | % | 84.9    | % | (0.8 )    | %       |

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

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

|                                     | Nine Months Ended<br>September 30, |           | Change    |         |
|-------------------------------------|------------------------------------|-----------|-----------|---------|
|                                     | 2018                               | 2017      | Dollars   | %       |
| Total Central Nervous System (CNS)  | \$839.9                            | \$1,010.9 | \$(171.0) | (16.9)% |
| Vraylar™                            | 336.6                              | 200.1     | 136.5     | 68.2%   |
| Viibryd®/Fetzima®                   | 246.9                              | 244.2     | 2.7       | 1.1%    |
| Saphris®                            | 102.9                              | 117.5     | (14.6)    | (12.4)% |
| Namzaric®                           | 93.2                               | 94.0      | (0.8)     | (0.9)%  |
| Namenda XR®                         | 60.1                               | 355.0     | (294.9)   | (83.1)% |
| Namenda® IR                         | 0.2                                | 0.1       | 0.1       | 100.0%  |
| Total Gastrointestinal (GI)         | 1,273.9                            | 1,241.8   | 32.1      | 2.6%    |
| Linzess®                            | 555.9                              | 506.3     | 49.6      | 9.8%    |
| Zenpep®                             | 170.5                              | 153.8     | 16.7      | 10.9%   |
| Carafate®/Sulcrate®                 | 163.7                              | 176.6     | (12.9)    | (7.3)%  |
| Canasa®/Salofalk®                   | 130.4                              | 115.7     | 14.7      | 12.7%   |
| Viberzi®                            | 127.6                              | 113.7     | 13.9      | 12.2%   |
| Asacol®/Delzicol®                   | 102.9                              | 152.7     | (49.8)    | (32.6)% |
| Other GI                            | 22.9                               | 23.0      | (0.1)     | (0.4)%  |
| Total Women's Health                | 572.9                              | 758.4     | (185.5)   | (24.5)% |
| Lo Loestrin®                        | 383.9                              | 332.8     | 51.1      | 15.4%   |
| Liletta®                            | 36.3                               | 23.1      | 13.2      | 57.1%   |
| Estrace® Cream                      | 34.3                               | 265.1     | (230.8)   | (87.1)% |
| Minastrin® 24                       | 6.6                                | 56.1      | (49.5)    | (88.2)% |
| Other Women's Health                | 111.8                              | 81.3      | 30.5      | 37.5%   |
| Total Anti-Infectives               | 225.6                              | 190.7     | 34.9      | 18.3%   |
| Teflaro®                            | 98.0                               | 92.7      | 5.3       | 5.7%    |
| Avycaz®                             | 70.0                               | 42.7      | 27.3      | 63.9%   |
| Dalvance®                           | 38.8                               | 40.9      | (2.1)     | (5.1)%  |
| Other Anti-Infectives               | 18.8                               | 14.4      | 4.4       | 30.6%   |
| Diversified Brands                  | 855.9                              | 923.2     | (67.3)    | (7.3)%  |
| Bystolic®/ Byvalson®                | 432.1                              | 454.7     | (22.6)    | (5.0)%  |
| Armour Thyroid                      | 145.4                              | 117.8     | 27.6      | 23.4%   |
| Savella®                            | 61.4                               | 74.3      | (12.9)    | (17.4)% |
| Lexapro®                            | 44.8                               | 39.4      | 5.4       | 13.7%   |
| PacPharma                           | 10.6                               | 9.7       | 0.9       | 9.3%    |
| Other Diversified Brands            | 161.6                              | 227.3     | (65.7)    | (28.9)% |
| Other revenues                      | 156.8                              | 145.9     | 10.9      | 7.5%    |
| Net revenues                        | \$3,925.0                          | \$4,270.9 | \$(345.9) | (8.1)%  |
| Operating expenses:                 |                                    |           |           |         |
| Cost of sales <sup>(1)</sup>        | 604.0                              | 623.2     | (19.2)    | (3.1)%  |
| Selling and marketing               | 713.5                              | 838.3     | (124.8)   | (14.9)% |
| General and administrative          | 111.3                              | 129.7     | (18.4)    | (14.2)% |
| Segment contribution                | \$2,496.2                          | \$2,679.7 | \$(183.5) | (6.8)%  |
| Segment margin                      | 63.6                               | %         | 62.7      | %       |
| Segment gross margin <sup>(2)</sup> | 84.6                               | %         | 85.4      | %       |

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

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

## Net Revenues

### Three Months Ended September 30, 2018 and 2017

The decrease in net revenues in the three months ended September 30, 2018 was primarily due to a decline in products that lost exclusivity including Namenda XR<sup>®</sup> and Estrace<sup>®</sup> Cream, offset, in part, by growth in Vraylar,<sup>™</sup> Lo Loestrin<sup>®</sup> and Linzess<sup>®</sup>. CNS revenues declined primarily due to the decline in Namenda XR<sup>®</sup> as a result of loss of exclusivity, offset, in part, by strong demand growth for Vraylar.<sup>™</sup> Women's Health revenues declined primarily due to the loss of exclusivity on Estrace<sup>®</sup> Cream, offset, in part, by growth for Lo Loestrin<sup>®</sup> driven by higher average selling prices and increased demand. GI revenues increased primarily due to growth for Linzess<sup>®</sup> resulting from increased demand, offset, in part, by the generic impact on Asacol<sup>®</sup>.

### Nine Months Ended September 30, 2018 and 2017

The decrease in net revenues in the nine months ended September 30, 2018 was primarily due to a decline in products that lost exclusivity including Namenda XR<sup>®</sup>, Estrace<sup>®</sup> Cream, Asacol<sup>®</sup> and Minastrin<sup>®</sup> 24, offset, in part, by growth in Vraylar,<sup>™</sup> Lo Loestrin<sup>®</sup> and Linzess<sup>®</sup>. CNS revenues declined primarily due to the decline in Namenda XR<sup>®</sup> as a result of loss of exclusivity, offset, in part, by strong demand growth for Vraylar.<sup>™</sup> Women's Health revenues declined primarily due to the loss of exclusivity on Estrace<sup>®</sup> Cream and Minastrin<sup>®</sup> 24, offset, in part, by growth for Lo Loestrin<sup>®</sup> driven by higher average selling prices and increased demand. GI revenues increased primarily due to growth for Linzess<sup>®</sup> resulting from increased demand, offset, in part, by the generic impact on Asacol<sup>®</sup>.

## Cost of Sales

### Three Months Ended September 30, 2018 and 2017

The decrease in cost of sales in the three months ended September 30, 2018 was primarily due to lower product sales and product mix, including loss of exclusivity on higher margin products. Segment gross margin was 84.1% in the three months ended September 30, 2018 compared to 84.9% in the prior year period.

### Nine Months Ended September 30, 2018 and 2017

The decrease in cost of sales in the nine months ended September 30, 2018 was primarily due to lower product sales and product mix, including loss of exclusivity on higher margin products. Segment gross margin was 84.6% in the nine months ended September 30, 2018 compared to 85.4% in the prior year period.

## Selling and Marketing Expenses

### Three Months Ended September 30, 2018 and 2017

The decrease in selling and marketing expenses in the three months ended September 30, 2018 was related to headcount reductions from the Company's restructuring initiatives and a decrease in the charge for the non-tax deductible Branded Prescription Drug Fee.

### Nine Months Ended September 30, 2018 and 2017

The decrease in selling and marketing expenses in the nine months ended September 30, 2018 was related to headcount reductions from the Company's restructuring initiatives, lower promotional costs, and a decrease in the charge for the non-tax deductible Branded Prescription Drug Fee.

General and Administrative Expenses

Three and Nine Months Ended September 30, 2018 and 2017

General and administrative expenses in both periods decreased period-over-period due to cost savings initiatives.

