Allergan Public Limited Company

2018 Irish Annual Report

CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of Directors (as of December 31, 2018)

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DIRECTORS' REPORT

The directors present their report together with the audited financial statements of the Company (as defined below) for the year ended December 31, 2018.

Basis of presentation

The accompanying consolidated financial statements reflect the consolidated operations of Allergan Public Limited Company ("Allergan plc") and its subsidiaries. References throughout to "we," "our," "us," the "Company" or "Allergan" refer to financial information and transactions of Allergan plc. The results of the parent company Allergan plc are included in the consolidated financial statements from May 16, 2013, the date of incorporation.

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

Formation of Company

Allergan plc was incorporated in Ireland on May 16, 2013 as a private limited company and re-registered effective September 20, 2013 as a public limited company.

Allergan plc ordinary shares are traded on the NYSE under the ticker symbol "AGN." Pursuant to Rule 12g-3(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Allergan plc's ordinary shares are deemed to be registered under Section 12(b) of the Exchange Act, and Allergan plc is subject to the informational requirements of the Exchange Act, and the rules and regulations promulgated thereunder.

Principal activities

Allergan plc is a global pharmaceutical leader. Allergan is focused on developing, manufacturing and commercializing branded pharmaceutical, device, biologic, surgical and regenerative medicine products for patients around the world. Allergan markets a portfolio of leading brands and best-in-class products primarily focused on four key therapeutic areas including medical aesthetics, eye care, central nervous system and gastroenterology. 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.

Discontinued Operations

In August 2016 we completed the divestiture of our global generics business and certain other assets to Teva Pharmaceutical Industries Ltd. ("Teva") (the "Teva Transaction") for $33.3 billion in cash, net of cash acquired by Teva, which included estimated working capital and other contractual adjustments, and 100.3 million unregistered Teva ordinary shares (or American Depository Shares with respect thereto). As part of the Teva Transaction, Teva acquired our global generics business, including the United States ("U.S.") and international generic commercial units, our third-party supplier Medis, our global generic manufacturing operations, our global generic research and development ("R&D") unit, our international over-the-counter ("OTC") commercial unit (excluding OTC eye care products) and certain established international brands.

DIRECTORS' REPORT - continued

Discontinued Operations - continued

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

As a result of the Teva Transaction and the divestiture of the Company's Anda Distribution business, and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," the financial results of the businesses held for sale were reclassified to discontinued operations for all periods presented in our consolidated financial statements.

Business review and results

2018 Significant Business Developments

The following are the significant transactions that were completed or announced in the year ended December 31, 2018.

Licenses and Asset Acquisitions

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 which may be recorded if the corresponding events become probable. The transaction was accounted for as an asset acquisition as the purchase primarily related to one asset. The aggregate upfront expense of $196.6 million was recorded as a component of R&D expense in the year ended December 31, 2018.

Elastagen Pty Ltd

On April 6, 2018, the Company completed the acquisition of Elastagen Pty Ltd, a clinical stage medical company developing medical and cosmetic treatments including recombinant human tropoelastin, the precursor of elastin, which will be combined with Allergan's existing fillers product lines. The transaction was accounted for as an asset acquisition as the purchase primarily related to one asset. The aggregate upfront expense of $96.1 million was recorded as a component of R&D expense during the year ended December 31, 2018. Under the terms of the agreement, Elastagen Pty Ltd is eligible to receive additional contingent consideration of up to $165.0 million which may be recorded if the corresponding events become probable.

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. The aggregate upfront expense of $33.2 million was recorded as a component of R&D expense during the year ended December 31, 2018.

DIRECTORS' REPORT - continued

Divestitures

Anti-Infectives Business Classified as Held for Sale

As of December 31, 2018, Allergan concluded that its Anti-Infectives business met the criteria for held for sale based on management's intent and ability to divest the business within the next twelve months. As a result of this decision, Allergan impaired the business assets by $771.7 million, including goodwill of $622.0 million, based on the expected aggregate fair value to be received of approximately $885.0 million. Upon the sale of the business, Allergan would only recognize the upfront proceeds received in exchange for the assets disposed, which may result in further potential write downs as of the date of sale. If contingent consideration is part of the aggregate fair value received, the Company would recognize any future benefits in "other income / (expense)" as the contingent portion of the divestiture is earned.

Aclaris Therapeutics, Inc.

On November 30, 2018, the Company divested Rhofade® to Aclaris Therapeutics, Inc. Under the terms of the agreement, the purchase price included an upfront cash payment, a potential development milestone payment for an additional dermatology product, and tiered payments based on annual net sales of Rhofade®, which have a fair value estimated to be $50.3 million. As a result of this transaction, the Company recorded a net loss of $266.2 million which is included as a component of "Asset sales and impairments, net", a component of selling, general and administrative expenses ("SG&A").

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".

2017 Significant Business Developments

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

Acquisitions

Keller Medical, Inc.

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

DIRECTORS' REPORT - continued

Acquisitions - continued

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.

LifeCell Corporation

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

Licenses and Other Transactions Accounted for as Asset Acquisitions

Lyndra, Inc.

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

Editas Medicine, Inc.

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

In the year ended December 31, 2018, the Company exercised a $15.0 million option to develop and commercialize EDIT-101 globally for the treatment of LCA10 which was included as a component of R&D expense. Additionally, Editas has exercised its option to co-develop and share equally in the profits and losses

DIRECTORS' REPORT - continued

Licenses and Other Transactions Accounted for as Asset Acquisitions - continued

Editas Medicine, Inc. – continued

from EDIT-101 in the United States. Editas received an additional $25.0 million milestone, which was included as a component as R&D expense in the year ended December 31, 2018, as the Food and Drug Administration ("FDA") accepted the Investigational New Drug Application ("IND") for EDIT-101.

Assembly Biosciences, Inc.

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

Lysosomal Therapeutics, Inc.

On January 9, 2017, the Company entered into a definitive agreement for the option to acquire Lysosomal Therapeutics, Inc. ("LTI"). LTI is focused on innovative small-molecule research and development in the field of neurodegeneration, yielding new treatment options for patients with severe neurological diseases. Under the agreement, Allergan acquired an option right directly from LTI shareholders to acquire LTI for $150.0 million plus future milestone payments following completion of a Phase Ib trial for LTI-291 as well as an upfront research and development payment. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing, as well as the lack of certain other inputs and processes, that the transaction did not qualify as a business. The aggregate upfront payment of $145.0 million was recorded as a component of R&D expense in the year ended December 31, 2017. The Company did not exercise its option and on January 2, 2019, the option agreement with LTI was terminated.

Other Transactions

Saint Regis Mohawk Tribe

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

DIRECTORS' REPORT - continued

Operating results for the years ended December 31, 2018 and 2017

For the year ended December 31, 2018, we recorded a (loss) for the year for ordinary shareholders of $(5,142.8) million on revenue of $15,787.4 million. For the year ended December 31, 2017, we recorded a (loss) for the year of $(4,403.9) million on revenue of $15,940.7 million. As of December 31, 2018 and 2017, we had total assets of $101,760.0 million and $118,320.8 million, respectively.

Key performance indicators

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

The operating segments are organized as follows:

- The US Specialized Therapeutics segment includes sales and expenses relating to branded products within the U.S., including Medical Aesthetics, Medical Dermatology 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.
- Other select revenues and operating expenses including R&D expenses, select SG&A expenses including amortization, IPR&D impairments, goodwill 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.
- Total assets including capital expenditures.

The Company defines segment net revenues as product sales and other revenue derived from our 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.

DIRECTORS' REPORT - continued

Key performance indicators - continued

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.

Results of operations, including segment net revenues, segment operating expenses and segment contribution consisted of the following for the years ended December 31, 2018 and 2017 ($ in millions):

	Year Ended December 31, 2018			
	US Specialized Therapeutics	**US General Medicine**	**International**	**Total**
	$	**$**	**$**	**$**
Net revenues	6,920.3	5,322.9	3,504.7	15,747.9
Operating expenses:				
Cost of sales[1]	565.2	799.1	537.1	1,901.4
Selling and marketing	1,348.3	924.6	928.7	3,201.6
General and administrative	205.3	156.4	141.7	503.4
Segment contribution	**4,801.5**	**3,442.8**	**1,897.2**	**10,141.5**
Contribution margin	***69.4%***	***64.7%***	***54.1%***	***64.4%***
Corporate[2]				1,067.3
Research and development				2,266.2
Selling, general and administrative excluded from segments and corporate designation				13,055.6
Other (income)				(241.1)
Interest (income)				(45.2)
Interest expense and similar items				895.6
(Loss) before taxes				(6,856.9)

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

(2) Corporate includes net revenues of $39.5 million.

DIRECTORS' REPORT - continued

Key performance indicators - continued

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

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

(2) Corporate includes net revenues of $21.4 million.

Businesses

Our US Specialized Therapeutics business offers certain of our branded products within the U.S., including Medical Aesthetics, Medical Dermatology through September 20, 2018, Eye Care and Neuroscience and Urology therapeutic products.

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

DIRECTORS' REPORT - continued

Key performance indicators - continued

Businesses – continued

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

Net revenues in our segments, including % of total net revenues, consisted of the following for the years ended December 31, 2018 and 2017 ($ in millions):

	Year Ended December 31, 2018		Year Ended December 31, 2017	
	Net Revenue	% of Total Net Revenue	Net Revenue	% of Total Net Revenue
	$	%	$	%
US Specialized Therapeutics	6,920.3	43.8%	6,803.6	42.7%
US General Medicine	5,322.9	33.7%	5,796.2	36.4%
International	3,504.7	22.2%	3,319.5	20.8%
Corporate	39.5	0.3%	21.4	0.1%
Total	**15,787.4**	**100.0%**	**15,940.7**	**100.0%**

Business Strategies

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

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

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

DIRECTORS' REPORT - continued

Key performance indicators - continued

US Specialized Therapeutics Segment

The following table presents top product sales and net contribution for the US Specialized Therapeutics segment for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,		Change	
	2018	2017	Dollars	Percentage
	$	$	$	%
Total Eye Care	**2,235.7**	**2,460.2**	**(224.5)**	**(9.1)%**
Restasis®	1,197.0	1,412.3	(215.3)	(15.2)%
Alphagan®/Combigan®	375.4	377.3	(1.9)	(0.5)%
Lumigan®/Ganfort®	291.8	317.5	(25.7)	(8.1)%
Eye Drops	202.7	199.5	3.2	1.6%
Ozurdex®	111.0	98.4	12.6	12.8%
Other Eye Care	57.8	55.2	2.6	4.7%
Total Medical Aesthetics	**2,774.6**	**2,449.2**	**325.4**	**13.3%**
Facial Aesthetics	**1,487.3**	**1,362.8**	**124.5**	**9.1%**
Botox® Cosmetics	907.3	812.2	95.1	11.7%
Juvederm® Collection	548.2	501.1	47.1	9.4%
Kybella®	31.8	49.5	(17.7)	(35.8)%
Plastic Surgery	**263.0**	**242.6**	**20.4**	**8.4%**
Breast Implants	263.0	242.6	20.4	8.4%
Regenerative Medicine	**523.9**	**433.9**	**90.0**	**20.7%**
Alloderm®	407.3	321.2	86.1	26.8%
Other Regenerative Medicine	116.6	112.7	3.9	3.5%
Body Contouring	**361.6**	**256.7**	**104.9**	**40.9%**
Coolsculpting ® Consumables	235.3	150.1	85.2	56.8%
Coolsculpting ® Systems & Add On Applicators	126.3	106.6	19.7	18.5%
Skin Care[4]	**138.8**	**153.2**	**(14.4)**	**(9.4)%**
Total Medical Dermatology	**115.5**	**273.6**	**(158.1)**	**(57.8)%**
Aczone®	55.1	166.3	(111.2)	(66.9)%
Tazorac®	25.4	65.4	(40.0)	(61.2)%
Other Medical Dermatology	35.0	41.9	(6.9)	(16.5)%
Total Neuroscience and Urology	**1,720.4**	**1,550.3**	**170.1**	**11.0%**
Botox® Therapeutics[3]	1,638.5	1,442.2	196.3	13.6%
Rapaflo®	81.9	108.1	(26.2)	(24.2)%
Other revenues	**74.1**	**70.3**	**3.8**	**5.4%**
Net revenues	**6,920.3**	**6,803.6**	**116.7**	**1.7%**
Operating expenses:				
Cost of sales[1]	565.2	495.4	69.8	14.1%
Selling and marketing	1,348.3	1,369.5	(21.2)	(1.5)%
General and administrative	205.3	208.2	(2.9)	(1.4)%
Segment contribution	**4,801.5**	**4,730.5**	**71.0**	**1.5%**
Segment margin	69.4%	69.5%		(0.1)%
Segment gross margin[2]	91.8%	92.7%		(0.9)%

(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.

(3) Includes Botox® Hyperhidrosis of $67.2 million which was previously disclosed under Medical Dermatology in the year ended December 31, 2017.