## International Segment

The following tables present top product sales and net contribution for the International segment for the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                          | Three Months<br>Ended<br>September 30, |         | Change   |                       |            |          |                       |          |  |  |  |
|--------------------------|----------------------------------------|---------|----------|-----------------------|------------|----------|-----------------------|----------|--|--|--|
|                          |                                        |         | \$       | \$                    | \$         | %        | %                     | %        |  |  |  |
|                          |                                        |         | Overall  | Operational           | Currency   | Overall  | Operational           | Currency |  |  |  |
|                          | 2018                                   | 2017    | Change   | Change <sup>(3)</sup> | Change     | Change   | Change <sup>(3)</sup> | Change   |  |  |  |
| Total Eye Care           | \$289.0                                | \$317.9 | \$(28.9) | \$ (9.6 )             | \$ (19.3 ) | (9.1 )%  | (3.0 )%               | (6.1 )%  |  |  |  |
| Lumigan®/Ganfort®        | 94.8                                   | 91.5    | 3.3      | 6.8                   | (3.5 )     | 3.6 %    | 7.4 %                 | (3.8 )%  |  |  |  |
| Alphagan®/Combigan®      | 40.5                                   | 43.4    | (2.9 )   | 0.5                   | (3.4 )     | (6.7 )%  | 1.2 %                 | (7.9 )%  |  |  |  |
| Optive®                  | 27.1                                   | 28.4    | (1.3 )   | 0.7                   | (2.0 )     | (4.6 )%  | 2.5 %                 | (7.1 )%  |  |  |  |
| Ozurdex®                 | 25.8                                   | 50.2    | (24.4)   | (22.4 )               | (2.0 )     | (48.6 )% | (44.6 )%              | (4.0 )%  |  |  |  |
| Restasis®                | 13.6                                   | 15.5    | (1.9 )   | (0.8 )                | (1.1 )     | (12.3 )% | (5.2 )%               | (7.1 )%  |  |  |  |
| Other Eye Drops          | 39.7                                   | 42.8    | (3.1 )   | -                     | (3.1 )     | (7.2 )%  | 0.0 %                 | (7.2 )%  |  |  |  |
| Other Eye Care           | 47.5                                   | 46.1    | 1.4      | 5.6                   | (4.2 )     | 3.0 %    | 12.1 %                | (9.1 )%  |  |  |  |
| Total Medical Aesthetics | 369.0                                  | 331.1   | 37.9     | 61.2                  | (23.3 )    | 11.4 %   | 18.5 %                | (7.1 )%  |  |  |  |
| Facial Aesthetics        | 303.6                                  | 259.6   | 44.0     | 64.2                  | (20.2 )    | 16.9 %   | 24.7 %                | (7.8 )%  |  |  |  |
| Botox® Cosmetics         | 163.4                                  | 131.5   | 31.9     | 42.7                  | (10.8 )    | 24.3 %   | 32.5 %                | (8.2 )%  |  |  |  |
| Juvederm® Collection     | 138.6                                  | 126.5   | 12.1     | 21.4                  | (9.3 )     | 9.6 %    | 16.9 %                | (7.3 )%  |  |  |  |
| Belkyra® (Kybella®)      | 1.6                                    | 1.6     | -        | 0.1                   | (0.1 )     | 0.0 %    | 6.3 %                 | (6.3 )%  |  |  |  |
| Plastic Surgery          | 35.9                                   | 38.5    | (2.6 )   | (0.7 )                | (1.9 )     | (6.8 )%  | (1.8 )%               | (5.0 )%  |  |  |  |
| Breast Implants          | 35.6                                   | 38.1    | (2.5 )   | (0.6 )                | (1.9 )     | (6.6 )%  | (1.6 )%               | (5.0 )%  |  |  |  |
| Earfold™                 | 0.3                                    | 0.4     | (0.1 )   | (0.1 )                | -          | (25.0 )% | (25.0 )%              | 0.0 %    |  |  |  |
| Regenerative Medicine    | 3.3                                    | 5.1     | (1.8 )   | (1.7 )                | (0.1 )     | (35.3 )% | (33.3 )%              | (2.0 )%  |  |  |  |
| Alloderm®                | 1.0                                    | 1.5     | (0.5 )   | (0.5 )                | -          | (33.3 )% | (33.3 )%              | 0.0 %    |  |  |  |
| Other Regenerative       | 2.3                                    | 3.6     | (1.3 )   | (1.2 )                | (0.1 )     | (36.1 )% | (33.3 )%              | (2.8 )%  |  |  |  |
| Medicine                 |                                        |         |          |                       |            |          |                       |          |  |  |  |
| Body Contouring          | 22.5                                   | 24.0    | (1.5 )   | (0.8 )                | (0.7 )     | (6.3 )%  | (3.3 )%               | (3.0 )%  |  |  |  |
| Coolsculpting®           | 14.2                                   | 13.8    | 0.4      | 0.8                   | (0.4 )     | 2.9 %    | 5.8 %                 | (2.9 )%  |  |  |  |
| Consumables              |                                        |         |          |                       |            |          |                       |          |  |  |  |
| Coolsculpting® Systems & | 8.3                                    | 10.2    | (1.9 )   | (1.6 )                | (0.3 )     | (18.6 )% | (15.7 )%              | (2.9 )%  |  |  |  |
| Add On Applicators       |                                        |         |          |                       |            |          |                       |          |  |  |  |
| Skin Care                | 3.7                                    | 3.9     | (0.2 )   | 0.2                   | (0.4 )     | (5.1 )%  | 5.1 %                 | (10.2 )% |  |  |  |
| Botox® Therapeutics and  |                                        |         |          |                       |            |          |                       |          |  |  |  |
| Other                    | 145.1                                  | 141.8   | 3.3      | 10.3                  | (7.0 )     | 2.3 %    | 7.3 %                 | (5.0 )%  |  |  |  |
| Botox® Therapeutics      | 92.9                                   | 84.4    | 8.5      | 13.9                  | (5.4 )     | 10.1 %   | 16.5 %                | (6.4 )%  |  |  |  |
| Asacol®/Delzicol®        | 10.9                                   | 11.9    | (1.0 )   | (0.9 )                | (0.1 )     | (8.4 )%  | (7.6 )%               | (0.8 )%  |  |  |  |

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|                                     |         |         |        |         |            |         |   |        |   |         |   |
|-------------------------------------|---------|---------|--------|---------|------------|---------|---|--------|---|---------|---|
| Constella®                          | 5.7     | 5.7     | -      | 0.1     | (0.1 )     | 0.0     | % | 1.8    | % | (1.8 )  | % |
| Other Products                      | 35.6    | 39.8    | (4.2 ) | (2.8 )  | (1.4 )     | (10.6 ) | % | (7.0 ) | % | (3.6 )  | % |
| Other revenues                      | 18.5    | 17.0    | 1.5    | 1.5     | -          | 8.8     | % | 8.8    | % | 0.0     | % |
| Net revenues                        | \$821.6 | \$807.8 | \$13.8 | \$ 63.4 | \$ (49.6 ) | 1.7     | % | 7.8    | % | (6.1 )  | % |
| Operating expenses:                 |         |         |        |         |            |         |   |        |   |         |   |
| Cost of sales <sup>(1)</sup>        | 130.7   | 116.3   | 14.4   | 21.9    | (7.5 )     | 12.4    | % | 18.8   | % | (6.4 )  | % |
| Selling and marketing               | 206.0   | 224.8   | (18.8) | (7.6 )  | (11.2 )    | (8.4 )  | % | (3.4 ) | % | (5.0 )  | % |
| General and administrative          | 35.1    | 28.3    | 6.8    | 10.4    | (3.6 )     | 24.0    | % | 36.7   | % | (12.7 ) | % |
| Segment contribution                | \$449.8 | \$438.4 | \$11.4 | \$ 38.7 | \$ (27.3 ) | 2.6     | % | 8.8    | % | (6.2 )  | % |
| Segment margin                      | 54.7    | %       | 54.3   | %       |            | 0.4     | % |        |   |         |   |
| Segment gross margin <sup>(2)</sup> | 84.1    | %       | 85.6   | %       |            | (1.5 )  | % |        |   |         |   |

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

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

<sup>(3)</sup> Defined as overall change excluding foreign exchange impact.

|                          | Nine Months Ended<br>September 30, |           | Change  |                       |             |         |          |                       |         |                       |             |        |
|--------------------------|------------------------------------|-----------|---------|-----------------------|-------------|---------|----------|-----------------------|---------|-----------------------|-------------|--------|
|                          |                                    |           | \$      |                       | \$          |         | %        |                       | %       |                       | %           |        |
|                          |                                    |           | Overall |                       | Operational |         | Currency |                       | Overall |                       | Operational |        |
|                          | 2018                               | 2017      | Change  | Change <sup>(3)</sup> | Change      | Change  | Change   | Change <sup>(3)</sup> | Change  | Change <sup>(3)</sup> | Change      | Change |
| Total Eye Care           | \$986.4                            | \$939.4   | \$47.0  | \$ 33.1               | \$ 13.9     | 5.0     | %        | 3.5                   | %       | 1.5                   | %           | %      |
| Lumigan®/Ganfort®        | 295.7                              | 271.8     | 23.9    | 13.0                  | 10.9        | 8.8     | %        | 4.8                   | %       | 4.0                   | %           | %      |
| Ozurdex®                 | 158.1                              | 152.5     | 5.6     | (1.9 )                | 7.5         | 3.7     | %        | (1.2 )                | %       | 4.9                   | %           | %      |
| Alphagan®/Combigan®      | 129.3                              | 128.4     | 0.9     | 2.1                   | (1.2 )      | 0.7     | %        | 1.6                   | %       | (0.9 )                | %           | %      |
| Optive®                  | 85.6                               | 83.5      | 2.1     | 1.9                   | 0.2         | 2.5     | %        | 2.3                   | %       | 0.2                   | %           | %      |
| Restasis®                | 47.9                               | 46.7      | 1.2     | 1.9                   | (0.7 )      | 2.6     | %        | 4.1                   | %       | (1.5 )                | %           | %      |
| Other Eye Drops          | 122.4                              | 123.7     | (1.3 )  | (1.1 )                | (0.2 )      | (1.1 )  | %        | (0.9 )                | %       | (0.2 )                | %           | %      |
| Other Eye Care           | 147.4                              | 132.8     | 14.6    | 17.2                  | (2.6 )      | 11.0    | %        | 13.0                  | %       | (2.0 )                | %           | %      |
| Total Medical Aesthetics | 1,137.3                            | 977.3     | 160.0   | 153.4                 | 6.6         | 16.4    | %        | 15.7                  | %       | 0.7                   | %           | %      |
| Facial Aesthetics        | 929.5                              | 793.1     | 136.4   | 132.8                 | 3.6         | 17.2    | %        | 16.7                  | %       | 0.5                   | %           | %      |
| Botox® Cosmetics         | 483.4                              | 402.0     | 81.4    | 82.3                  | (0.9 )      | 20.2    | %        | 20.5                  | %       | (0.3 )                | %           | %      |
| Juvederm® Collection     | 440.8                              | 386.0     | 54.8    | 50.3                  | 4.5         | 14.2    | %        | 13.0                  | %       | 1.2                   | %           | %      |
| Belkyra® (Kybella®)      | 5.3                                | 5.1       | 0.2     | 0.2                   | -           | 3.9     | %        | 3.9                   | %       | 0.0                   | %           | %      |
| Plastic Surgery          | 120.7                              | 118.0     | 2.7     | 0.9                   | 1.8         | 2.3     | %        | 0.8                   | %       | 1.5                   | %           | %      |
| Breast Implants          | 119.6                              | 116.8     | 2.8     | 1.0                   | 1.8         | 2.4     | %        | 0.9                   | %       | 1.5                   | %           | %      |
| Earfold™                 | 1.1                                | 1.2       | (0.1 )  | (0.1 )                | 0.0         | (8.3 )  | %        | (8.3 )                | %       | 0.0                   | %           | %      |
| Regenerative Medicine    | 12.9                               | 10.7      | 2.2     | 1.7                   | 0.5         | 20.6    | %        | 15.9                  | %       | 4.7                   | %           | %      |
| Alloderm®                | 5.5                                | 5.0       | 0.5     | 0.3                   | 0.2         | 10.0    | %        | 6.0                   | %       | 4.0                   | %           | %      |
| Other Regenerative       | 7.4                                | 5.7       | 1.7     | 1.4                   | 0.3         | 29.8    | %        | 24.6                  | %       | 5.2                   | %           | %      |
| Medicine                 |                                    |           |         |                       |             |         |          |                       |         |                       |             |        |
| Body Contouring          | 62.6                               | 46.7      | 15.9    | 16.0                  | (0.1 )      | 34.0    | %        | 34.3                  | %       | (0.3 )                | %           | %      |
| Coolsculpting®           | 40.8                               | 26.3      | 14.5    | 14.4                  | 0.1         | 55.1    | %        | 54.8                  | %       | 0.3                   | %           | %      |
| Consumables              |                                    |           |         |                       |             |         |          |                       |         |                       |             |        |
| Coolsculpting® Systems   |                                    |           |         |                       |             |         |          |                       |         |                       |             |        |
| &                        | 21.8                               | 20.4      | 1.4     | 1.6                   | (0.2 )      | 6.9     | %        | 7.8                   | %       | (0.9 )                | %           | %      |
| Add On Applicators       |                                    |           |         |                       |             |         |          |                       |         |                       |             |        |
| Skin Care                | 11.6                               | 8.8       | 2.8     | 2.0                   | 0.8         | 31.8    | %        | 22.7                  | %       | 9.1                   | %           | %      |
| Botox® Therapeutics and  |                                    |           |         |                       |             |         |          |                       |         |                       |             |        |
| Other                    | 461.4                              | 426.8     | 34.6    | 24.7                  | 9.9         | 8.1     | %        | 5.8                   | %       | 2.3                   | %           | %      |
| Botox® Therapeutics      | 293.7                              | 260.6     | 33.1    | 28.5                  | 4.6         | 12.7    | %        | 10.9                  | %       | 1.8                   | %           | %      |
| Asacol®/Delzicol®        | 35.0                               | 36.8      | (1.8 )  | (3.4 )                | 1.6         | (4.9 )  | %        | (9.2 )                | %       | 4.3                   | %           | %      |
| Constella®               | 17.7                               | 16.1      | 1.6     | 1.0                   | 0.6         | 9.9     | %        | 6.2                   | %       | 3.7                   | %           | %      |
| Other Products           | 115.0                              | 113.3     | 1.7     | (1.4 )                | 3.1         | 1.5     | %        | (1.2 )                | %       | 2.7                   | %           | %      |
| Other revenues           | 49.4                               | 60.1      | (10.7 ) | (11.2 )               | 0.5         | (17.8 ) | %        | (18.6 )               | %       | 0.8                   | %           | %      |
| Net revenues             | \$2,634.5                          | \$2,403.6 | \$230.9 | \$ 200.0              | \$ 30.9     | 9.6     | %        | 8.3                   | %       | 1.3                   | %           | %      |

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|                                     |           |           |         |          |         |        |   |      |   |        |   |
|-------------------------------------|-----------|-----------|---------|----------|---------|--------|---|------|---|--------|---|
| Operating expenses:                 |           |           |         |          |         |        |   |      |   |        |   |
| Cost of sales <sup>(1)</sup>        | 391.0     | 341.6     | 49.4    | 47.8     | 1.6     | 14.5   | % | 14.0 | % | 0.5    | % |
| Selling and marketing               | 697.9     | 673.2     | 24.7    | 11.9     | 12.8    | 3.7    | % | 1.8  | % | 1.9    | % |
| General and administrative          | 100.4     | 86.5      | 13.9    | 15.2     | (1.3 )  | 16.1   | % | 17.6 | % | (1.5 ) | % |
| Segment contribution                | \$1,445.2 | \$1,302.3 | \$142.9 | \$ 125.1 | \$ 17.8 | 11.0   | % | 9.6  | % | 1.4    | % |
| Segment margin                      | 54.9      | %         | 54.2    | %        |         | 0.7    | % |      |   |        |   |
| Segment gross margin <sup>(2)</sup> | 85.2      | %         | 85.8    | %        |         | (0.6 ) | % |      |   |        |   |

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

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

<sup>(3)</sup> Defined as overall change excluding foreign exchange impact.

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The following tables present our revenue disaggregated by geography for our International segment (\$ in millions):

|                                      | Three Months Ended September 30, |         |             |             |         |         |             |             |
|--------------------------------------|----------------------------------|---------|-------------|-------------|---------|---------|-------------|-------------|
|                                      | \$                               |         | %           |             | \$      |         | %           |             |
|                                      | Overall                          | Overall | Operational | Operational | Overall | Overall | Operational | Operational |
|                                      | 2018                             | 2017    | Change      | Change      | Change  | Change  | Change      | Change      |
| Europe                               | \$329.8                          | \$336.6 | \$(6.8)     | (2.0)%      | \$8.9   | 2.6     | %           | %           |
| Asia Pacific, Middle East and Africa | 272.4                            | 225.5   | 46.9        | 20.8%       | 56.1    | 24.9    | %           | %           |
| Latin America and Canada             | 203.3                            | 228.5   | (25.2)      | (11.0)%     | (0.4)   | (0.2)   | %           | %           |
| Other*                               | 16.1                             | 17.2    | (1.1)       | (6.4)%      | (1.2)   | (7.0)   | %           | %           |
| Total International                  | \$821.6                          | \$807.8 | \$13.8      | 1.7%        | \$63.4  | 7.8     | %           | %           |

\*Includes royalty and other revenue

|                                      | Nine Months Ended September 30, |           |             |             |         |         |             |             |
|--------------------------------------|---------------------------------|-----------|-------------|-------------|---------|---------|-------------|-------------|
|                                      | \$                              |           | %           |             | \$      |         | %           |             |
|                                      | Overall                         | Overall   | Operational | Operational | Overall | Overall | Operational | Operational |
|                                      | 2018                            | 2017      | Change      | Change      | Change  | Change  | Change      | Change      |
| Europe                               | \$1,141.5                       | \$1,041.3 | \$100.2     | 9.6%        | \$57.0  | 5.5     | %           | %           |
| Asia Pacific, Middle East and Africa | 796.8                           | 673.9     | 122.9       | 18.2%       | 108.2   | 16.1    | %           | %           |
| Latin America and Canada             | 646.2                           | 626.9     | 19.3        | 3.1%        | 47.1    | 7.5     | %           | %           |
| Other*                               | 50.0                            | 61.5      | (11.5)      | (18.7)%     | (12.3)  | (20.0)  | %           | %           |
| Total International                  | \$2,634.5                       | \$2,403.6 | \$230.9     | 9.6%        | \$200.0 | 8.3     | %           | %           |

\*Includes royalty and other revenue

## Net Revenues

### Three Months Ended September 30, 2018 and 2017

The increase in net revenues in the three months ended September 30, 2018 was primarily due to the operational growth of total Facial Aesthetics, offset, in part by a decrease in Eye Care and the impact of foreign exchange. Within Facial Aesthetics, the increase in sales of Botox® Cosmetics and Juvederm® Collection were driven primarily by demand growth, offset, in part, by a loss from foreign currency. Within total Eye Care, Ozurdex® decreased versus the prior year period due to the impact of a product recall which lowered revenues by \$31.6 million in the period and a loss from foreign currency.