(4) Includes SkinMedica® and Latisse®.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US Specialized Therapeutics Segment – continued

The Zeltiq Acquisition and LifeCell Acquisition contributed the following to the segment in the years ended December 31, 2018 and 2017 ($ in millions):

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	LifeCell	Zeltiq	Combined Contribution	LifeCell	Zeltiq	Combined Contribution
	$	$	$	$	$	$
Net revenues	526.1	361.7	887.8	436.0	256.8	692.8
Operating expenses:						
Cost of sales	112.6	101.0	213.6	107.5	70.7	178.2
Selling and marketing	112.3	159.7	272.0	97.8	96.1	193.9
General and administrative	10.6	7.2	17.8	11.4	10.7	22.1

Net Revenues

The increase in net revenues in the year ended December 31, 2018 was primarily driven by the Zeltiq Acquisition and the LifeCell Acquisition and growth in Botox® Therapeutics and Botox® Cosmetics, partially offset by decreases in Restasis® and the divestiture of our Medical Dermatology business. 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 as a result of changes in promotional efforts ahead of an anticipated launch of a generic. As a result of the U.S. District Court for the Eastern District of Texas issuing an adverse trial decision finding that the four asserted patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05% are invalid, there is a potential risk for future declines in Restasis® revenues. The decline in Aczone® revenues prior to divestiture 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

The decrease in segment gross margin was due in part to the Zeltiq Acquisition and the LifeCell Acquisition. Excluding the Zeltiq Acquisition and the LifeCell Acquisition in both periods, segment gross margin decreased to 94.2% in the year ended December 31, 2018 versus 94.8% in the prior year period primarily due to product mix, including a decline in Restasis® sales.

Selling and Marketing Expenses

The decrease in selling and marketing expenses in the year ended December 31, 2018 was 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 and the LifeCell Acquisition.

General and Administrative Expenses

General and administrative expenses remained stable period over period.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US General Medicine Segment

The following table presents top product sales and net contribution for the US General Medicine segment for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,		Change	
	2018	2017	Dollars	Percentage
	$	$	$	%
Total Central Nervous System (CNS)	**1,156.0**	**1,359.9**	**(203.9)**	**(15.0)%**
Vraylar®	487.1	287.8	199.3	69.2%
Viibryd®/Fetzima®	342.4	333.2	9.2	2.8%
Saphris®	139.7	155.2	(15.5)	(10.0)%
Namzaric®	115.8	130.8	(15.0)	(11.5)%
Namenda®[3]	71.0	452.9	(381.9)	(84.3)%
Total Gastrointestinal (GI)	**1,723.7**	**1,695.0**	**28.7**	**1.7%**
Linzess®	761.1	701.1	60.0	8.6%
Zenpep®	237.3	212.3	25.0	11.8%
Carafate®/Sulcrate®	217.8	235.8	(18.0)	(7.6)%
Viberzi®	176.5	156.6	19.9	12.7%
Canasa®/Salofalk®	169.2	162.7	6.5	4.0%
Asacol®/Delzicol®	130.8	195.5	(64.7)	(33.1)%
Other GI	31.0	31.0	—	0.0%
Total Women's Health	**786.8**	**1,044.2**	**(257.4)**	**(24.7)%**
Lo Loestrin®	527.7	459.3	68.4	14.9%
Liletta®	50.9	37.6	13.3	35.4%
Estrace® Cream	49.0	366.6	(317.6)	(86.6)%
Minastrin® 24	9.5	61.4	(51.9)	(84.5)%
Other Women's Health	149.7	119.3	30.4	25.5%
Total Anti-Infectives	**304.4**	**257.3**	**47.1**	**18.3%**
Teflaro®	128.0	121.9	6.1	5.0%
Avycaz®	94.6	61.2	33.4	54.6%
Dalvance®	56.1	53.9	2.2	4.1%
Other Anti-Infectives	25.7	20.3	5.4	26.6%
Diversified Brands	**1,156.0**	**1,242.6**	**(86.6)**	**(7.0)%**
Bystolic® / Byvalson®	583.8	612.2	(28.4)	(4.6)%
Armour Thyroid	198.8	169.1	29.7	17.6%
Savella®	85.0	98.2	(13.2)	(13.4)%
Other Diversified Brands[4][5][6]	288.4	363.1	(74.7)	(20.6)%
Other revenues	**196.0**	**197.2**	**(1.2)**	**(0.6)%**
Net revenues	**5,322.9**	**5,796.2**	**(473.3)**	**(8.2)%**
Operating expenses:				
Cost of sales[1]	799.1	843.9	(44.8)	(5.3)%
Selling and marketing	924.6	1,084.1	(159.5)	(14.7)%
General and administrative	156.4	177.3	(20.9)	(11.8)%
Segment contribution	**3,442.8**	**3,690.9**	**(248.1)**	**(6.7)%**
Segment margin	64.7%	63.7%		1.0%
Segment gross margin[2]	85.0%	85.4%		(0.4)%

(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.

(3) Includes Namenda XR® and Namenda® IR.

DIRECTORS' REPORT - continued

Key performance indicators - continued

US General Medicine Segment – continued

(4) Includes Lexapro® sales of $51.8 million which were previously disclosed separately in the year ended December 31, 2017.
(5) Includes PacPharma sales of $14.0 million which were previously disclosed separately in the year ended December 31, 2017.
(6) Includes Enablex® sales of $3.6 million which were previously disclosed separately in the year ended December 31, 2017.

Net Revenues

The decrease in net revenues in the year ended December 31, 2018 was primarily due to a decline in products that lost exclusivity, including Namenda XR®, Estrace® Cream, and Minastrin® 24, as well as a decline in Other Diversified Brands, offset, in part, by growth in Vraylar®, Lo Loestrin® and Linzess®. CNS revenues declined primarily due to the decline in Namenda XR® as a result of loss of exclusivity, offset, in part, by strong demand growth for Vraylar®. Women's Health revenues declined primarily due to the loss of exclusivity on Estrace® Cream and Minastrin® 24, offset, in part, by growth for Lo Loestrin® driven by higher average selling prices and increased demand. GI revenues increased primarily due to growth for Linzess® resulting from increased demand which more than offset negative pricing pressure on the product. GI was negatively affected by the generic impact on Asacol®.

Cost of Sales

The decrease in cost of sales in the year ended December 31, 2018 was primarily due to lower product sales and product mix in addition to the favorable impact of a $29.9 million Linzess® profit share true-up. Segment gross margin was 85.0% in the year ended December 31, 2018 compared to 85.4% in the prior year period as a result of product mix including the impact of generics on sales of Estrace® Cream.

Selling and Marketing Expenses

The decrease in selling and marketing expenses in the year ended December 31, 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

General and administrative expenses in the year ended December 31, 2018 decreased period-over-period due to cost savings initiatives.

DIRECTORS' REPORT - continued

Key performance indicators - continued

International Segment

The following table presents top product sales and net contribution for the International segment for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,		Change					
	2018	2017	$ Overall Change	$ Operational Change[3]	$ Currency Change	% Overall Change	% Operational Change [3]	% Currency Change
	$	$	$	$	$	%	%	%
Total Eye Care	**1,294.6**	**1,282.1**	**12.5**	**19.4**	**(6.9)**	**1.0%**	**1.5%**	**(0.5)%**
Lumigan®/Ganfort®	392.6	371.5	21.1	15.2	5.9	5.7%	4.1%	1.6%
Eye Drops[4]	279.7	281.0	(1.3)	3.7	(5.0)	(0.5)%	1.3%	(1.8)%
Ozurdex®	187.7	213.4	(25.7)	(32.2)	6.5	(12.0)%	(15.0)%	3.0%
Alphagan®/Combigan®	176.0	175.1	0.9	5.8	(4.9)	0.5%	3.3%	(2.8)%
Restasis®	64.5	61.3	3.2	5.9	(2.7)	5.2%	9.6%	(4.4)%
Other Eye Care	194.1	179.8	14.3	21.0	(6.7)	8.0%	11.7%	(3.7)%
Total Medical Aesthetics	**1,533.3**	**1,366.6**	**166.7**	**185.6**	**(18.9)**	**12.2%**	**13.6%**	**(1.4)%**
Facial Aesthetics	**1,262.3**	**1,104.5**	**157.8**	**178.0**	**(20.2)**	**14.3%**	**16.1%**	**(1.8)%**
Botox® Cosmetics	641.2	557.0	84.2	96.6	(12.4)	15.1%	17.3%	(2.2)%
Juvederm® Collection	614.8	540.7	74.1	81.9	(7.8)	13.7%	15.1%	(1.4)%
Belkyra® (Kybella®)	6.3	6.8	(0.5)	(0.5)	(0.0)	(7.4)%	(7.4)%	0.0%
Plastic Surgery	**131.5**	**158.6**	**(27.1)**	**(28.7)**	**1.6**	**(17.1)%**	**(18.1)%**	**1.0%**
Breast Implants	130.1	156.9	(26.8)	(28.5)	1.7	(17.1)%	(18.2)%	1.1%
Other Plastic Surgery	1.4	1.7	(0.3)	(0.2)	(0.1)	(17.6)%	(11.7)%	(5.9)%
Regenerative Medicine	**16.8**	**16.5**	**0.3**	**(0.1)**	**0.4**	**1.8%**	**(0.6)%**	**2.4%**
Alloderm®	8.0	7.5	0.5	0.4	0.1	6.7%	5.4%	1.3%
Other Regenerative Medicine	8.8	9.0	(0.2)	(0.5)	0.3	(2.2)%	(5.5)%	3.3%
Body Contouring	**107.5**	**73.7**	**33.8**	**35.0**	**(1.2)**	**45.9%**	**47.5%**	**(1.6)%**
Coolsculpting ® Consumables	64.2	41.6	22.6	23.1	(0.5)	54.3%	55.5%	(1.2)%
Coolsculpting ® Systems & Add On Applicators	43.3	32.1	11.2	11.9	(0.7)	34.9%	37.1%	(2.2)%
Skin Care	**15.2**	**13.3**	**1.9**	**1.4**	**0.5**	**14.3%**	**10.5%**	**3.8%**
Botox® Therapeutics and Other	**611.5**	**587.4**	**24.1**	**22.7**	**1.4**	**4.1%**	**3.9%**	**0.2%**
Botox® Therapeutics	390.4	357.5	32.9	34.9	(2.0)	9.2%	9.8%	(0.6)%
Asacol®/Delzicol®	45.7	50.2	(4.5)	(5.9)	1.4	(9.0)%	(11.8)%	2.8%
Constella®	24.1	21.9	2.2	1.8	0.4	10.0%	8.2%	1.8%
Other Products	151.3	157.8	(6.5)	(8.1)	1.6	(4.1)%	(5.1)%	1.0%
Other revenues	**65.3**	**83.4**	**(18.1)**	**(18.5)**	**0.4**	**(21.7)%**	**(22.2)%**	**0.5%**
Net revenues	**3,504.7**	**3,319.5**	**185.2**	**209.2**	**(24.0)**	**5.6%**	**6.3%**	**(0.7)%**
Operating expenses:								
Cost of sales[1]	537.1	478.7	58.4	66.2	(7.8)	12.2%	13.8%	(1.6)%
Selling and marketing	928.7	913.8	14.9	14.9	0.0	1.6%	1.6%	0.0%
General and administrative	141.7	120.6	21.1	25.6	(4.5)	17.5%	21.2%	(3.7)%
Segment contribution	**1,897.2**	**1,806.4**	**90.8**	**102.5**	**(11.7)**	**5.0%**	**5.6%**	**(0.6)%**
Segment margin	54.1%	54.4%				(0.3)%		
Segment gross margin[2]	84.7%	85.6%				(0.9)%		

(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.

DIRECTORS' REPORT - continued

Key performance indicators - continued

International Segment – continued

(3) Defined as overall change excluding foreign exchange impact.
(4) Includes Optive® sales of $114.1 million which were previously disclosed separately in the year ended December 31, 2017.

The following table presents our revenue disaggregated by geography for our International segment in the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,					
	2018	2017	$ Overall Change	$ Operational Change	% Overall Change	% Operational Change
	$	$	$	$	%	%
Europe	1,482.6	1,439.2	43.4	22.1	3.0%	1.5%
Asia Pacific, Middle East and Africa	1,089.9	929.9	160.0	156.0	17.2%	16.8%
Latin America and Canada	862.4	863.3	(0.9)	48.9	(0.1)%	5.7%
Other*	69.8	87.1	(17.3)	(17.8)	(19.9)%	(20.4)%
Total International	3,504.7	3,319.5	185.2	209.2	5.6%	6.3%

* Includes royalty and other revenue

The Zeltiq Acquisition contributed the following to the segment in the years ended December 31, 2018 and 2017 ($ in millions):

	For the Years Ended December 31,	
	2018	2017
	$	$
Net revenues	107.5	73.7
Operating expenses:		
Cost of sales	39.2	25.6
Selling and marketing	54.0	39.0
General and administrative	3.5	-

Net Revenues

The increase in net revenues in the year ended December 31, 2018 was primarily due to the operational growth of total Facial Aesthetics and Botox® Therapeutics, as well as the Zeltiq Acquisition. The increase in sales of Botox® Cosmetics was driven primarily by demand growth and higher average prices. The increase in sales of Botox® Therapeutics was driven primarily by demand growth. Juvederm® Collection revenues increased versus the prior year period, primarily resulting from demand growth. Within total Eye Care, Ozurdex® decreased versus the prior year period, primarily driven by the third quarter product recall and the temporary period of not shipping product. Plastic Surgery decreased versus the prior year period, primarily driven by a fourth quarter suspension of sales and withdrawal of the remaining textured breast implants from the market in Europe. This suspension and withdrawal followed the non-renewal of our textured breast implant CE Mark licenses in Europe pending a request for additional information by LNE-GMED, the notified body responsible for certification of our breast implants. Sales returns reserves recorded for the recalls totaled $56.7 million in the year ended December 31, 2018.