### Nine Months Ended September 30, 2018 and 2017

The increase in net revenues in the nine months ended September 30, 2018 was primarily due to the operational growth of total Facial Aesthetics and Eye Care, as well as the Zeltiq and LifeCell acquisitions. Within Facial

Aesthetics, the increase in sales of Botox<sup>®</sup> Cosmetics was driven primarily by demand growth. Juvederm<sup>®</sup> Collection revenues increased versus the prior year period, primarily resulting from demand growth and a benefit from foreign currency. Within total Eye Care, Ozurdex<sup>®</sup> increased versus the prior year period, primarily driven by a benefit from foreign currency. Operational growth of Ozurdex<sup>®</sup> in the nine months ended September 30, 2018 was offset by the third quarter product recall.

#### Cost of Sales

##### Three Months Ended September 30, 2018 and 2017

The increase in cost of sales in the three months ended September 30, 2018 was primarily due to the increase in net revenues. Segment gross margin was 84.1% in the three months ended September 30, 2018 compared to 85.6% in the prior year period. The 2018 gross margin was negatively impacted by the impact of the Ozurdex<sup>®</sup> product recall write-off of approximately \$10.0 million as well as an increase in importation costs in certain markets.

## Nine Months Ended September 30, 2018 and 2017

The increase in cost of sales in the nine months ended September 30, 2018 was primarily due to the increase in net revenues and the Zeltiq and LifeCell acquisitions. Excluding the Zeltiq and LifeCell acquisitions in both periods, segment gross margin was 85.8% in the nine months ended September 30, 2018 compared to 86.2% in the prior year period. The 2018 gross margin was negatively impacted by the impact of the Ozurdex<sup>®</sup> product recall as well as an increase in importation costs in certain markets.

## Selling and Marketing Expenses

## Three Months Ended September 30, 2018

The decrease in selling and marketing expenses in the three months ended September 30, 2018 was related to restructuring activities and the timing of promotional spending.

## Nine Months Ended September 30, 2018

The increase in selling and marketing expenses in the nine months ended September 30, 2018 was due in part to the Zeltiq Acquisition.

## General and Administrative Expenses

## Three and Nine Months Ended September 30, 2018

General and administrative expenses increased in both periods primarily due to costs associated with the Ozurdex recall.

## Corporate

Corporate represents the results of corporate initiatives as well as the impact of select revenues and shared costs. The following represents the Corporate amounts for the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

| Three Months Ended September 30, 2018 |              |               |             |                    |       |              |       |
|---------------------------------------|--------------|---------------|-------------|--------------------|-------|--------------|-------|
|                                       | Non-         |               |             |                    |       |              |       |
|                                       | Acquisition  |               |             |                    |       |              |       |
|                                       | Integration  |               |             |                    |       |              |       |
|                                       | /            | Related       | Fair Value  | Effect of Purchase |       | Revenues and |       |
|                                       | Divestitures | Restructuring | Adjustments | Accounting         | Other | Shared Costs | Total |
| Net revenues                          | \$-          | \$ -          | \$ -        | \$ -               | \$-   | \$ 2.3       | \$2.3 |
| Operating expenses:                   |              |               |             |                    |       |              |       |
| Cost of sales <sup>(1)</sup>          | 0.2          | 6.6           | 10.0        | 0.3                | 0.1   | 86.3         | 103.5 |
| Selling and                           | 0.3          | 1.3           | -           | 1.2                | -     | (0.1 )       | 2.7   |

|                |         |         |          |         |         |           |           |  |  |
|----------------|---------|---------|----------|---------|---------|-----------|-----------|--|--|
| marketing      |         |         |          |         |         |           |           |  |  |
| General and    |         |         |          |         |         |           |           |  |  |
| administrative | 8.0     | 1.3     | -        | 0.4     | 0.9     | 158.5     | 169.1     |  |  |
| Contribution   | \$(8.5) | \$(9.2) | \$(10.0) | \$(1.9) | \$(1.0) | \$(242.4) | \$(273.0) |  |  |

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

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Nine Months Ended September 30, 2018

Non-

Acquisition

Integration

/ Related

Fair Value

Effect of Purchase

Revenues and

Divestiture Restructuring

Adjustments

Accounting

Other

Shared Costs

Total

|                              |          |           |          |           |          |            |           |
|------------------------------|----------|-----------|----------|-----------|----------|------------|-----------|
| Net revenues                 | \$-      | \$ -      | \$ -     | \$ -      | \$-      | \$ 36.7    | \$36.7    |
| Operating expenses:          |          |           |          |           |          |            |           |
| Cost of sales <sup>(1)</sup> | 1.7      | 28.5      | (115.4 ) | 1.8       | -        | 263.9      | 180.5     |
| Selling and                  |          |           |          |           |          |            |           |
| marketing                    | 1.7      | 18.5      | -        | 7.2       | -        | -          | 27.4      |
| General and                  |          |           |          |           |          |            |           |
| administrative               | 36.7     | 5.6       | -        | 2.5       | 41.5     | 475.6      | 561.9     |
| Contribution                 | \$(40.1) | \$(52.6 ) | \$ 115.4 | \$(11.5 ) | \$(41.5) | \$(702.8 ) | \$(733.1) |

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

Three Months Ended September 30, 2017

Non-

Acquisition

Integration

/ Related

Fair Value

Effect of Purchase

Revenues and

Divestiture Restructuring

Adjustments

Accounting

Other

Shared Costs

Total

|                              |          |           |         |           |          |            |           |
|------------------------------|----------|-----------|---------|-----------|----------|------------|-----------|
| Net revenues                 | \$-      | \$ -      | \$ -    | \$ -      | \$-      | \$ 4.3     | \$4.3     |
| Operating expenses:          |          |           |         |           |          |            |           |
| Cost of sales <sup>(1)</sup> | 1.6      | 39.7      | (67.0 ) | 39.6      | 13.8     | 85.6       | 113.3     |
| Selling and                  |          |           |         |           |          |            |           |
| marketing                    | 2.1      | (5.2 )    | -       | 8.1       | 1.3      | 0.5        | 6.8       |
| General and                  |          |           |         |           |          |            |           |
| administrative               | 23.4     | 6.4       | -       | 3.4       | 30.6     | 142.3      | 206.1     |
| Contribution                 | \$(27.1) | \$(40.9 ) | \$ 67.0 | \$(51.1 ) | \$(45.7) | \$(224.1 ) | \$(321.9) |

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

Nine Months Ended September 30, 2017

Integration Non-

Fair Value

Effect of Purchase

Other

Revenues and

Total

/

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|                              | Divestiture | Acquisition   | Adjustments | Accounting  |          | Shared Costs |             |
|------------------------------|-------------|---------------|-------------|-------------|----------|--------------|-------------|
|                              |             | Related       |             |             |          |              |             |
|                              |             | Restructuring |             |             |          |              |             |
| Net revenues                 | \$-         | \$ -          | \$ -        | \$ -        | \$-      | \$ 18.3      | \$18.3      |
| Operating expenses:          |             |               |             |             |          |              |             |
| Cost of sales <sup>(1)</sup> | 5.7         | 45.1          | (127.3 )    | 129.5       | 12.5     | 207.4        | 272.9       |
| Selling and                  |             |               |             |             |          |              |             |
| marketing                    | 28.8        | 24.7          | -           | 26.4        | 1.5      | 3.5          | 84.9        |
| General and                  |             |               |             |             |          |              |             |
| administrative               | 117.0       | 9.9           | -           | 45.8        | 73.8     | 500.7        | 747.2       |
| Contribution                 | \$(151.5)   | \$ (79.7 )    | \$ 127.3    | \$ (201.7 ) | \$(87.8) | \$ (693.3 )  | \$(1,086.7) |

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

## Integration

Three and Nine Months Ended September 30, 2018 and 2017

In the three and nine months ended September 30, 2018 and 2017, integration and restructuring charges included costs related to the integration of LifeCell and Zeltiq.

## Non-Acquisition Related Restructuring

### Three Months Ended September 30, 2018 and 2017

In the three months ended September 30, 2018, the Company incurred charges related to the restructuring of its internal infrastructure. In the three months ended September 30, 2017, the Company recorded an estimate for severance and other restructuring costs relating to the global manufacturing operations of \$39.7 million as the Company intended to close certain facilities.