DIRECTORS' REPORT - continued

Key performance indicators - continued

International Segment – continued

Cost of Sales

The increase in cost of sales in the year ended December 31, 2018 was primarily due to the increase in net revenues and the Zeltiq Acquisition and the LifeCell Acquisition. Excluding the Zeltiq Acquisition and the LifeCell Acquisition in both periods, segment gross margin was 85.5% in the year ended December 31, 2018 compared to 86.1% in the prior year period.

Selling and Marketing Expenses

The increase in selling and marketing expenses in the year ended December 31, 2018 was due in part to the Zeltiq Acquisition as well as increased promotional spending in Medical Aesthetics.

General and Administrative Expenses

General and administrative expenses increased due in part to $12.4 million of contract tender costs associated with the Ozurdex and textured breast implants recalls.

Corporate

Corporate represents the results of corporate initiatives as well as the impact of select revenues and shared costs. The following represents the Corporate amounts for the years ended December 31, 2018 and 2017 ($ in millions):

	Year Ended December 31, 2018						
	Integration / Divestiture	Non-Acquisition Related Restructuring	Fair Value Adjustments	Effect of Purchase Accounting	Other	Revenues and Shared Costs	Total
	$	$	$	$	$	$	$
Net revenues	-	-	-	-	-	39.5	39.5
Operating expenses:							
Cost of sales[1]	1.3	33.7	(111.7)	2.1	(0.1)	364.7	290.0
Selling and marketing	1.5	38.8	-	8.6	-	0.1	49.0
General and administrative	50.9	5.4	-	2.9	58.8	649.8	767.8
Contribution	**(53.7)**	**(77.9)**	**111.7**	**(13.6)**	**(58.7)**	**(975.1)**	**(1,067.3)**

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

DIRECTORS' REPORT - continued

Key performance indicators - continued

Corporate – continued

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

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

Integration

In the years ended December 31, 2018 and 2017, integration and restructuring charges included costs related to the integration of LifeCell and Zeltiq.

Non-Acquisition Related Restructuring

In the years ended December 31, 2018 and 2017, the Company incurred charges related to the restructuring of its internal infrastructure. In the year ended December 31, 2018, the restructuring programs included charges associated with scaling our manufacturing plants and changes in the international commercial promotional focus in certain markets which includes an anticipated reduction of approximately 200 sales representatives internationally. In the year ended December 31, 2017, restructuring programs included a mid-year commercial initiative as well as a December 2017 program. As part of these initiatives, the Company reduced its employee headcount within selling and marketing by approximately 350 as of December 31, 2017. A reduction of approximately 900 employees within cost of sales, selling and marketing and general and administrative was reserved for in the year ended December 31, 2017.

Fair Value Adjustments

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

In the year ended December 31, 2018, the income in cost of sales primarily reflects the reduction of the contingent liability for True Tear® when the product did not achieve a milestone event, as well as a corresponding decrease in commercial forecasts. The income recorded in the year ended December 31, 2017 primarily related to reduced or delayed revenue forecasts for select products including Rhofade® and Liletta®.

Effect of Purchase Accounting

The Company incurred charges related to the purchase accounting impact on share-based compensation related to the Zeltiq Acquisition, the Allergan Acquisition and the Forest Acquisition in the years ended December 31,

DIRECTORS' REPORT - continued

Key performance indicators - continued

Corporate – continued

2018 and 2017, which increased cost of sales, selling and marketing and general and administrative expenses. A cash stock-based compensation charge of $31.5 million associated with the Zeltiq Acquisition was also included in the year ended December 31, 2017.

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

Other

In the years ended December 31, 2018 and 2017, general and administrative costs included legal settlement charges of $56.8 million and $96.5 million, respectively.

Revenues and Shared Costs

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

In the year ended December 31, 2018, the Company recorded milestone revenue related to an on-going intellectual property agreement of $25.0 million.

In the year ended December 31, 2018, the increase in cost of goods sold within revenues and shared costs was primarily due to unfavorable inventory variances due to third-party manufacturing delays, an increase in compensation costs and $15.8 million of inventory write-offs associated with the Ozurdex® and textured breast implants product recalls versus the prior year.

In the years ended December 31, 2018 and 2017, the Company incurred transactional foreign exchange losses of $28.8 million and $97.5 million, respectively.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Research and Development Expenses

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

R&D expenses consisted of the following in the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,		Change	
	2018	2017	Dollars	Percentage
	$	$	$	%
Ongoing operating expenses	1,574.5	1,598.8	(24.3)	(1.5)%
Milestone expenses and upfront license payments	678.9	391.8	287.1	73.3%
Acquisition accounting fair market value adjustment to share-based compensation	4.8	18.3	(13.5)	(73.8)%
Acquisition, integration, and restructuring charges	2.9	41.2	(38.3)	(93.0)%
Contingent consideration adjustments, net	5.1	50.0	(44.9)	(89.8)%
Total R&D Expenses	**2,266.2**	**2,100.1**	**166.1**	**7.9%**

Operating Expenses

The decrease in ongoing operating expenses in the year ended December 31, 2018 versus the year ended December 31, 2017, is mainly due to decreased product development spending in 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.

Milestone Expenses and Upfront License Payments

The following represents milestone expenses, asset acquisitions and upfront license payments in the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,	
	2018	2017
	$	$
Bonti, Inc.	196.6	-
Merck & Co.	115.0	-
Elastagen Pty Ltd	96.1	-
AstraZeneca plc	90.0	-
Chase Pharmaceuticals Corporation	75.0	-
Editas Medicine, Inc.	40.0	90.0
Repros Therapeutics, Inc.	33.2	-
Lysosomal Therapeutics, Inc.	-	145.0
Assembly Biosciences, Inc.	-	50.0
Akarna Therapeutics, Ltd.	-	39.6
Lyndra, Inc.	-	15.0
Heptares Therapeutics, Ltd.	-	15.0
Other	33.0	37.2
Total	**678.9**	**391.8**

DIRECTORS' REPORT - continued

Key performance indicators - continued

Research and Development Expenses – continued

Acquisition, Integration, and Restructuring Charges

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

Contingent Consideration Adjustments, Net

In the year ended December 31, 2018, the net adjustment to contingent consideration primarily relates to the progression of R&D projects relating to the Tobira Acquisition offset by a reduction in ForSight Acquisition contingent consideration.

In the year ended December 31, 2017, the adjustment to contingent consideration primarily related to the advancement of the Company's True Tear® product and products acquired as part of the Tobira Acquisition.

Selling, General and Administrative Excluded from Segments and Corporate Designation

Our SG&A expenses were comprised of the following for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,		Change	
	2018	2017	Dollars	Percentage
	$	$	$	%
Selling and Marketing	3,201.6	3,367.4	(165.8)	(4.9)%
General and Administrative	503.4	506.1	(2.7)	(0.5)%
Total Segment SG&A	**3,705.0**	**3,873.5**	**(168.5)**	**(4.4)%**
Selling and Marketing	49.0	147.4	(98.4)	(66.8)%
General and Administrative	767.8	995.8	(228.0)	(22.9)%
Total Corporate SG&A	**816.8**	**1,143.2**	**(326.4)**	**(28.6)%**
Amortization	6,552.3	7,197.1	(644.8)	(9.0)%
Goodwill impairments	2,841.1	-	2,841.1	n.a.
Currently marketed products impairments	1,831.4	3,876.0	(2,044.6)	(52.8)%
In-process research and development impairments	804.6	1,452.3	(647.7)	(44.6)%
Asset sales and impairments, net	1,026.2	51.7	974.5	n.m.
Total SG&A excluded from segments and corporate designation	**13,055.6**	**12,577.1**	**478.5**	**3.8%**
Total SG&A	**17,577.4**	**17,593.8**	**(16.4)**	**(0.1)%**

Amortization

Amortization for the year ended December 31, 2018 decreased as compared to the year ended December 31, 2017 primarily as a result of a decrease in amortization for Restasis® due to a reduced book value and remaining life as a result of an anticipated launch of a generic.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Selling, General and Administrative Excluded from Segments and Corporate Designation – continued

Goodwill, IPR&D and Other Impairments and Asset Sales, Net

Refer to "NOTE 13 – Goodwill, Product Rights and Other Intangible Assets" for the description of the goodwill impairments, impairments of currently marketed products, IPR&D impairments and asset sales and impairments, net related to the Anti-Infectives business that the Company recorded in the years ended December 31, 2018 and 2017.

Refer to "NOTE 4 – Business Developments" for asset sales recorded in the years ended December 31, 2018 and 2017.

Interest Income

Our interest income was comprised of the following for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,		Change	
	2018	2017	Dollars	Percentage
	$	$	$	%
Interest income	45.2	67.7	(22.5)	(33.2)%

Interest income represents interest earned on cash and cash equivalents and marketable securities held during the respective periods. Interest income for the year ended December 31, 2018 decreased as compared to the year ended December 31, 2017 primarily due to a decline in marketable securities.

Interest Expense and Similar Items

Our interest expense and similar items was comprised of the following for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,		Change	
	2018	2017	Dollars	Percentage
	$	$	$	%
Fixed Rate Notes	827.2	1,030.5	(203.3)	(19.7)%
Euro Denominated Notes	37.5	19.8	17.7	89.4%
Floating Rate Notes	20.8	25.9	(5.1)	(19.7)%
Debt extinguishment costs as part of the debt tender offer	-	161.6	(161.6)	(100.0)%
Debt extinguishment other	(15.6)	27.6	(43.2)	(156.5)%
Other	25.7	19.4	6.3	32.5%
Interest expense and similar items	**895.6**	**1,284.8**	**(389.2)**	**(30.3)%**

Interest expense and similar items in the year ended December 31, 2018 decreased versus the year ended December 31, 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 year ended December 31, 2018 versus the year ended December 31, 2017.

DIRECTORS' REPORT - continued

Key performance indicators - continued

Other Income / (Expense)

Our other income / (expense) income was comprised of the following for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,		Change	
	2018	2017	Dollars	Percentage
	$	$	$	%
Teva Share Activity	60.9	(3,269.3)	3,330.2	n.m.
Sale of businesses	182.6	-	182.6	n.a.
Other-than-temporary impairments	-	(26.1)	26.1	(100.0)%
Dividend income	-	85.2	(85.2)	(100.0)%
Naurex recovery	-	20.0	(20.0)	(100.0)%
Forward sale of Teva shares	-	(62.9)	62.9	(100.0)%
Other (expense) / income	(2.4)	5.0	(7.4)	n.m.
Other income / (expense)	**241.1**	**(3,248.1)**	**3,489.2**	**n.m.**

Refer to "NOTE 28 – Other income / (expense)" for further details regarding the components of other income / (expense).

(Benefit) for Income Taxes

Our (benefit) for income taxes was comprised of the following for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,		Change	
	2018	2017	Dollars	Percentage
	$	$	$	%
(Benefit) for income taxes	(1,770.7)	(6,670.4)	4,899.7	(73.5)%
Effective tax rate	*25.8%*	*(64.2)%*		

DIRECTORS' REPORT - continued

Key performance indicators - continued

(Benefit) for Income Taxes – continued

The Company's effective tax rate for the twelve months ended December 31, 2018 and 2017 was a benefit of 25.8% and a benefit of 64.2%, respectively. The reconciliations between the statutory Irish tax rates for Allergan plc and the effective income tax rates were as follows:

	Allergan plc Years Ended December 31,	
	2018	**2017**
Statutory rate	(12.5)%	(12.5)%
Earnings subject to U.S. taxes [1] [2]	(1.8)%	(17.4)%
Earnings subject to rates different than the statutory rate [1][2]	(3.4)%	2.1%
Impact of U.S. tax reform enactment [3]	(0.2)%	(27.2)%
Tax reserves and audit outcomes	2.6%	0.4%
Non-deductible expenses [4]	7.4%	0.2%
Impact of acquisitions and reorganizations [5]	(15.3)%	(9.3)%
Tax credits and U.S. special deductions	(0.9)%	(1.5)%
Rate changes [6]	2.2%	(1.2)%
Valuation allowances [7]	(3.7)%	2.2%
Other	(0.2)%	0.0%
Effective income tax rate	**(25.8)%**	**(64.2)%**

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

(1) The benefit to the 2018 effective tax rate was lower as compared to 2017 due to fewer losses in jurisdictions with tax rates higher than the Irish statutory rate, the reduction of the U.S. federal tax rate as a result of Tax Reform and the net impact of Global Intangible Low Taxed Income (referred to as "GILTI"), which is being treated as a period cost in 2018 and was not included in 2017.

(2) In 2018, the Company recorded amortization expense of $6.6 billion and intangible impairment charges of $3.0 billion, resulting in a tax benefit of $277.5 million, as a portion of these amounts were incurred in jurisdictions with tax rates higher than the Irish statutory rate. Comparatively, in 2017, the Company recorded amortization expense of $7.2 billion and impairment charges of $8.7 billion, including Teva Share Activity, resulting in a net tax benefit of $1,262.2 million, favorably impacting the 2017 effective tax rate as compared to 2018.

(3) In 2017, as part of the enactment of the Tax Cuts and Jobs Act ("TCJA"), the Company recorded a provisional net deferred tax benefit of $2.8 billion related to the change in tax rates applicable to our deferred tax liabilities, the net reversal of amounts previously accrued for taxes on unremitted earnings of certain non-U.S. subsidiaries and the tax on the deemed repatriation of the Deferred Foreign Earnings of certain non-U.S. subsidiaries (toll charge). Adjustments were recorded in 2018 at the close of the measurement period under SAB 118, but were not material.

(4) In 2018, the Company recorded goodwill impairments of $3.5 billion (including a portion allocated to assets held for sale) with no corresponding tax benefit, resulting in a tax detriment of $432.9 million to the 2018 effective tax rate.

DIRECTORS' REPORT - continued

Key performance indicators - continued

(Benefit) for Income Taxes – continued

(5) In 2018, the Company recorded a tax benefit of $1,047.8 million for deferred taxes related to the tax effects of integration and the recognition of outside basis differences. This resulted in a more favorable impact on the effective tax rate as compared to 2017.
(6) As a result of statutory and other tax rate changes applied to certain deferred tax assets and liabilities, the Company recorded a detriment of $148.0 million in the year ended December 31, 2018.
(7) In 2018, the Company recorded a tax benefit of $254.0 million for the full release of a valuation allowance related to the Company's foreign tax credit and partial release related to non-U.S. net operating loss carryforwards.

Discontinued Operations

On July 27, 2015, the Company announced that it entered into the Teva Transaction, which closed on August 2, 2016. On October 3, 2016, the Company completed the divestiture of the Anda Distribution business to Teva for $500.0 million.

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

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

	For the Year Ended December 31,
	2017
	$
Net revenues	**-**
Cost of sales	-
Gross profit	**-**
Selling, general and administrative expenses	(20.0)
Research and development	-
Other (expense)	(470.4)
(Loss) before taxes	**(490.4)**
(Benefit) for income taxes	87.5
(Loss)	**(402.9)**

(Loss) / Income

Due to the factors described above, we reported a (loss) of ($5,086.2) million year ended December 31, 2018.

DIRECTORS' REPORT - continued

Principal risks and uncertainties

Any statements made in this report that are not statements of historical fact or that refer to estimated or anticipated future events are forward-looking statements, as contemplated in the Private Securities Litigation Reform Act of 1995. We have based our forward-looking statements on management's beliefs and assumptions based on information available to our management at the time these statements are made. Such forward-looking statements reflect our current perspective of our business, future performance, existing trends and information as of the date of this filing. These include, but are not limited to, our beliefs about future revenue and expense levels and growth rates, prospects related to our strategic initiatives and business strategies, including the integration of, and synergies associated with, strategic acquisitions, express or implied assumptions about government regulatory action or inaction, anticipated product approvals and launches, business initiatives and product development activities, assessments related to clinical trial results, product performance and competitive environment, and anticipated financial performance.

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

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

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

Risks Related to Our Business

Global economic conditions could harm us.

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

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

Global efforts towards health care cost containment continue to exert pressure on product pricing and market access. In many international markets, government-mandated pricing actions have reduced prices of patented

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Global economic conditions could harm us. – continued

drugs. Some countries may be subject to periods of financial instability or may have reduced resources to spend on healthcare or may be or will be in the future subject to economic sanctions, and our business in these countries may be disproportionately affected by these changes. In addition, the currencies of some countries may depreciate against the U.S. Dollar substantially and if the Company is unable to offset the impact of such depreciation, then the Company's financial performance within such countries could be adversely affected.

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

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

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

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

Our expenditures may not result in commercially successful products.

Developing and commercializing branded pharmaceutical products is generally more costly than developing and commercializing generic products. In order to grow and achieve success in our business, we must continually identify, develop, acquire and license new products that we can ultimately market. In the future, we anticipate continuing and increasing our product development expenditures. There are many difficulties and uncertainties inherent in pharmaceutical research and development, and there is a high rate of failure inherent in new drug

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

We recorded direct product revenues of more than $500 million for the following pharmaceutical products: Botox®, the Juvederm Collection, Linzess®/Constella®, Lumigan®/Ganfort®, Bystolic®/Byvalson®, Alphagan®/Combigan®, Lo Loestrin® and Restasis®. Those products and revenues accounted for 57.9% of our total revenues in 2018. These products, as well as our other major products, may become subject to problems such as loss of patent protection (if applicable), changes in prescription growth rates, material product liability litigation, unexpected side effects, regulatory proceedings, publicity affecting doctor or patient confidence, pressure from existing or new competitive products or changes in labeling, our results of operations and financial condition could be materially adversely affected. For example, in October 2017, the U.S. District Court for the Eastern District of Texas issued an adverse trial decision finding that the four asserted patents covering Restasis® (Cyclosporine Ophthalmic Emulsion) 0.05% are invalid and on November 13, 2018, the United States Court of Appeals for the Federal Circuit affirmed that ruling.

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

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

During the next few years, additional products of ours, including some of our large revenue drivers, like Bystolic®, Delzicol®, Gelnique®, Saphris® and Viibryd®, will lose patent protection and/or likely become subject to generic or other competition. Generic versions of our Canasa® product entered the market in December 2018 pursuant to an agreement previously entered into and generic versions of our Rapaflo® product entered the market in December 2018 upon patent expiration. Some of our products may also become subject to generic competition prior to the expiration of patent protection in the event a generic competitor elects to launch its generic equivalent product "at-risk." For example, before the Court of Appeals for the Federal Circuit has reviewed Allergan's appeal of a district court judgment of patent invalidity, Sandoz launched "at risk" a generic version of Latisse® in December 2016. Competition from generic equivalents could result in a material

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

impairment of our intangible assets or the acceleration of amortization on our non-impaired intangible assets and may have a material adverse impact on our revenues, financial condition, results of operations and cash flows.

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

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

Some of our competitors have technical, competitive or other advantages over us for the development of technologies and processes. These advantages may make it difficult for us to compete with them to successfully discover, develop and market new products and for our current products to compete with new products that these competitors may bring to market. As a result, our products may compete against products that have lower prices, equivalent or superior performance, a better safety profile, are easier to administer, achieve earlier entry into the market or that are otherwise competitive with our products. For example, in the past few years, a number of other companies have started to develop, have successfully developed and/or are currently marketing products that are being positioned as competitors to Botox®. While we believe that Botox® is a product that is superior to and can be differentiated from its competitors, any commercial success of other toxin products could have an adverse impact on our revenues or results of operations.

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

Our success with the branded products that we develop will depend, in part, on our ability to obtain patent protection for these products. We currently have a number of U.S. and foreign patents issued and pending. However, issuance of a patent is not conclusive evidence of its validity or enforceability. We cannot be sure that we will receive patents for any of our pending patent applications or any patent applications we may file in the future, or that our issued patents will be upheld if challenged. If our current and future patent applications are not approved or, if approved, our patents are not upheld in a court of law if challenged, it may reduce our ability to competitively utilize our patented products. Also, such patents may or may not provide competitive advantages for their respective products or they may be challenged or circumvented by our competitors, in which case our ability to commercially market these products may be diminished. Patent disputes may be lengthy and a

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

potential violator of our patents may bring a potentially infringing product to market during the dispute, subjecting us to competition and damages due to infringement of the competitor product. Further, patents covering Androderm®, Carafate®, Estrace® Cream, Femhrt®, INFed®, Namenda® (IR), Pylera®, and Rapaflo® products have expired and we have no further patent protection on these products. As a result, generic versions of our Estrace® Cream product and Namenda XR® entered the market in January and March 2018, respectively, and generic versions of our Rapaflo® product entered the market in December 2018. During the next few years, additional products will lose patent protection and/or likely become subject to generic or other competition, including Bystolic®, Delzicol®, Gelnique®, Saphris® and Viibryd®. Therefore, it is possible that a competitor may launch a generic version of any of these products at any time, which would result in a significant decline in that product's revenue and profit.

Generic versions of our Minastrin® product which entered the market during March 2017 pursuant to settlement agreements previously entered into; and generic versions of our Canasa® product entered the market in December 2018 pursuant to a settlement agreement previously entered into. Some of our products, e.g., Combigan®, may also become subject to generic competition prior to the expiration of patent protection in the event a generic competitor is not enjoined and elects to launch its generic equivalent product "at risk."

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

unauthorized use of our proprietary rights, and we may not be able to prevent third parties from misappropriating or infringing upon our proprietary rights.

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

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

The Company may not be able to identify, acquire or license products or proprietary technologies, and could lose rights to intellectual property after such intellectual property has been licensed.

Like other pharmaceutical companies, in order to remain competitive, the Company must continue to launch new products. Expected declines in sales of products after the loss of market exclusivity mean that the Company's future success is dependent on its pipeline of new products, including new products that, as part of its open science model, the Company obtains through acquisitions, licenses or collaborations. To accomplish this, the Company commits substantial effort, funds and other resources to the identification, acquisition or licensing of new products. The Company may face competition from other companies in pursuing acquisitions, licenses or collaborations or may not be able to enter into such transactions on commercially reasonable terms. Our ability to complete such transactions may also be limited by applicable antitrust and trade regulation or other laws and regulations in the United States and foreign jurisdictions in which we or the operations or assets we seek to acquire carry on business. Additionally, because we license significant intellectual property with respect to certain of our products, including Namzaric®, Linzess®, Teflaro® and Viibryd®, any loss or suspension of our rights to licensed intellectual property could materially adversely affect our business, financial condition, cash flows and results of operations. Failure to successfully identify, acquire or license new products or maintain licenses to products or proprietary technologies once acquired would have a material adverse effect on the Company's business, results of operations, cash flow, financial position and prospects.

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

failure to obtain necessary licenses could result in substantial monetary damage awards and could prevent us from manufacturing and selling a number of our products, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

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

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

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

We are required to identify the supplier(s) of all the raw materials for our products in our applications with the FDA and regulatory agencies outside the United States. To the extent practicable, we attempt to identify more than one API supplier in each drug application. However, many raw materials, including API, are available only from a single source and, in many of our drug applications, only one supplier of raw materials has been identified, even in instances where multiple sources exist. Some of these products have historically or may in the future account for a significant portion of our revenues, such as Botox®, our Juvederm® dermal filler family of products, Linzess® and Bystolic®. Any failure by us to forecast demand for, or to maintain an adequate supply of, the raw materials could result in an interruption in the supply of certain products and a decline in sales of that product. In addition, if our suppliers are unable to meet our manufacturing requirements, we may not be able to produce a sufficient amount of product in a timely manner, which could cause a decline in our sales. From time to time, certain of our suppliers have experienced regulatory or supply-related difficulties that have inhibited their ability to deliver raw materials to us, causing supply delays or interruptions. The availability and prices of raw materials and supplies are subject to volatility and are influenced by worldwide economic conditions, speculative action, world supply and demand balances, inventory levels, availability of substitute materials, currency exchange rates, anticipated or perceived shortages, product contamination, among other factors. To the extent any difficulties experienced by our suppliers cannot be resolved or extensions of our key supply agreements cannot be negotiated within a reasonable time and on commercially reasonable terms, or if raw materials for a particular product become unavailable from an approved supplier and we are required to qualify a new supplier with the FDA or other regulatory agency, or if we are unable to do so, our profit margins and market share for the affected product could decrease or be eliminated, as well as delay our development and sales and marketing efforts. Such outcomes could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Although we are developing and executing a global risk management framework designed to identify, prioritize, mitigate and continuously monitor potential risks to raw material suppliers, including mitigation strategies such

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

as holding safety stock of raw materials and developing additional sources for sole- or single- sourced raw materials, there is no guarantee that these strategies will be successful and will be able to mitigate any material adverse effect on our business, results of operations, financial condition and cash flows.

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

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

Allergan relies on global trade channels to supply product to the United States and other countries around the world. For example, manufacturing of Botox®, Bystolic® and Linzess® is exclusively performed in Ireland, and manufacturing of our Juvederm® dermal filler family of products is exclusively performed in France. Global trade is subject to certain additional risks, including the availability of government clearances, export duties, political instability, war, acts of terrorism, currency fluctuations and restrictions on the transfer of funds. For example, we obtain a significant portion of our raw materials from suppliers that are not in the same country as the manufacturing plant that uses them. Arrangements with international raw material suppliers are subject to, among other things, FDA and other regulatory body regulation, customs clearances, various import duties and other government clearances, as well as potential shipping delays due to inclement weather, political instability, strikes or other matters outside of our control. Acts of governments may affect the price or availability of raw materials needed for the development or manufacture of our products. In addition, recent changes in patent laws in jurisdictions outside the U.S. may make it increasingly difficult to obtain raw materials for R&D prior to the expiration of the applicable U.S. or foreign patents.