### Nine Months Ended September 30, 2018 and 2017

In the nine months ended September 30, 2018, the Company incurred charges related to the restructuring of its internal infrastructure. The restructuring programs included charges associated with scaling our manufacturing plants as well as the acceleration of share-based compensation charges for severed employees over their shortened vesting periods of \$8.2 million. In the nine months ended September 30, 2017, the Company incurred severance and other restructuring costs relating to the commercial organization of \$24.7 million primarily due to the Company's intent to eliminate approximately 400 positions, as well as severance and other restructuring costs relating to the global manufacturing operations of \$45.1 million as the Company intended to close select facilities.

## Fair Value Adjustments

Fair value adjustments primarily relate to changes in estimated contingent liabilities which are based on future amounts to be paid based on achievement of sales levels for the respective products.

### Nine Months Ended September 30, 2018 and 2017

In the nine months ended September 30, 2018, the income in cost of sales primarily relates to the Company's True Tear<sup>TM</sup> product not achieving a milestone event, as well as a corresponding decrease in commercial forecasts. The income recorded in the nine months ended September 30, 2017 primarily related to reduced or delayed revenue forecasts for select products including Rhofade<sup>®</sup> and Liletta<sup>®</sup>.

## Effect of Purchase Accounting

### Three Months Ended September 30, 2018 and 2017

In the three months ended September 30, 2018 and 2017, the Company incurred charges related to the purchase accounting impact on share-based compensation related to the Zeltiq Acquisition, the acquisition of Allergan, Inc. (the "Allergan Acquisition"), and the acquisition of Forest Laboratories, Inc. (the "Forest Acquisition"), which increased cost of sales, selling and marketing and general and administrative expenses. In the three months ended September 30, 2017, the Company incurred purchase accounting effects of \$38.4 million in cost of sales related to the fair value inventory step-up from the Zeltiq and LifeCell acquisitions as products were sold to the Company's third-party customers.

Nine Months Ended September 30, 2018 and 2017

In the nine months ended September 30, 2018 and 2017, the Company incurred charges related to the purchase accounting impact on share-based compensation related to the Zeltiq, Allergan, and Forest acquisitions, which increased cost of sales, selling and marketing and general and administrative expenses. A cash share-based compensation charge of \$31.5 million associated with the Zeltiq Acquisition was also included in the nine months ended September 30, 2017. In the nine months ended September 30, 2017, the Company incurred purchase accounting effects of \$126.2 million in cost of sales related to the fair value inventory step-up from the Zeltiq and LifeCell acquisitions as products were sold to the Company's third-party customers.

Other

Three Months Ended September 30, 2017

In the three months ended September 30, 2017, general and administrative costs included legal settlement charges of \$32.9 million.

## Nine Months Ended September 30, 2018 and 2017

In the nine months ended September 30, 2018 and 2017, general and administrative costs included legal settlement charges of \$40.4 million and \$74.3 million, respectively.

## Revenues and Shared Costs

## Three and Nine Months Ended September 30, 2018 and 2017

Shared costs primarily include above site and unallocated costs associated with running our global manufacturing facilities and corporate general and administrative expenses.

In the nine months ended September 30, 2018, the Company recorded milestone revenue related to an on-going intellectual property agreement of \$25.0 million. In the three months ended September 30, 2018, the Company incurred transactional foreign exchange losses of \$11.0 million, compared with transactional foreign exchange losses of \$24.5 million in the three months ended September 30, 2017. In the nine months ended September 30, 2018, the Company incurred transactional foreign exchange losses of \$27.1 million, compared with transactional foreign exchange losses of \$94.5 million in the nine months ended September 30, 2017.

## Research and Development Expenses

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

R&D expenses consisted of the following components in the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                                | Three Months Ended<br>September 30, |         |            |          | Nine Months Ended September 30, |           |            |          |
|--------------------------------|-------------------------------------|---------|------------|----------|---------------------------------|-----------|------------|----------|
|                                | \$                                  |         | %          |          | \$                              |           | %          |          |
|                                | 2018                                | 2017    | Change     | Change   | 2018                            | 2017      | Change     | Change   |
| Ongoing operating expenses     | \$393.7                             | \$405.3 | \$ (11.6 ) | (2.9 )%  | \$1,138.4                       | \$1,193.1 | \$ (54.7 ) | (4.6 )%  |
| Milestone expenses and upfront |                                     |         |            |          |                                 |           |            |          |
| license payments               | 50.1                                | 42.6    | 7.5        | 17.6 %   | 440.8                           | 386.5     | 54.3       | 14.0 %   |
| Acquisition accounting fair    |                                     |         |            |          |                                 |           |            |          |
| market value adjustment to     |                                     |         |            |          |                                 |           |            |          |
| share-based compensation       | 0.6                                 | 4.3     | (3.7 )     | (86.0 )% | 4.2                             | 14.5      | (10.3 )    | (71.0 )% |
| Acquisition, integration, and  |                                     |         |            |          |                                 |           |            |          |
| restructuring charges          | 1.2                                 | (9.8 )  | 11.0       | n.m.     | 2.5                             | 22.1      | (19.6 )    | (88.7 )% |
| Contingent consideration       |                                     |         |            |          |                                 |           |            |          |
| adjustments, net               | (21.4 )                             | 0.2     | (21.6 )    | n.m.     | 2.2                             | 75.7      | (73.5 )    | (97.1 )% |

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|                    |         |         |            |         |           |           |            |         |
|--------------------|---------|---------|------------|---------|-----------|-----------|------------|---------|
| Total R&D Expenses | \$424.2 | \$442.6 | \$ (18.4 ) | (4.2 )% | \$1,588.1 | \$1,691.9 | \$ (103.8) | (6.1 )% |
|--------------------|---------|---------|------------|---------|-----------|-----------|------------|---------|

The decrease in ongoing operating expenses in the three and nine months ended September 30, 2018 versus the prior year period is mainly due to decreased product development spending primarily driven by early stage development campaigns and the Eye Care therapeutic area as well as lower personnel costs offset, in part by, increased spending in the Central Nervous System and Gastrointestinal therapeutic areas.

The following represents milestone expenses, asset acquisitions and upfront license payments in the three and nine months ended September 30, 2018 and 2017, respectively (\$ in millions):

|                                   | Three Months<br>Ended<br>September 30,<br>2018 |         | Nine Months<br>Ended<br>September 30,<br>2017 |          |
|-----------------------------------|------------------------------------------------|---------|-----------------------------------------------|----------|
|                                   | 2018                                           | 2017    | 2018                                          | 2017     |
| Lysosomal Therapeutics, Inc.      | \$ -                                           | \$ -    | \$ -                                          | \$145.0  |
| Editas Medicine, Inc.             | 15.0                                           | -       | 15.0                                          | 90.0     |
| Assembly Biosciences, Inc.        | -                                              | -       | -                                             | 50.0     |
| Akarna Therapeutics, Ltd.         | -                                              | -       | -                                             | 39.6     |
| Heptares Therapeutics Ltd.        | -                                              | 15.0    | -                                             | 15.0     |
| Lyndra, Inc.                      | -                                              | 15.0    | -                                             | 15.0     |
| Elastagen Pty Ltd                 | -                                              | -       | 96.1                                          | -        |
| AstraZeneca plc                   | -                                              | -       | 90.0                                          | -        |
| Merck & Co.                       | 30.0                                           | -       | 115.0                                         | -        |
| Chase Pharmaceuticals Corporation | -                                              | -       | 75.0                                          | -        |
| Repros Therapeutics, Inc.         | -                                              | -       | 33.2                                          | -        |
| Other                             | 5.1                                            | 12.6    | 16.5                                          | 31.9     |
| Total                             | \$ 50.1                                        | \$ 42.6 | \$ 440.8                                      | \$ 386.5 |

In the three months ended September 30, 2017, the Company reversed certain charges related to a portion of anticipated internal restructurings which were no longer occurring based on revised portfolio prioritizations and the timing of select R&D projects. Acquisition, integration and restructuring charges in the nine months ended September 30, 2017 included \$13.6 million of severance and restructuring costs related to a then-planned internal reduction of approximately 100 R&D employees.

In the three and nine months ended September 30, 2018, the adjustment to contingent consideration primarily relates to a R&D asset that was delayed, which lowered the probability of the milestone being achieved. The nine months ended September 30, 2018 also includes the progression of other R&D projects relating to the acquisition of Tobira Therapeutics, Inc. In the nine months ended September 30, 2017, the adjustment to contingent consideration primarily related to the advancement of the Company's True Tear<sup>TM</sup> product and products acquired from Tobira Therapeutics, Inc.