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

The design, development, manufacture and sale of our products involves an inherent risk of product liability claims and the associated adverse publicity. For example, the Company is subject to more than 100 legal actions asserting product liability claims relating to the use of Celexa® or Lexapro®. These cases include claims that Celexa® or Lexapro® caused various birth defects. While we believe there is no merit to these cases, litigation is inherently subject to uncertainties and we may be required to expend substantial amounts in the defense or resolution of certain of these matters. In addition, consumer groups and certain plaintiffs have alleged that certain uses of Botox®, including "off-label" uses, have caused patient injuries and death and have further failed to adequately warn patients of the risks relating to Botox® use. From time to time reports related to the quality and

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

safety of breast implant devices are published, including reports that have suggested a possible association between anaplastic large cell lymphoma and breast implants, and such reports may lead to actions being taken by regulatory authorities, such as the National Agency for the Safety of Medicines and Health Products in France. We regularly monitor the use of our products for trends or increases in reports of adverse events or product complaints, and regularly report such matters to the FDA and other regulatory authorities as applicable. In some, but not all cases, an increase in adverse event reports may be an indication that there has been a change in a product's specifications or efficacy. Such changes could lead to a recall of the product in question or, in some cases, increases in product liability claims related to the product in question. If the coverage limits for product liability insurance policies are not adequate or if certain of our products are excluded from coverage, a claim brought against us, whether covered by insurance or not, could have a material adverse effect on our business, results of operations, financial condition and cash flows. We also rely on self-insurance to cover product liability claims, and these claims may exceed amounts we have reserved under our self-insurance program.

We are also subject to a variety of other types of claims, proceedings, investigations and litigation initiated by government agencies or third parties. These include compliance matters, product regulation or safety, taxes, employee benefit plans, employment discrimination, health and safety, environmental, antitrust, customs, import/export, government contract compliance, financial controls or reporting, intellectual property, allegations of misrepresentation, false claims or false statements, commercial claims, claims regarding promotion of our products and services, shareholder derivative suits or other similar matters. In addition, government investigations related to the use of products, but not the efficacy themselves, may cause reputational harm to the Company. Negative publicity, whether accurate or inaccurate, about the efficacy, safety or side effects of our products or product categories, whether involving us or a competitor, could materially reduce market acceptance to our products, cause consumers to seek alternatives to our products, result in product withdrawals and cause our stock price to decline. Negative publicity could also result in an increased number of product liability claims, whether or not these claims have a basis in scientific fact. Any such claims, proceedings, investigations or litigation, regardless of the merits, might result in substantial costs, restrictions on product use or sales, or otherwise injure our business.

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

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

Our manufacturing and other processes utilize sophisticated equipment, which sometimes require a significant amount of time to obtain and install. Our business could suffer if certain manufacturing or other equipment, or a portion or all of our facilities were to become inoperable for a period of time. This could occur for various reasons, including catastrophic events such as earthquake, monsoon, hurricane or explosion, unexpected equipment failures or delays in obtaining spare parts, contamination by microorganisms or viruses, labor disputes

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

or shortages, contractual disputes with our suppliers and contract manufacturers, as well as construction delays or defects and other events, both within and outside of our control. Certain products, including Botox®, our Juvederm® dermal filler family of products, Linzess® and Bystolic®, are each manufactured at only one of the Allergan facilities. Additionally, we expect to continue to rely on our third-party manufacturing partners, such as Teva for Lo Loestrin® and Patheon for Viberzi®, that utilize single manufacturing facilities. Therefore, a significant disruptive event at certain manufacturing facilities or sites could materially and adversely affect our business and results of operations, as noted with our supply interruption with Ozurdex® in 2018. In the event of a disruption, we may need to build or locate replacement facilities as well as seek and obtain the necessary regulatory approvals for these facilities. Our inability to timely manufacture any of our significant products could have a material adverse effect on our results of operations, financial condition and cash flows.

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

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

product introductions and in R&D for new products and existing product extensions could exceed corresponding sales growth.

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

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

In the United States, many of our products are reimbursed under federal and state health care programs such as Medicaid, Medicare, TriCare, and/or state pharmaceutical assistance programs, and as a result, certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. We are subject to healthcare fraud and abuse and patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include, but are not limited to: (i) the U.S. Anti-Kickback Statute, which applies to our marketing and research practices, educational programs, pricing policies and relationships with healthcare providers or other entities, by prohibiting, among other things, soliciting, receiving, offering or paying remuneration, directly or indirectly, to induce, or in return for, either the referral of an individual or the purchase or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare and Medicaid programs; (ii) federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid or other third-party payers that are false or fraudulent; (iii) the U.S. Health Insurance Portability and Accountability Act of 1996, ("HIPAA"), which among other things created federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters, and HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and its implementing regulations, which imposes certain requirements relating to the privacy, security and transmission of individually identifiable health information and places restrictions on the use of such information for marketing communications; (iv) the U.S. Physician Payments Sunshine Act, which among other things, requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under a federal healthcare program to report annually information related to "payments or other transfers of value" made to physicians and teaching hospitals, and ownership and investment interests held by certain healthcare professionals and their immediate family members and similar state laws; (v) the government pricing rules applicable to the Medicaid, Medicare Part B, 340B Drug Pricing Program, the U.S. Department of Veterans Affairs program, the TriCare program, and state price reporting laws; and (vi) state and foreign law equivalents of each of the above U.S. laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers, and state (e.g., the California Consumer Privacy Act of 2018 or "CCPA") and foreign laws (e.g., the EU General Data Protection Regulation or "GDPR") governing the privacy and security of health information in certain circumstances, many of which

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts. Violations of the fraud and abuse and privacy laws may result in severe penalties against Allergan and/or its responsible employees, including jail sentences, large fines, and the exclusion of our products from reimbursement under federal and state programs. Defense of litigation claims and government investigations can be costly, time-consuming, and distract management, and it is possible that Allergan could incur judgments or enter into settlements that would require us to change the way we operate our business. We are committed to conducting the sales and marketing of our products in compliance with the healthcare fraud and abuse and privacy laws, but certain applicable laws may impose liability even in the absence of specific intent to defraud or misuse health information. Furthermore, should there be ambiguity, a governmental authority may take a position contrary to a position we have taken, or should an employee violate these laws without our knowledge, a governmental authority may impose civil and/or criminal sanctions.

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

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

Additionally, the Company has been named as a defendant in over 1,000 matters relating to the promotion and sale of prescription opioid pain relievers and additional suits may be filed. Refer to Legal Matters in "NOTE 22 — Commitments and Contingencies" in the accompanying "Notes to the Consolidated Financial Statements" for more information. We cannot predict or determine the impact of these suits on our future financial condition or results of operations. These suits and any other threatened or actual suits could also

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

generate adverse publicity and require that we devote substantial resources that could be used productively on other aspects of our business.

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

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

We are subject to a variety of continuously evolving and developing laws and regulations globally regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. These laws apply to our uses of personal data, transfers of information among our affiliates, as well as to transactions we enter into with third party vendors. For example, the European Union adopted the GDPR, which became effective in May 2018, and California has enacted the CCPA, a broad state privacy law, that mandates compliance by 2020. Both the GDPR and the CCPA require companies to satisfy requirements regarding the handling of personal and sensitive data, including its use, protection and the ability of persons whose data is stored to access and/or delete some types of data about themselves. Failure to comply with these laws could have a material adverse impact on our financial results. Additionally, complying with the enhanced obligations imposed by the GDPR and CCPA may result in significant costs to our business and require us to revise certain of our business practices. In addition, legislators and regulators globally are proposing new and more robust cybersecurity rules in light of the recent broad-based cyberattacks at a number of companies.

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

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

All pharmaceutical companies, including Allergan, are subject to extensive, complex, costly and evolving government regulation. For the U.S., this is principally administered by the FDA, but is also administered by the DEA and state government agencies, as well as by varying regulatory agencies in foreign countries where products or product candidates are being manufactured and/or marketed. The Federal Food, Drug and Cosmetic Act, the Controlled Substances Act and other federal statutes and regulations, and similar foreign statutes and regulations, govern or influence the development, testing, manufacturing, packing, labeling, storing, record keeping, safety, approval, advertising, promotion, sale, distribution and import/ export of our drugs and medical devices. Foreign regulatory authorities impose similar requirements focused on drug safety and effectiveness.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

Obtaining and maintaining regulatory approval has been and will continue to be increasingly difficult, time-consuming and costly. In addition, changes in applicable federal, state and foreign laws and regulations or the implementation of new laws and regulations could affect our ability to obtain or maintain approval of our products and could have a material adverse effect on the Company's business. There is currently the potential for regulatory changes adverse to our business due to recent uncertainty related to the direction of U.S. regulatory policy related to the pharmaceutical industry.

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

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

We cannot assure that the FDA inspections at any of our manufacturing sites will not result in inspectional observations at such sites, that approval or clearance of any of the pending or subsequently submitted NDAs or supplements to such applications, 510(k)s or PMAs by Allergan plc or our subsidiaries will be granted or that the FDA will not seek to impose additional sanctions against Allergan plc or any of its subsidiaries. The range of possible sanctions includes, among others, FDA issuance of product recalls or seizures, fines, total or partial suspension of production and/or distribution, suspension of the FDA's review of product applications, enforcement actions, injunctions, and civil or criminal prosecution. Any such sanctions, if imposed, could have a material adverse effect on our business, operating results, financial condition and cash flows. Under certain circumstances, the FDA also has the authority to revoke previously granted product approvals. Similar sanctions as detailed above may be available to the FDA under a consent decree, depending upon the actual terms of such decree. Although we have instituted internal compliance programs, if these programs do not meet regulatory

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

agency standards or if compliance is deemed deficient in any significant way, it could materially harm our business. Certain of our vendors are subject to similar regulation and periodic inspections and may be operating under consent decrees.

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

"illegitimate" product, and take appropriate action. The DSCSA also addresses product tracing using unique product identifiers on packaging, which requirement became effective for drug manufacturers on November 27, 2017. FDA began enforcement of the law requiring product identifiers on November 27, 2018, for products packaged after that date after having exercised a year of enforcement discretion. The DSCSA also sets forth requirements for the interoperable, electronic tracing of products, which are intended to take effect ten years after enactment of the DSCSA, or in 2023.

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

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

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

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

As part of the Medicare Prescription Drug and Modernization Act of 2003, companies are required to file with the FTC and the Department of Justice certain types of agreements entered into between branded and generic pharmaceutical companies related to the manufacture, marketing and sale of generic versions of branded drugs. This requirement, as well as legislation pending in the U.S. Congress related to settlements between brand and generic drug manufacturers, could affect the manner in which brand drug manufacturers resolve intellectual property litigation and other disputes with generic pharmaceutical companies and could result generally in an increase or lengthening of litigation against pharmaceutical companies or additional investigations or

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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

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

Demand for our products depends in part on the extent to which coverage and reimbursement is available from third-party payers, such as the Medicare and Medicaid programs and private payors. In order to commercialize our products, we have obtained from government authorities and private health insurers and other organizations, such as HMOs and MCOs, recognition for coverage and reimbursement at varying levels for the cost of certain of our products and related treatments. Third-party payers and government entities increasingly continue to challenge the prices of pharmaceutical products. Further, the trend toward managed healthcare in the U.S., the growth of organizations such as HMOs and MCOs, and legislative and regulatory proposals to reform healthcare and government insurance programs create uncertainties regarding the future levels of coverage and reimbursement for pharmaceutical products. For example, the Trump Administration recently proposed a rule that would redefine the way Medicare Part B providers are paid for physician-administered drugs (to be based, in part, on international reference pricing). Such cost containment measures and healthcare reform could reduce reimbursement of our pharmaceutical products, resulting in lower prices and a reduction in the product demand. This could affect our ability to sell our products and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

There have been changes in reimbursement for pharmaceuticals under various government programs, including Medicaid, and there is uncertainty surrounding implementation of legislation and regulatory changes relating to reimbursement for pharmaceuticals under Medicaid and other government programs such as Medicare and TriCare. Reimbursement changes under such government programs may impact demand for our products and may negatively affect the price. In addition, any reimbursement granted may not be maintained or limits on reimbursement available from third-party payers may reduce demand for, or negatively affect the price of, those products. Additionally, various legislative and regulatory initiatives in states, including proposed modifications

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

to reimbursements and rebates, price transparency laws, product pedigree and tracking, pharmaceutical waste "take back" initiatives, restrictions on co-pay assistance programs and therapeutic category generic substitution carve out legislation may also have a negative impact on the Company. We maintain a full-time government affairs department in Washington, D.C., which is responsible for coordinating state and federal legislative activities, and places a major emphasis in terms of management time and resources to ensure a fair and balanced legislative and regulatory arena.

Although the ACA reforms have significantly impacted our business, in the coming years, it is likely that additional changes will be made to governmental healthcare and insurance reimbursement programs. On January 20, 2017, President Donald Trump signed an executive order, which stated that it is the policy of his Administration to seek the prompt repeal of the ACA and directed executive departments and federal agencies to waive, defer, grant exemptions from, or delay the implementation of the provisions of the ACA to the maximum extent permitted by law. In addition, a federal court in Texas ruled in December 2018 that the ACA is unconstitutional. That decision currently is being appealed and may result in an opinion by appellate courts, including potentially the Supreme Court of the United States, on the constitutionality of the ACA as revised. We cannot predict the ultimate content, timing, or effect of any such reform activities, litigation, or court decisions on our business. Additionally, the pricing and reimbursement of pharmaceutical products continues to receive significant attention from U.S. policymakers, the Trump Administration, and others. For example, on January 31, 2019, the Department of Health and Human Services issued a proposed rule that removes from existing anti-kickback statute safe harbor protection certain reductions in price paid by pharmaceutical manufacturers to Medicare Part D plan sponsors, Medicaid MCOs, and those entities' pharmacy benefit managers ("PBMs") and adds two new safe harbors that protect certain point-of-sale price reductions by pharmaceutical manufacturers as well as certain service fee payments from pharmaceutical manufacturer to PBMs. At this time, we cannot predict the impact of this increased scrutiny on the pricing or reimbursement of our products or pharmaceutical products generally.

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

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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

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

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

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

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

These may include:

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

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

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

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

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

We have made substantial investments in joint ventures and other collaborations, including our collaborations for Linzess® and LCA10, and may use these and other methods to develop or commercialize products in the future. These arrangements typically involve other pharmaceutical companies as partners that may be competitors of ours in certain markets. In many instances, we will not control these joint ventures or collaborations or the commercial exploitation of the licensed products, and cannot assure you that these ventures will be profitable.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

Joint venture or collaboration agreements may place limitations or restrictions on marketing our products. Any such marketing restrictions could affect future revenues and have a material adverse effect on our operations. Our results of operations may suffer if existing joint venture or collaboration partners withdraw, or if these products are not timely developed, approved or successfully commercialized and we cannot guarantee the successful outcome of such efforts, nor that they will result in any intellectual property rights or products that inure to our benefit.

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

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

In addition, as a result of acquiring businesses, technologies or products, or entering into other significant transactions, we may experience significant charges to earnings for merger and related expenses. These costs may include substantial fees for investment bankers, attorneys, accountants, advisors, consultants and severance and other closure costs associated with regulator-mandated divestitures and the elimination of duplicate or discontinued products, operations and facilities. Charges that we may incur in connection with acquisitions could adversely affect our results of operations for particular quarterly or annual periods.

Our operating results and financial condition may fluctuate.

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

Our indebtedness and other financial obligations could:

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

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

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

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

A significant amount of our total assets is related to acquired intangibles and goodwill. As of December 31, 2018, the carrying value of our other intangibles was $43,695.4 million and the carrying value of our goodwill was $45,913.3 million.

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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

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

Goodwill and our IPR&D intangible assets are tested for impairment annually, or when events occur or circumstances change that could potentially reduce the fair value of the reporting unit or intangible asset. Impairment testing compares the fair value of the reporting unit or intangible asset to its carrying amount. A goodwill or IPR&D impairment, if any, would be recorded in operating income and could have a material adverse effect on our results of operations and financial condition. For example, Allergan recorded a $2,841.1 million goodwill impairment relating to its General Medicine Reporting Unit in the twelve months ended December 31, 2018.

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

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

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

officers will remain employed by us for a significant period of time, or at all. We do not carry key-employee life insurance on any of our officers.

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

We collect and maintain information in digital form that is necessary to conduct our business, and we are increasingly dependent upon information technology systems, devices, infrastructure and data. This digital information includes, but is not limited to, confidential and proprietary information as well as personal information regarding our customers and employees. We also rely to a large extent upon sophisticated information technology systems to operate our businesses. Data maintained in digital form is subject to the risk of intrusion, exposure, tampering and theft. Cyber-attacks are increasing in frequency, sophistication and intensity. Such attacks are made by groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, "hacktivists," nation-states and others. Cyber attacks could include the deployment of harmful malware, denial of service attacks, worms, social engineering and other means to affect service reliability and threaten data confidentiality, integrity and availability. We have established physical, electronic, and organizational measures to safeguard and secure our systems to prevent a data compromise, and rely on commercially available systems, software, tools, and monitoring to provide security for the processing, transmission and storage of digital information. However, the development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly more sophisticated. While we continue to build and improve our systems and infrastructure and believe we have taken appropriate security measures to reduce these risks to our information technology systems, devices, infrastructure and data, the possibility of a future data compromise cannot be eliminated entirely, and risks associated with intrusion, exposure, tampering, and theft remain. Although the aggregate impact on our operations and financial condition has not been material to date, we have been the target of events of this nature and expect them to continue. We maintain cyber liability insurance; however, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems. Data privacy or security breaches by employees or others may pose a risk that data, including intellectual property or personal information, may be exposed to unauthorized individuals or to the public. In addition, we also have outsourced significant elements of our operations to third parties, including significant elements of our information technology infrastructure and, as a result, we are managing many independent vendor relationships with third parties who may or could have access to our confidential information, because we provide confidential, proprietary and personal information to third parties when it is necessary to pursue our business objectives. While we obtain assurances that these third parties will protect this information and, where appropriate, monitor the protections employed by these third parties, there is a risk the confidentiality of data held by third parties may be compromised. If our data systems are compromised, our business operations may be impaired, we may lose profitable opportunities, or the value of those opportunities may be diminished, and we may lose revenue because of unlicensed use of our intellectual property. If personal information of our customers or employees is misappropriated, our reputation with our customers and employees may be injured resulting in loss of business and/or morale, and we may incur costs to remediate possible injury to our customers and employees or be required to pay fines or take other action with respect to judicial or regulatory actions arising out of such incidents.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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

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

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

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

We operate on a global basis with offices or activities in Europe, Africa, Asia, South America, Australia and North America. We face several risks inherent in conducting business internationally, including compliance with international and U.S. laws and regulations that apply to our international operations. These laws and regulations include data privacy requirements, including GDPR; advertising and promotion laws both for pharmaceutical and medical device products; labor relations laws; tax laws; competition regulations; import and trade restrictions; economic sanctions; export requirements; U.S. laws such as the Foreign Corrupt Practices Act; the UK Bribery Act 2010; and other local laws that prohibit corrupt payments to governmental officials or certain payments or remunerations to customers. Given the high level of complexity of these laws there is a risk that some provisions may be breached by us, for example through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our operating results.

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

Our success depends, in part, on our ability to anticipate these risks and manage these challenges. Further, certain of our employees, including employees located in certain jurisdictions in Canada, Europe and Asia, are represented by collective bargaining or other labor agreements or arrangements that provide bargaining or other rights to employees. Such employment rights require us to expend greater time and expense in making changes to employees' terms of employment or carrying out staff reductions. In addition, any national or other labor disputes in these regions could result in a work stoppage or strike by our employees that could delay or interrupt our ability to supply products and conduct operations. Due to the nature of these collective bargaining agreements, we will have no control over such work stoppages or strikes by such employees, and a strike may occur even if the employees do not have any grievances against us. Any interruption in manufacturing or operations could interfere with our business and could have a material adverse effect on our revenues.

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

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

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

The U.S. government shutdown and lapse in appropriations could adversely affect our business.

The U.S. federal government began a partial government shut down due to a lapse in appropriations on December 22, 2018, which continued until January 25, 2019. If there is a future lapse in appropriation or similar

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

The U.S. government shutdown and lapse in appropriations could adversely affect our business. – continued

government shutdown the FDA may be unable to accept new regulatory submissions, including NDAs. Delay in submissions of NDAs and other regulatory submissions to the FDA could delay approvals of our products and adversely affect our business.

The United Kingdom's impending departure from the European Union could adversely affect our business and financial results.

The United Kingdom held a referendum on June 23, 2016 in which a majority of voters voted to exit the European Union ("Brexit") and on March 29, 2017, the United Kingdom submitted a formal notification of its intention to withdraw from the European Union pursuant to Article 50 of the Treaty of Lisbon. The United Kingdom has a period of a maximum of two years from the date of its formal notification (such period ending on March 29, 2019, unless an extension is agreed) to negotiate the terms of its withdrawal from, and future relationship with, the European Union, including the terms of trade between the United Kingdom and the European Union and potentially other countries. If no formal withdrawal agreement is reached between the United Kingdom and the European Union, then it is expected the United Kingdom's membership of the European Union will automatically terminate two years after the submission of the notification of the United Kingdom's intention to withdraw from the European Union, unless all remaining member states unanimously consent to an extension of this period. Discussions between the United Kingdom and the European Union focused on finalizing withdrawal issues and transition agreements are ongoing. However, limited progress to date in these negotiations and ongoing uncertainty within the UK Government and Parliament increases the possibility of the United Kingdom leaving the European Union on March 29, 2019 without a withdrawal agreement and associated transition period in place, which is likely to cause significant market and economic disruption. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the euro. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit, and others we cannot anticipate, could negatively affect our business and financial results.

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

Our share repurchase program may not enhance shareholder value.

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

We have exposure to tax liabilities.

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

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

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

- The limitation on the amount of interest expense deduction available to our U.S. subsidiaries to the extent we are unable to absorb any unused interest deductions over time;
- The "Base Erosion Anti-Abuse Tax," which requires our U.S. subsidiaries to make an alternative determination of taxable income without regard to tax deductions for certain payments to affiliates.

Many countries in Europe where we conduct business have proposed or recently enacted changes to existing tax laws in order to limit base erosion and profit shifting. These changes could impact our effective tax rate or future tax obligations. The European Commission has conducted investigations in multiple countries focusing on whether local country tax rulings or tax legislation provides preferential tax treatment that violates European Union state aid rules. If the Company's effective tax rates were to increase, or if the ultimate determination of the Company's taxes owed is for an amount in excess of amounts previously accrued, the Company's operating results, cash flows and financial condition could be adversely affected.

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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

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

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

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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

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

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

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

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT - continued

Risks Related to Our Business - continued

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

shares, may also be subject to Irish stamp duty at the same rate. The potential for stamp duty could adversely affect the price of your shares.

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

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

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

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

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

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

Irish capital acquisitions tax ("CAT") could apply to a gift or inheritance of ordinary shares, irrespective of the place of residence, ordinary residence or domicile of the parties. This is because Company Ordinary Shares are regarded as property situated in Ireland. The person who receives the gift or inheritance has primary liability for CAT. Gifts and inheritances passing between spouses are exempt from CAT. Children have a tax-free threshold of €320,000 in respect of taxable gifts or inheritances received from their parents. Certain other tax-free thresholds may also apply.

Financial condition, liquidity and capital resources

At December 31, 2018, our cash on hand was $880.4 million, as compared to $1,817.2 million at December 31, 2017. As of December 31, 2018, our total outstanding debt excluding capital leases was $23,790.1 million which

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources - continued

consisted of $23,813.1 million of borrowings under the Senior Notes, $69.3 million of other borrowings, and $64.3 million of unamortized premium attributable to the Senior Notes, less $64.5 million attributable to unamortized discount and $92.1 million attributable to debt issuance costs.

Cash Flows

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

	Years Ended December 31,		Change
	2018	2017	Dollar
	$	$	$
Net cash provided by operating activities	5,640.1	6,079.0	(438.9)
Net cash provided by / (used in) investing activities	3,098.5	(878.0)	3,976.5
Net cash (used in) financing activities	(9,680.1)	(5,129.2)	(4,550.9)

Cash flows from operations represent profit / (loss) adjusted for certain non-cash items and changes in assets and liabilities. Cash provided by operating activities decreased $438.9 million in the year ended December 31, 2018 versus the prior year period due to cash taxes of $722.5 million offset by other working capital items.

Management expects that available cash balances 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 for the year ended December 31, 2018 reflect the net cash provided by the sale of businesses and assets including Medical Dermatology and Rhofade® of $663.0 million and the net sale of investments of $3,124.6 million, offset, in part, by payments to settle Teva related matters of $466.0 million. Investing cash flows for the year ended December 31, 2017 reflect the net cash provided by the net sale of marketable securities of $5,369.5 million offset, in part, by the cash purchases of LifeCell for $2,874.4 million and Zeltiq of $2,346.7 million, net of cash acquired, and the purchase of intangible assets of $614.3 million.

Financing cash flows consist primarily of borrowings and repayments of debt, repurchases of ordinary shares, dividend payments and proceeds from the exercise of stock options. Cash used in financing activities in the year ended December 31, 2018 primarily related to the repayment of indebtedness of $8,804.5 million, the repurchase of ordinary shares of $2,775.4 million, the payment of dividends of $1,049.8 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 of $700.0 million, the Euro senior note issuance of $1,919.7 million and other borrowings and proceeds from the forward sale of Teva shares of $465.5 million.

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

Debt and Borrowing Capacity

Refer to "NOTE 14 – Long-Term Debt and Capital Leases" for further details regarding the components of debt.

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources - continued

Long-term Obligations

The following table lists certain of our enforceable and legally binding obligations as of December 31, 2018. Certain amounts included herein are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties and other factors. Because these estimates and assumptions are necessarily subjective, the enforceable and legally binding obligation we will actually pay in future periods may vary from those reflected in the table ($ in millions):

	Payments Due by Period (Including Interest on Debt)				
	Total	**2019**	**2020-2021**	**2022-2023**	**Thereafter**
	$	**$**	**$**	**$**	**$**
Long-term debt[1]	23,813.1	802.7	7,169.4	5,563.9	10,277.1
Cash interest[1]	6,708.8	765.3	1,357.2	918.0	3,668.3
Property lease obligations[2]	419.0	62.5	100.4	82.3	173.8
Sales based and other milestone obligations[3]	10,213.4	32.3	125.0	65.5	9,990.6
R&D / approval milestone obligations[3]	6,105.7	182.9	1,063.3	542.3	4,317.2
Other obligations and commitments[4]	1,602.0	84.0	1,014.8	277.2	226.0
Total	**48,862.0**	**1,929.7**	**10,830.1**	**7,449.2**	**28,653.0**

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

(2) Amounts represent property leases for our global business.