#### Amortization

Amortization in the three and nine months ended September 30, 2018 and 2017 was as follows (\$ in millions):

| Three Months Ended September 30, |      |        |        | Nine Months Ended September 30, |      |        |        |
|----------------------------------|------|--------|--------|---------------------------------|------|--------|--------|
|                                  |      | \$     | %      |                                 |      | \$     | %      |
| 2018                             | 2017 | Change | Change | 2018                            | 2017 | Change | Change |

Amortization \$1,588.5 \$1,781.0 \$(192.5) (10.8 )% \$4,983.2 \$5,274.9 \$(291.7) (5.5 )%

# IPR&D Impairments and Asset Sales and Impairments, Net

IPR&D impairments and Asset sales and impairments, net consisted of the following components in the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                              | Three Months Ended September 30, |         |            |           | Nine Months Ended September 30, |           |            |          |
|------------------------------|----------------------------------|---------|------------|-----------|---------------------------------|-----------|------------|----------|
|                              |                                  |         | \$         |           |                                 |           | \$         |          |
|                              | 2018                             | 2017    | Change     | Change    | 2018                            | 2017      | Change     | Change   |
| IPR&D impairments            | \$-                              | \$202.0 | \$(202.0 ) | (100.0 )% | \$798.0                         | \$1,245.3 | \$(447.3 ) | (35.9 )% |
| Asset sales and impairments, |                                  |         |            |           |                                 |           |            |          |
| net                          | (0.4)                            | 3,874.8 | (3,875.2)  | (100.0 )% | 272.3                           | 3,896.2   | (3,623.9)  | (93.0 )% |

Refer to “NOTE 11 – Goodwill, Product Rights and Other Intangible Assets” for the description of the IPR&D impairments and impairments of currently marketed products that the Company recorded in the nine months ended September 30, 2018 and 2017.

As of June 30, 2018, the Company determined that certain assets related to Rhofade® were deemed held for sale based on the Company's intention and ability to dispose of the related assets. As a result, the Company recorded an impairment of \$252.0 million during the three months ended June 30, 2018 to reflect the anticipated sale value and reclassified the "product rights and other intangibles, net" balance of \$130.5 million to "non-current assets held for sale." On October 15, 2018, the Company entered into a definitive asset purchase agreement with Aclaris Therapeutics, Inc. to sell the worldwide rights to Rhofade®. This transaction, which is subject to customary closing conditions, including certain governmental regulatory clearances, is expected to close in the fourth quarter of 2018. Under the terms of the agreement, the purchase price includes an upfront cash payment of \$65.0 million at closing, a potential development milestone payment for an additional dermatology product, and tiered payments based on annual net sales of Rhofade® and the potential additional product with a fair value of approximately \$65.0 million.

### Interest Income

Interest income in the three and nine months ended September 30, 2018 and 2017 was as follows (\$ in millions):

|                 | Three Months Ended<br>September 30, |        |           |         | Nine Months Ended<br>September 30, |        |            |          |
|-----------------|-------------------------------------|--------|-----------|---------|------------------------------------|--------|------------|----------|
|                 | \$                                  |        | %         |         | \$                                 |        | %          |          |
|                 | 2018                                | 2017   | Change    | Change  | 2018                               | 2017   | Change     | Change   |
| Interest income | \$10.0                              | \$11.1 | \$ (1.1 ) | (9.9 )% | \$33.6                             | \$53.0 | \$ (19.4 ) | (36.6 )% |

### Interest Expense

Interest expense consisted of the following components in the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                        | Three Months Ended<br>September 30, |         |            |          | Nine Months Ended September 30, |         |             |          |
|------------------------|-------------------------------------|---------|------------|----------|---------------------------------|---------|-------------|----------|
|                        | \$                                  |         | %          |          | \$                              |         | %           |          |
|                        | 2018                                | 2017    | Change     | Change   | 2018                            | 2017    | Change      | Change   |
| Fixed Rate Notes       | \$204.6                             | \$241.6 | \$ (37.0 ) | (15.3 )% | \$642.9                         | \$791.6 | \$ (148.7 ) | (18.8 )% |
| Floating Rate Notes    | 4.6                                 | 6.6     | (2.0 )     | (30.3 )% | 15.6                            | 18.7    | (3.1 )      | (16.6 )% |
| Euro Denominated Notes | 8.4                                 | 8.3     | 0.1        | 1.2 %    | 25.8                            | 11.3    | 14.5        | n.m.     |
| Other                  | 2.8                                 | 8.7     | (5.9 )     | (67.8 )% | 16.7                            | 10.7    | 6.0         | 56.1 %   |
| Interest expense       | \$220.4                             | \$265.2 | \$ (44.8 ) | (16.9 )% | \$701.0                         | \$832.3 | \$ (131.3 ) | (15.8 )% |

Interest expense in the three and nine months ended September 30, 2018 decreased versus the three and nine months ended September 30, 2017 due to scheduled maturities and early debt extinguishment of senior secured notes period-over-period, as well as the impact from debt refinancing in the nine months ended September 30, 2018 versus the prior year.

## Other Income / (Expense), Net

Other income / (expense), net consisted of the following components in the three and nine months ended September 30, 2018 and 2017 (\$ in millions):

|                               | Three Months Ended September 30, |             |           |          | Nine Months Ended September 30, |             |           |          |
|-------------------------------|----------------------------------|-------------|-----------|----------|---------------------------------|-------------|-----------|----------|
|                               | \$                               |             | %         |          | \$                              |             | %         |          |
|                               | 2018                             | 2017        | Change    | Change   | 2018                            | 2017        | Change    | Change   |
| Teva Share Activity           | \$-                              | \$(1,295.5) | \$1,295.5 | (100.0)% | \$60.9                          | \$(3,273.5) | \$3,334.4 | n.m.     |
| Sale of business              | 129.6                            | -           | 129.6     | n.a      | 182.6                           | -           | 182.6     | n.a      |
| Debt extinguishment other     | (8.3 )                           | -           | (8.3 )    | n.a      | 0.8                             | -           | 0.8       | n.a      |
| Debt extinguishment costs as  |                                  |             |           |          |                                 |             |           |          |
| part of the debt tender offer | -                                | -           | -         | n.a      | -                               | (161.5 )    | 161.5     | (100.0)% |
| Dividend income               | -                                | 8.5         | (8.5 )    | (100.0)% | -                               | 76.7        | (76.7 )   | (100.0)% |
| Naurex recovery               | -                                | -           | -         | n.a      | -                               | 20.0        | (20.0 )   | (100.0)% |
| Other income / (expense), net | 8.7                              | (23.3 )     | 32.0      | n.m.     | 22.3                            | (28.3 )     | 50.6      | n.m.     |
| Other income / (expense),     |                                  |             |           |          |                                 |             |           |          |
| net                           | \$130.0                          | \$(1,310.3) | \$1,440.3 | (109.9)% | \$266.6                         | \$(3,366.6) | \$3,633.2 | (107.9)% |

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Refer to “NOTE 6 – Other Income / (Expense)” for further details regarding the components of other income / (expense), net.

#### Provision / (Benefit) for Income Taxes

Provision / (benefit) for income taxes in the three and nine months ended September 30, 2018 and 2017 was as follows: (\$ in millions):

|                           | Three Months Ended September 30, |             |           |          | Nine Months Ended September 30, |             |           |         |
|---------------------------|----------------------------------|-------------|-----------|----------|---------------------------------|-------------|-----------|---------|
|                           |                                  |             | \$        | %        |                                 |             | \$        | %       |
|                           | 2018                             | 2017        | Change    | Change   | 2018                            | 2017        | Change    | Change  |
| Provision / (benefit) for |                                  |             |           |          |                                 |             |           |         |
| income taxes              | \$213.4                          | \$(1,638.8) | \$1,852.2 | (113.0)% | \$(474.0)                       | \$(2,752.1) | \$2,278.1 | (82.8)% |
| Effective tax rate        | 120.5%                           | 29.3%       |           |          | 37.5%                           | 27.6%       |           |         |

#### Three Months Ended September 30, 2018 and 2017

The Company’s effective tax rate for the three months ended September 30, 2018 was 120.5% compared to 29.3% for the three months ended September 30, 2017. The effective tax rate for the three months ended September 30, 2018 was favorably impacted by income earned in jurisdictions with tax rates lower than the Irish statutory rate and U.S. losses tax benefited at rates greater than the Irish statutory rate. This was offset by the additional U.S. tax on the earnings of certain non-U.S. subsidiaries which are considered Global Intangible Low Taxed Income (“GILTI”) and the tax impact of amortization of intangible assets at rates less than the Irish statutory rate. Additionally, the tax expense for the three months ended September 30, 2018 included detriments due to the sale of the medical dermatology business and a change in the applicable tax rate on certain temporary differences.

The effective tax rate for the three months ended September 30, 2017 was favorably impacted by income earned in jurisdictions with tax rates lower than the Irish statutory rate and U.S. losses tax benefited at rates greater than the Irish statutory rate. Additionally, the tax benefit for the three months ended September 30, 2017 included tax benefits related to the impairment of certain intangible assets which was partially offset by the impairment of the Company’s investment in Teva Shares.

The effective tax rate for the three months ended September 30, 2018 was higher compared to the three months ended September 30, 2017 primarily due to the unfavorable tax impacts of U.S. Tax Reform, a detriment related to the sale of the medical dermatology business, a change in the applicable tax rate on certain temporary differences and the absence of tax benefits from the impairment of intangible assets recorded in the period ended September 30, 2017.

#### Nine Months Ended September 30, 2018 and 2017

The Company's effective tax rate for the nine months ended September 30, 2018 was 37.5%, compared to 27.6% for the nine months ended September 30, 2017. The effective tax rate for the nine months ended September 30, 2018 was favorably impacted by income earned in jurisdictions with tax rates lower than the Irish statutory rate and U.S. losses tax benefited at rates greater than the Irish statutory rate. This was offset by the additional U.S. tax on the earnings of certain non-U.S. subsidiaries which are considered Global Intangible Low Taxed Income ("GILTI") and the tax impact of amortization of intangible assets at rates less than the Irish statutory rate. Additionally, the tax benefit for the nine months ended September 30, 2018 included tax benefits of \$421.9 million related to the restructuring of an acquired business, \$231.0 million related to the impairment of certain intangible assets and \$79.8 million related to excess tax over book basis in a U.S. subsidiary expected to reverse in the foreseeable future. This was partially offset by tax detriments of \$113.2 million due to the sale of the medical dermatology business and \$86.5 million related to a change in the applicable tax rate on certain temporary differences.

The effective tax rate for the nine months ended September 30, 2017 was favorably impacted by income earned in jurisdictions with tax rates lower than the Irish statutory rate and U.S. losses, including the impairment of intangible assets, tax benefited at rates greater than the Irish statutory rate. The tax benefits related to the impairment of intangible assets recorded during the nine months ended September 30, 2017 were \$1,805.9 million. The effective tax rate was unfavorably impacted by pre-tax charges for the impairment of the Company's investment in Teva Shares of \$3,273.5 million and the tax impact of amortization of intangible assets, both at rates less than the Irish statutory rate. During the nine months ended September 30, 2017, the Company determined that a temporary difference related to excess tax over book basis in a U.S. subsidiary will reverse in the foreseeable future and recorded a corresponding tax benefit of \$175.0 million.

The effective tax rate for the nine months ended September 30, 2018 was higher compared to the nine months ended September 30, 2017 primarily due to the impairment of the Company's investment in Teva Shares in the prior year for which no tax benefit was recorded.

## Liquidity and Capital Resources

### Working Capital Position

Working capital at September 30, 2018 and December 31, 2017 is summarized as follows (\$ in millions):

|                                                      | September 30,<br>2018 | December 31,<br>2017 | Increase<br>(Decrease) |
|------------------------------------------------------|-----------------------|----------------------|------------------------|
| <b>Current Assets:</b>                               |                       |                      |                        |
| Cash and cash equivalents                            | \$ 1,187.9            | \$ 1,817.2           | \$ (629.3 )            |
| Marketable securities                                | 22.0                  | 4,632.1              | (4,610.1 )             |
| Accounts receivable, net                             | 2,826.9               | 2,899.0              | (72.1 )                |
| Inventories                                          | 894.6                 | 904.5                | (9.9 )                 |
| Current assets held for sale                         | 7.3                   | -                    | 7.3                    |
| Prepaid expenses and other current assets            | 801.5                 | 1,123.9              | (322.4 )               |
| <b>Total current assets</b>                          | <b>5,740.2</b>        | <b>11,376.7</b>      | <b>(5,636.5 )</b>      |
| <b>Current liabilities:</b>                          |                       |                      |                        |
| Accounts payable and accrued expenses                | \$ 4,695.6            | \$ 5,541.4           | \$ (845.8 )            |
| Income taxes payable                                 | 184.7                 | 74.9                 | 109.8                  |
| Current portion of long-term debt and capital leases | 1,351.6               | 4,231.8              | (2,880.2 )             |
| <b>Total current liabilities</b>                     | <b>6,231.9</b>        | <b>9,848.1</b>       | <b>(3,616.2 )</b>      |
| <b>Working Capital</b>                               | <b>\$ (491.7 )</b>    | <b>\$ 1,528.6</b>    | <b>\$ (2,020.3 )</b>   |
| <b>Current Ratio</b>                                 | <b>0.92</b>           | <b>1.16</b>          |                        |

Working capital changes were primarily due to the following:

- The Company generated cash flows from operations of \$4,141.5 million;
- The Company paid dividends of \$808.1 million and repurchased ordinary shares of \$2,023.5 million in the nine months ended September 30, 2018;
- The Company converted marketable securities to fund the payment of \$3,750.0 million of senior note maturities, the repayment of the Company's outstanding margin loan of \$459.0 million, and \$2,223.1 million of open market debt repurchases at face value;
- The Company divested all Teva securities; and
- The Company paid \$700.0 million to settle the Teva working capital dispute arbitration.

### Cash Flows

Our cash flows are summarized as follows (\$ in millions):

|                                           | Nine Months Ended<br>September 30, |           |
|-------------------------------------------|------------------------------------|-----------|
|                                           | 2018                               | 2017      |
| Net cash provided by operating activities | \$4,141.5                          | \$3,995.5 |

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|                                                       |             |             |
|-------------------------------------------------------|-------------|-------------|
| Net cash provided by / (used in) investing activities | \$4,138.4   | \$(82.3 )   |
| Net cash (used in) financing activities               | \$(8,922.3) | \$(4,043.6) |

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 \$146.0 million in the nine months ended September 30, 2018 versus the prior year period, due to an increase in net income adjusted for non-cash activities and favorable period-over-period working capital movements.

Management expects that available cash balances and the remaining 2018 cash flows from operating activities will provide sufficient resources to fund our operating liquidity needs and expected capital expenditure funding requirements for at least the next twelve months.

Investing cash flows consist primarily of cash used in acquisitions of businesses and intangible assets (primarily product rights), capital expenditures and purchases of investments and marketable securities partially offset by proceeds from the sale of businesses, investments and marketable securities. Included in the nine months ended September 30, 2018 is the net cash provided by the sale of businesses of \$605.0 million and the net sale of investments of \$4,139.9 million, offset, in part, by payments to settle Teva related matters of \$466.0 million.

The nine months ended September 30, 2017 included the net cash provided by the sale of marketable securities of \$6,040.6 million, offset, in part, by the cash purchases of LifeCell for \$2,874.4 million and Zeltiq of \$2,346.7 million, net of cash acquired, and the purchase of intangible assets of \$604.3 million.

Financing cash flows consist primarily of borrowings and repayments of debt, repurchases of ordinary shares, dividend payments and proceeds from the exercise of stock options. Cash used in financing activities in the nine months ended September 30, 2018 primarily related to the repayment of indebtedness of \$7,115.9 million, the repurchase of ordinary shares of \$2,023.5 million, the payment of dividends of \$808.1 million, and payments to settle Teva-related matters of \$234.0 million, which was outstanding greater than one year, offset, in part, by borrowings under the revolving credit facility and other borrowings of \$717.2 million and proceeds from the forward sale of Teva Shares of \$465.5 million. Allergan has repurchased and retired an additional \$388.0 million face value of senior notes through open market purchases between October 1, 2018 and October 26, 2018 (inclusive). As of October 26, 2018, Allergan has repurchased a total of approximately \$2,155.0 million face value of senior notes in the open market in the period of July 1, 2018 through October 26, 2018, of which Allergan anticipates at least \$750.0 million will remain retired after giving effect to anticipated refinancing transactions.

Cash used in financing activities in the nine months ended September 30, 2017 primarily related to the repayment of indebtedness of \$5,579.2 million, which included debt repurchased under the tender offer completed on May 30, 2017 and the early redemption of certain debt securities, the payment of dividends of \$917.0 million and payments relating to contingent consideration and other financing of \$515.2 million, offset, in part by the long-term borrowings of \$3,025.0 million.

#### Long-term obligations

The following table lists certain of our enforceable and legally binding obligations as of September 30, 2018. Certain amounts included herein are based on management's estimates and assumptions about these obligations, including their duration, anticipated actions by third parties and other factors. Because these estimates and assumptions are necessarily subjective, the enforceable and legally binding obligation we will actually pay in future periods may vary from those reflected in the table.

In addition, such milestone payments will only be payable in the event that the Company achieves contractually defined, success-based milestones, such as:

- the advancement of the specified research and development programs;
- the receipt of regulatory approval for the specified compounds or products; and/or
- reaching a sales threshold of the specified compounds or products.