(3) Amounts represent contingent consideration obligations, including accretion resulting from various acquisitions. 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.

(4) Other obligations and commitments include the liabilities for income tax associated with uncertain tax positions and the U.S. toll charge.

DIRECTORS' REPORT - continued

Financial condition, liquidity and capital resources - continued

Long-term Obligations – continued

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

Transaction	Product	Maximum Milestones	R&D / Approval Milestones	Sales Based and Other Milestones
		$	$	$
Heptares Therapeutics, Ltd.	Neurological disorders	3,224.5	649.5	2,575.0
Assembly Biosciences, Inc.	Gastrointestinal products	2,459.0	1,069.0	1,390.0
AstraZeneca plc License	Brazikumab	1,250.0	210.0	1,040.0
Akarna Therapeutics, Ltd.	Inflammatory and fibrotic diseases	975.0	600.0	375.0
Tobira Therapeutics, Inc.	Cenicriviroc	800.1	400.1	400.0
Chase Pharmaceuticals Corporation	Neurodegenerative disorders	800.0	250.0	550.0
Merck & Co.	Ubrogepant & Atogepant	780.0	350.0	430.0
Retrosense Therapeutics, LLC	RST-001	495.4	245.4	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.	True Tear®	150.0	50.0	100.0
ForSight VISION5, Inc.	Bimatoprost Ring	125.0	125.0	-
All Other		4,225.1	1,971.7	2,253.4
Total		**16,319.1**	**6,105.7**	**10,213.4**

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.

Off-Balance Sheet Arrangements

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

Financial risk management

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

DIRECTORS' REPORT - continued

Financial risk management - continued

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

Investment Risk

As of December 31, 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 $1,072.9 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 include highly liquid money market securities classified as available-for-sale securities. No security as of December 31, 2018 has a maturity in excess of one year. These investments 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 value of our portfolio.

Floating Rate Debt

At December 31, 2018, borrowings outstanding under the floating rate notes were $2,105.4 million. Assuming a one percent increase in the applicable interest rate on the Company's floating rates notes, annual interest expense would increase by approximately $21.1 million over the next twelve months.

In January 2019, Allergan entered into $500 million notional float to fixed interest rate swaps maturing on March 12, 2020 whereby it fixed the interest rates on $500.0 million floating rate notes due March 12, 2020 to an average interest rate of 3.98%. The swaps are anticipated to be a highly effective cash flow hedge and qualify for hedge accounting treatment.

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.

Euro Denominated Debt

The Company has outstanding borrowings under its Euro denominated notes. Changes in foreign exchange rates may impact cash flows for principal and interest.

DIRECTORS' REPORT - continued

Interest Rate Risk - continued

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 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 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.

The Company is subject to transactional items which are denominated in currencies other than the functional currency and therefore movements in exchange rates may impact the results of operations. Net foreign currency losses reflected in general and administrative expenses were $28.8 million and $97.5 million for the years ended December 31, 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.

In November 2018, the Company entered into a 700 million Euro forward contract to buy Euros while selling USD. The derivative has a maturity of May 31, 2019. The derivative instrument will be marked-to-market to the P&L offsetting the revaluation (P&L) impact on the Euro 700 million variable interest debt. For the year ended December 31, 2018, the Company recorded a gain of $5.9 million relating to this instrument.

The Company is exposed to foreign exchange risk in its international operations from foreign currency purchases, net investments in foreign subsidiaries, and foreign currency assets and liabilities created in the normal course of business, including the Euro Denominated Notes. In the year ended December 31, 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 $5.1 billion as of December 31, 2018 and $3.6 billion as of December 31, 2017. During the years ended December 31, 2018 and 2017, the impact of the net investment hedges recorded in other comprehensive (loss) / income was a gain of $144.5 million and a loss of $208.2 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.

Future developments

Allergan plc is a global pharmaceutical leader. Allergan is focused on developing, manufacturing and commercializing branded pharmaceutical, device, biologic, surgical and regenerative medicine products for

DIRECTORS' REPORT - continued

Future developments - continued

patients around the world. Allergan markets a portfolio of leading brands and best-in-class products primarily focused on four key therapeutic areas including medical aesthetics, eye care, central nervous system and gastroenterology. Allergan is an industry leader in Open Science, a model of research and development, which defines our approach to identifying and developing game-changing ideas and innovation for better patient care. The Company has operations in more than 100 countries.

Political donations

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

Treasury Shares

At December 31, 2018, and December 31, 2017, there were no treasury shares outstanding. During the period since incorporation, Allergan plc acquired treasury shares for nil consideration in connection with the company's share based payment compensation plans for employees.

On January 29, 2019, the Company announced that its Board of Directors approved a separate $2.0 billion share repurchase program.

On July 26, 2018, the Company's Board of Directors approved a $2.0 billion share repurchase program. As of December 31, 2018, the Company had repurchased 7.2 million shares for $1.2 billion under the program.

During the year ended December 31, 2017, the Company acquired and cancelled 4.2 million ordinary shares for aggregate consideration of $1,424.8 million in connection with the Company's share repurchase programs. In September 2017, the Company's Board of Directors approved a $2.0 billion share repurchase program. As of December 31, 2017, the Company had repurchased $450.0 million, or 2.6 million shares under the program. The Company completed the share repurchase program in 2018, repurchasing $1.54 billion or 9.6 million shares.

Subsidiary Companies and Undertakings

Refer to "NOTE 31 – Subsidiary Undertakings" for information regarding significant subsidiaries.

DIRECTORS' REPORT - continued

Directors and secretary's interests in shares

No director, the secretary or any member of their immediate families had any interest in shares or debentures of any subsidiary. Directors' remuneration is set forth in "Note 26 — Directors' Remuneration" to the Consolidated Financial Statements. The interest in Allergan plc of the Directors and Company secretary who were in office at December 31, 2018, are presented in the table below.

	At December 31, 2018		At December 31, 2017	
	Shares	Options (Vested and Unvested)	Shares	Options (Vested and Unvested)
Directors:				
Brenton L. Saunders	168,906[1]	407,102	177,631[1]	407,102
Nesli Basgoz, M.D.	7,096[2]	9,100	5,962[2]	10,989
Joseph H. Boccuzi	3,485[3]	-	962[3]	-
Christopher W. Bodine	18,495[2]	-	17,098[2]	-
Adriane M. Brown	2,796[2]	-	1,399[2]	-
Christopher J. Coughlin	26,431[4]	15,927	14,446[4]	15,927
Carol Anthony (John) Davidson	1,985[5]	-	-[5]	-
Thomas C. Freyman	2,658[6]	-	-[6]	-
Michael E. Greenberg, PhD	1,194[7]	-	-[7]	-
Catherine M. Klema	25,624[2]	-	23,639[2]	-
Peter J. McDonnell, M.D.	6,232[2]	-	4,835[2]	-
Secretary:				
A. Robert D. Bailey	22,458[8]	42,939	24,503[8]	42,939

(1) Includes 39,248 and 61,710 restricted share units as of December 31, 2018 and 2017, respectively.
(2) Includes 1,985 and 1,223 restricted share units as of December 31, 2018 and 2017, respectively.
(3) Includes 1,985 and 962 restricted share units as of December 31, 2018 and 2017, respectively.
(4) Includes 1,985 and 1,223 restricted share units as of December 31, 2018 and 2017, respectively. Includes 15,696 shares held indirectly through two Grantor Retained Annuity Trusts as of December 31, 2018.
(5) Includes 1,985 and 0 restricted share units as of December 31, 2018 and 2017, respectively.
(6) Includes 1,558 and 0 restricted share units as of December 31, 2018 and 2017, respectively.
(7) Includes 1,194 and 0 restricted share units as of December 31, 2018 and 2017, respectively.
(8) Includes 7,374 and 11,215 restricted share units as of December 31, 2018 and 2017, respectively.

Other than the directors noted above, during the year ended December 31, 2018 no other directors served Allergan plc, except for the following directors whose last day served was prior to December 31, 2018.

Director	Last Day Served
Fred G. Weiss	October 25, 2018
Paul M. Bisaro	August 28, 2018
Patrick J. O'Sullivan	July 11, 2018
Ronald R. Taylor	May 2, 2018
James H. Bloem	May 2, 2018

DIRECTORS' REPORT - continued

Directors' Compliance Statement

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

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

Directors' responsibilities for financial statements

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

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

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

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

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

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

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

DIRECTORS' REPORT - continued

Directors' responsibilities for financial statements - continued

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

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

Statement on relevant audit information

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

Audit Committee

The Company had an Audit Committee in place for the years ended December 31, 2018 and 2017.

Accounting records

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

Non-Financial Statement

The European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (S.I. 360/2017) (as amended) require us to disclose certain non-financial information in the Directors' Report accompanying our financial statements.

Description of Business Model and Principal Risks

Allergan plc is a global pharmaceutical leader and markets a portfolio of leading brands and best-in-class products primarily focused on four key therapeutic areas including medical aesthetics, eye care, central nervous system and gastroenterology.

Allergan markets brand pharmaceutical products and medical devices, including aesthetic products, under brand names through programs that are designed to generate physician and consumer loyalty. As a result of the differences between the types of products we market and/or distribute, we operate and manage our business in three distinct operating segments: US Specialized Therapeutics, US General Medicine and International. These 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.

DIRECTORS' REPORT - continued

Description of Business Model and Principal Risks - continued

- 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.

Allergan applies four key strategies to achieve growth for these businesses: (i) internal development of differentiated and high-demand products, (ii) investing behind key marketed brands, (iii) establishment of strategic alliances and collaborations and (iv) acquisition of products and companies that complement our current business. Based upon business conditions, our financial strength and other factors, we regularly re-examine our business strategies and may change them at any time.

Further detail on Allergan's business model is set out on page 3 of this Directors' Report. A description of the principal risks facing the Company and their impact on our business may be found in the Principal Risks and Uncertainties section on pages 27 through 59 of this Directors' Report.

Environmental Matters

Policies Pursued and Due Diligence Processes Implemented. Allergan's Corporate Responsibility Report sets out our commitment to reducing our environmental impact, and to addressing climate change through development and implementation of energy conservation programs. We have numerous worldwide sustainability collaborations with our stakeholders (who we would see as encompassing patients, doctors, employees, shareholders, upstream and downstream supply chain partners, regulators, governments, communities and non-governmental organizations), and have shared our global best practices in water, energy and GHG management with our stakeholders. Regulatory collaborations with our stakeholders are extensive, and notably include a collaboration with US Environmental Protection Agency (EPA ENERGY STAR®), where we have shared best practices from our operations and supported the ENERGY STAR® philosophy. We also participate actively in the Pharmaceutical Supply Chain Initiative (PSCI), a consortium of pharmaceutical companies who share a vision of better social, environmental, and economic outcomes in the communities where we buy.

Policy Outcomes / Key Performance Indicators. In our pursuit of continual improvement, we have established certain goals to be achieved by 2020, to further reduce our sustainability impact compared to a 2015 baseline. These goals include that we would reduce each of the following by 20%: energy and fuel consumption, greenhouse gas emissions, water consumption in operations located in extreme water scarcity risk regions, and total waste. Allergan is broadly on target to achieve each of these goals.

Allergan annually reports Key Performance Indicators in the areas of waste management, energy management, water management, compliance management and carbon management in its Corporate Responsibility Report, a copy of which is available on our website, www.allergan.com. The latest Key Performance Indicators are typically made available in July of each year.

Social and Employee Matters

Corporate Citizenship

Policies Pursued and Due Diligence Processes Implemented. Allergan is committed to corporate citizenship, and we consider our corporate social responsibility (CSR) standards to be among the highest in our industry, with our

DIRECTORS' REPORT - continued

Social and Employee Matters - continued

Corporate Citizenship – continued

efforts focussed on sustainability initiatives in the areas of energy use, environmental protection and employee health and safety. Allergan is one of only a handful of pharmaceutical companies to be a part of the United Nations Global Compact, which sets important guidelines in the areas of human rights, labour, the environment and anti-corruption. Allergan is an active contributor to economic, environmental and philanthropic initiatives that improve health and the quality of life in our communities.

Policy Outcomes / Key Performance Indicators. Allergan contributes to The Allergan Foundation and Allergan International Foundation, each of which supports charitable organizations and programs, in particular, those looking to improve the health and well-being of communities where Allergan employees live and work. Additionally, Allergan engages directly in community support projects, including in Brazil, Costa Rica and Ireland.

Allergan annually reports Key Performance Indicators in the area of diversity in its Corporate Responsibility Report, a copy of which is available on our website, www.allergan.com. The latest Key Performance Indicators are made available in July of each year.