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The following is a summary of select contractual commitments as of September 30, 2018, including amounts accrued as of the balance sheet date to be paid in future periods (\$ in millions):

|                                             | Payments Due by Period |                   |                 |                   |                   |
|---------------------------------------------|------------------------|-------------------|-----------------|-------------------|-------------------|
|                                             | Three Months Ending    |                   |                 |                   |                   |
|                                             | Total                  | December 31, 2018 | 2019-2020       | 2021-2022         | Thereafter        |
| Sales based and other milestone obligations | \$10,538.4             | \$ 4.0            | \$ 140.5        | \$ 430.0          | \$9,963.9         |
| R&D / approval milestone obligations        | 6,205.5                | 304.9             | 611.1           | 1,260.5           | 4,029.0           |
| <b>Total</b>                                | <b>\$16,743.9</b>      | <b>\$ 308.9</b>   | <b>\$ 751.6</b> | <b>\$ 1,690.5</b> | <b>\$13,992.9</b> |

The table above reflects the anticipated timing of R&D and approval related milestones and sales based milestones. Certain agreements also include royalties based on commercial sales which are excluded from the table above. The following are contractual commitments relating to the R&D and approval related milestones and sales based milestones (\$ in millions):

| Transaction                       | Product                            | R&D / Sales Based  |                     |                      |
|-----------------------------------|------------------------------------|--------------------|---------------------|----------------------|
|                                   |                                    | Maximum Milestones | Approval Milestones | and Other Milestones |
| Heptares Therapeutics, Ltd        | Neurological disorders             | \$ 3,224.5         | \$ 649.5            | \$2,575.0            |
| Assembly Biosciences, Inc.        | Gastrointestinal products          | 2,459.0            | 1,069.0             | 1,390.0              |
| AstraZeneca plc License           | Brazikumab                         | 1,265.0            | 225.0               | 1,040.0              |
| Akarna Therapeutics, Ltd          | Inflammatory and fibrotic diseases | 975.0              | 600.0               | 375.0                |
| Chase Pharmaceuticals Corporation | Neurodegenerative disorders        | 800.0              | 250.0               | 550.0                |
| Merck & Co.                       | Ubrogepant & Atogepant             | 865.0              | 435.0               | 430.0                |
| Tobira Therapeutics, Inc.         | Cenicriviroc                       | 800.1              | 400.1               | 400.0                |
| Retrosense Therapeutics, LLC      | RST-001                            | 495.0              | 245.0               | 250.0                |
| Naurex, Inc.                      | GLYX-13                            | 475.0              | 75.0                | 400.0                |
| AqueSys, Inc.                     | Xen Gel Stent                      | 300.0              | -                   | 300.0                |
| Topokine Therapeutics, Inc.       | XAF5                               | 260.0              | 110.0               | 150.0                |
| Oculeve, Inc.                     | TrueTear™                          | 150.0              | 50.0                | 100.0                |
| Forsight VISION5, Inc.            | Bimatoprost Ring                   | 125.0              | 125.0               | -                    |
| All Other                         |                                    | 4,550.3            | 1,971.9             | 2,578.4              |
| <b>Total</b>                      |                                    | <b>\$16,743.9</b>  | <b>\$ 6,205.5</b>   | <b>\$10,538.4</b>    |

## 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, 2018 our total investments in marketable and equity securities of other companies, including equity method investments, but excluding securities considered cash and cash equivalents, were \$91.8 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.

## Interest Rate Risk

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

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

## Floating Rate Debt

At September 30, 2018, borrowings outstanding under the floating rate notes were \$1,312.3 million. Assuming a one percent increase in the applicable interest rate on the Company's floating rates notes, annual interest expense would increase by approximately \$13.1 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.

## Interest Rate

The Company may use interest rate swap contracts on certain investing and borrowing transactions to manage its net exposure to interest rate changes and to reduce its overall cost of borrowing. The Company does not use leveraged swaps and does not leverage any of its fixed income investments that would put principal capital at risk.

## 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 forward contracts. Accordingly, we have entered into various contracts which change in value as foreign exchange rates change to allow the Company to economically offset the

effect of changes in the value of foreign currency assets and liabilities. We have entered into foreign currency forward contracts in amounts between minimum and maximum existing or anticipated foreign exchange exposures.

While the Company does not believe it has significant exposure to foreign exchange, we are subject to transactional items which may impact the results of operations. Net foreign currency losses on the results of operations were \$27.1 million and \$94.5 million for the nine months ended September 30, 2018 and 2017, respectively.

The currency for Argentina was deemed hyperinflationary in the third quarter of 2018 and is now being accounted for using the Company's functional currency. The impact is immaterial to the Company's operations.

The Company is exposed to foreign exchange risk in its international operations from foreign currency purchases, net investments in foreign subsidiaries, and foreign currency assets and liabilities created in the normal course of business, including the Euro Denominated Notes. In the nine months ended September 30, 2018, we used effective net investment hedges to partially offset the effects of foreign currency on our investments in certain of our foreign subsidiaries. The total notional amount of our instruments designated as net investment hedges was \$3.6 billion as of September 30, 2018 and December 31, 2017. During the nine months ended September 30, 2018 and 2017, the impact of the net investment hedges recorded in other comprehensive loss was a gain of \$126.6 million and a loss of \$151.3 million, respectively.

#### Other

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

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Allergan plc 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 Allergan plc’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 Allergan plc’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 recognizes 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), Allergan plc carried out an evaluation, under the supervision and with the participation of Allergan plc’s management, including Allergan’s Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of Allergan plc’s disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on this evaluation Allergan plc’s Principal Executive Officer and Principal Financial Officer concluded that Allergan plc’s disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2018.

Warner Chilcott Limited 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 Warner Chilcott Limited’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 recognizes 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), Warner Chilcott Limited carried out an evaluation, under the supervision and with the participation of Warner Chilcott Limited’s management, including Warner Chilcott Limited’s Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of Warner Chilcott Limited’s disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on this evaluation Warner Chilcott Limited’s Principal Executive Officer and Principal Financial Officer concluded that

Warner Chilcott Limited's disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2018.

#### Changes in Internal Control Over Financial Reporting of Allergan plc and Warner Chilcott Limited

The Company implemented a new financial reporting consolidation system in the third quarter of 2018. 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. During the quarter ended September 30, 2018, there were no other changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Allergan plc and Warner Chilcott Limited'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, 2017 and “Legal Matters” in “NOTE 19 — Commitments and Contingencies” in the accompanying “Notes to the Consolidated Financial Statements” in this Quarterly Report.

## ITEM 1A. RISK FACTORS

There have been no material changes in the Company’s risk factors from those disclosed in the Company’s Form 10-K for the year ended December 31, 2017.

## 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, 2018, we repurchased 7,770 of Allergan plc’s Ordinary Shares to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees and directors. On July 26, 2018, the Company’s Board of Directors approved a new \$2.0 billion share repurchase program, of which we repurchased \$450.0 million of our Ordinary Shares in the three months ended September 30, 2018.

| Period | Total     | Total        | Average | Total      | Average    | Approximate    |
|--------|-----------|--------------|---------|------------|------------|----------------|
|        | Number    | Number       | Price   | Number of  | Price Paid | Dollar Value   |
|        | of Shares | of Shares    | Paid    | Shares     | per Share  | of Shares that |
|        | Purchased | Purchased to | per     | Purchased  | as Part of | May Yet Be     |
|        |           | Satisfy Tax  | Share   | as Part of | Share      | Purchased      |
|        |           | Withholdings |         | Share      | Repurchase | Under the      |

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|                             |           |       |          | Repurchase | Program   | Share               |
|-----------------------------|-----------|-------|----------|------------|-----------|---------------------|
|                             |           |       |          | Program    |           | Repurchase          |
|                             |           |       |          |            |           | Program             |
|                             |           |       |          |            |           | (\$ in<br>millions) |
| July 1 - 31, 2018           | 4,790     | 4,790 | \$173.34 | -          | \$ -      | \$ 2,000.0          |
| August 1 - 31, 2018         | 1,233     | 1,233 | \$183.57 | -          | \$ -      | \$ 2,000.0          |
| September 1 - 30, 2018      | 2,378,411 | 1,747 | \$190.87 | 2,376,664  | \$ 189.34 | \$ 1,550.0          |
| July 1 - September 30, 2018 | 2,384,434 | 7,770 | \$178.91 | 2,376,664  | \$ 189.34 |                     |

ITEM 6.EXHIBITS

Reference is hereby made to the Exhibit Index on page 95.

EXHIBIT INDEX

| Exhibit | Description |
|---------|-------------|
|---------|-------------|

|         |                                                                                                                                                                  |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1*   | <u>Certification of Chief Executive Officer pursuant to Rule 13a-14a of the Securities Exchange Act of 1934.</u>                                                 |
| 31.2*   | <u>Certification of Chief Financial Officer pursuant to Rule 13a-14a of the Securities Exchange Act of 1934.</u>                                                 |
| 32.1**  | <u>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.</u>     |
| 32.2**  | <u>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.</u> |
| 101.INS | XBRL Instance Document.                                                                                                                                          |
| 101.SCH | XBRL Taxonomy Extension Scheme Document.                                                                                                                         |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document.                                                                                                           |
| 101.DEF | XBRL Taxonomy Extension Label Definition Document.                                                                                                               |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document.                                                                                                                 |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document.                                                                                                          |

#Indicates a management contract or compensatory plan or arrangement.

\* Filed herewith.

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

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 October 31, 2018.

ALLERGAN PLC

WARNER CHILCOTT LIMITED

By: /s/ Matthew M. Walsh

Name: Matthew M. Walsh

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)