Health and Safety

Policies Pursued and Due Diligence Processes Implemented. As a global leader in healthcare, Allergan is committed to operating a safe and responsible company that works to promote the health and vitality of our employee teams and minimize the impact of our business on environmental resources and the communities where we operate. As set out in our Environmental Health and Safety Policy Statement (a copy of which is available on our website, www.allergan.com), our key areas of focus in this regard include ensuring that our facilities, processes and procedures provide the safest and healthiest possible work environment, that workplace safety is deeply engrained within our employee culture, that we have effective emergency contingency plans in place, and that we minimize our environmental, health and safety impact as we design our manufacturing processes and products. Allergan's Corporate Responsibility Report (a copy of which is available on our website, www.allergan.com) also sets out our commitment to top quartile safety performance in respect of employee injury/illness.

Policy Outcomes / Key Performance Indicators. Allergan aims to reduce our employee injury rate by 10% every year from 2016 to 2020, and we are broadly on target to achieve this goal. In emphasising the importance of employee health and safety, and harnessing the efforts of our global employees, Allergan ensures that we will continue to strengthen our position in this regard.

Allergan annually reports Key Performance Indicators in the areas of safety management and risk assessment in its Corporate Responsibility Report, a copy of which is available on our website, www.allergan.com. The latest Key Performance Indicators are made available in July of each year.

Human Rights

Slavery and Human Trafficking

Policies Pursued and Due Diligence Processes Implemented. Allergan's Modern Slavery and Human Trafficking Statement (a copy of which is available on our website, www.allergan.com) outlines our commitment to conducting business adhering to the highest ethical standards and in compliance with laws and regulations,

DIRECTORS' REPORT - continued

Human Rights - continued

Slavery and Human Trafficking – continued

including the Modern Slavery Act 2015 and equivalent legislation in other jurisdictions. Allergan is committed to working only with suppliers who share these values and comply with similar standards. Allergan's Code of Conduct (a copy of which is available on our website, www.allergan.com) sets out the commitment to comply with all applicable laws, rules and regulations, including those related to human trafficking and modern slavery, and certain of Allergan's business partners are required to acknowledge and comply with the Code. There is strong evidence to suggest a correlation between corruption and modern slavery, human trafficking and bad working conditions, so Allergan considers certain anti-corruption policies as part of its modern slavery compliance, in addition to policies that are more directly focused on labour and human capital issues. Accordingly, during the 2018 financial year, Allergan introduced a number of new or revised policies, including, but not limited to, an Environmental Health and Safety Policy, an Anti-tax Evasion Policy, an Engineering Standards Policy, a Global Quality Manual, and a Workplace Violence Prevention program. Allergan supports the principles contained in the Universal Declaration of Human Rights, and is committed to respecting human rights in our own business and at every level of our supply chain.

Policy Outcomes / Key Performance Indicators. The importance and spirit of the Modern Slavery Act as part of Allergan's Code of Conduct is communicated to each employee and business partner through Allergan's website, as part of the induction of new starters, employees' periodic training, through the on-boarding process for new suppliers and also through mandatory contractual terms with our business partners. Allergan maintains an independent Integrity Action Line that allows its employees and suppliers to raise concerns of unethical conduct. No complaints or allegations of modern slavery or human trafficking were reported in this manner during financial year 2018. Allergan has also set up a Global Modern Slavery Committee/Working Group in 2018 to discuss best practices to further develop the program in respect of compliance with the Modern Slavery Act 2015.

Conflict Minerals

Policies Pursued and Due Diligence Processes Implemented. Allergan has implemented a policy related to certain minerals covered by Rule 13p-1 promulgated under the US Securities Exchange Act of 1934, which includes that Allergan supports the goal of preventing armed groups in relevant countries from benefiting from the sourcing of those minerals in those countries. Allergan has put in place due diligence measures designed to conform, in all material respects, to the framework in the *Organisation for Economic Co-operation and Development Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High Risk Areas: Third Edition*, including related supplements, including performing a reasonable country-of-origin inquiry and due diligence on the source and chain of custody of the relevant minerals, consistent with its position as a company that is not involved in the mining, smelting or refining of those minerals.

Policy Outcomes / Key Performance Indicators. Allergan is not aware of any breaches of its policy as set out above. Allergan intends to further strengthen its due diligence measures in this regard, including by continuing to engage with suppliers to obtain current, accurate, and complete information about the supply chain, and to encourage suppliers to implement responsible sourcing.

DIRECTORS' REPORT - continued

Anti-Bribery and Anti-Corruption

Policies Pursued and Due Diligence Processes Implemented. Allergan's policy in this regard, as set out in simple terms in our Code of Conduct (a copy of which is available on our website, www.allergan.com), is that we do not offer, give or accept anything of value (or allow others to do so on our behalf) in exchange for a favourable business decision, a business advantage or as a reward to an individual for a favourable business decision or a business advantage given in the past. Allergan maintains comprehensive anti-bribery and anti-corruption policies.

Policy Outcomes / Key Performance Indicators. Allergan's Code of Conduct, which sets out Allergan's policy in this regard, is communicated to each employee and certain business partners. Allergan maintains an independent Integrity Action Line that allows its employees and business partners to raise concerns regarding bribery or corruption; employees are also encouraged to report any concerns to Allergan's Global Compliance Department or Legal Department. From time to time, Allergan is made aware of allegations of this nature. Allergan fully investigates such allegations and takes appropriate action as warranted.

On behalf of the board

/s/ Brenton L. Saunders

Brenton L. Saunders
Director

/s/ Carol Anthony (John) Davidson

Carol Anthony (John) Davidson
Director

March 22, 2019

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

Report on the audit of the financial statements

Opinion

In our opinion:

- Allergan Public Limited Company's consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the group's and the parent company's assets, liabilities and financial position as at December 31, 2018 and of the group's loss and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of consolidated financial statements does not contravene any provision of Part 6 of the Companies Act 2014;
- the parent company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the 2018 Irish Annual Report ("Annual Report"), which comprise:

- the consolidated balance sheet as at December 31, 2018;
- the parent company balance sheet as at December 31, 2018;
- the consolidated profit and loss account and consolidated statement of comprehensive (loss)/income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of equity for the year then ended;
- the parent company statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements and the notes to the parent company financial statements, which include a description of the significant accounting policies.

Basis for opinion

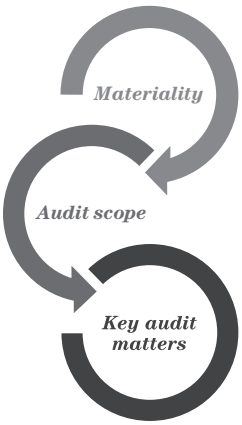
We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe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

Independence

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

Our audit approach

Overview



Materiality

- $115 million (2017: $125 million) - Consolidated financial statements
- Equates to circa 0.75% of revenues.
- $365 million (2017:$365 million) - Parent company financial statements
- Based on circa 0.5% of net assets.

Audit scope

- We conducted a full scope audit of the group's largest reporting component.
- Specified audit procedures were performed at five additional components.
- Additionally, certain other activities controlled and managed centrally from Corporate such as acquisitions and disposals, intangible asset and goodwill accounting and impairment testing, financing and treasury, legal and certain elements of income taxes were audited as part of our group procedures.
- Overall, we obtained coverage of 93% of group net revenues.

Key audit matters

- Product rights and other intangible assets - Kybella asset impairment
- General Medicine Goodwill impairment
- Uncertain Tax Positions
- US Managed Care, Medicare Part D and Medicaid Rebates

The scope of our audit

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

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Product rights and other intangible assets - Kybella asset impairment *Refer to Note 2 "Basis of preparation and summary of accounting policies" and Note 13 "Goodwill, Product Rights and Other Intangible Assets"* As discussed in Note 13 to the consolidated financial statements, as a result of a decrease in future sales forecasts based on current performance, in part due to risks relating to the supply of the product and the corresponding impact on demand, the Company recognized an impairment of $1,643.8 million related to Kybella®. We determined this to be a key audit matter due to the quantitative significance of the carrying value of the Kybella® intangible asset, the impairment amount recorded and the judgements applied by management in determining the fair value and the amount of the Kybella® impairment, and in particular management's judgements surrounding the forecasted growth rates associated with the future sales forecasts and the discount rate.	We evaluated and tested the Company's key internal controls over financial reporting related to the fair value determination of intangible assets, including controls over key assumptions used in the valuation model and the internal controls over the accuracy of the impairment calculation and analysis. We obtained the impairment calculations and analyses prepared by management and assessed management's judgements relating to the future sales forecasts and the discount rate. We evaluated management's analysis for the future sales forecast by reference to third party market data or independent third party analyses, when available. We also considered historic sales performance. In addition, we utilised our internal valuation specialists to assess the appropriateness of the valuation model used and the discount rate. We also considered management's assessment of the underlying patent life and forecasted period over which the cash flows were estimated, including agreeing the underlying patent life to the relevant patent registrations for a selection of the patents.
General Medicine Goodwill impairment *Refer to Note 2 "Basis of preparation and summary of accounting policies" and Note 13 "Goodwill, Product Rights and Other Intangible Assets"* As discussed in Note 13 to the consolidated financial statements, the Company performed its annual goodwill impairment test during the second quarter of 2018 by evaluating its five reporting units. Subsequent to the annual impairment test, during the three months ended December 31, 2018, the Company identified several impairment indicators which led to the fourth quarter assessment of its General Medicine reporting unit for impairment. As a result of the evaluation, a $2,841.1 million	We evaluated and tested the Company's key internal controls over financial reporting related to the fair value determination of reporting units, including controls over key assumptions used in the valuation model and over the accuracy of the impairment calculation. We obtained the impairment analyses prepared by management including the fair value calculations of the reporting unit, and assessed the reasonableness of each significant assumption, which include the revenue forecast, the timing of a loss of exclusivity, launch of key products and the discount rate.

Key audit matter	*How our audit addressed the key audit matter*
goodwill impairment charge to its General Medicine reporting unit was recorded. We considered this to be a key audit matter due to the quantitative significance of the carrying value of the goodwill related to the General Medicine reporting unit, the impairment recorded and the judgements applied by management in determining the revenue forecast, the timing of a loss of exclusivity, launch of key products and the discount rate applied by the Company.	We evaluated management's analysis for the revenue forecast by reference to third party market data or independent third party analyses, when available. In addition, we utilised our internal valuation experts to assess the reasonableness of the discount rate and the appropriateness of the valuation model used. We also assessed the reasonableness of how management developed the different probabilities related to the timing of loss of exclusivity or new product launches within the reporting unit.
Uncertain Tax Positions *Refer to Note 16"Income Taxes"* As discussed in Note 16 of the consolidated financial statements, Allergan plc is subject to income taxes in federal, state, and foreign jurisdictions, as well as regular tax authority examinations. Management has implemented a tax efficient legal entity and capital structure which includes an Irish domiciled ultimate parent company, various non-US holding companies and intercompany financing between certain subsidiaries. Significant tax positions are inherent in aspects of this structure and these tax positions are subject to challenge by the taxing authorities. Inherent in uncertain tax positions are various assumptions, including management's judgement as to the interpretation of tax law and management's expectations regarding the outcome of tax authority examinations as well as the judgement in the ultimate valuation of potential liabilities. The Company assesses uncertain tax positions ("UTPs") to determine whether changes in its business, significant transactions, changes in tax law or tax authority examination experience necessitates a change in tax position. As of December 31, 2018, the Company had a UTP reserve of $1,186.8 million. Based on our professional judgement of the quantitative significance of the total UTP reserve, and the judgements used by management when determining the appropriateness of uncertain tax positions, and in particular management's judgements surrounding the Company tax structure, UTPs were a significant focus of our audit.	We evaluated and tested the Company's key internal controls over financial reporting related to the identification, valuation and recognition of uncertain tax positions and related financial statement disclosures. These include controls related to the review and analysis of new uncertain positions, changes in existing positions, and the review of tax legislation changes. We performed tests to assess management's judgements regarding significant changes in UTPs during 2018. We tested management's analysis of each selected position by obtaining and evaluating supporting documentation, relevant tax law, and the assumptions utilised to form the judgement regarding the recorded tax position. This included an evaluation of the significant elements of management's model for recognition and measurement of uncertain tax benefits. For existing positions with insignificant changes that were selected for evaluation, we confirmed whether the movement (or lack thereof) was consistent with our expectations based on changes in tax law and history of tax authority examinations. We utilised internal tax specialists to facilitate our evaluation of uncertain tax positions and assessment of the accounting implications, if any, for material legal entity reorganisations. We assessed the completeness of the inventory of UTPs through our knowledge of potential exposures arising from 2018 ordinary business activities, significant transactions, changes in tax law and the current status of U.S. and foreign tax examinations, including new notices of proposed adjustments from taxing authorities, where applicable. We gained an understanding of and evaluated management's judgements for determining the valuation of the reserve for each uncertain tax position. Additionally, due to the impact of US Tax reform, we performed audit procedures over the

Key audit matter	*How our audit addressed the key audit matter*
	appropriateness of changes to management's accounting related to UTPs. We tested the reasonableness of interest and penalties recorded to income tax expense related to the Company's UTPs by reviewing local country tax laws as well as the impact from tax attribute carryovers. We obtained and evaluated tax advice provided by third parties. We reconciled the current year movement in UTPs as well as UTP ending balances to their respective components of the income tax provision and tax balance sheet accounts. We also reconciled UTP disclosures to supporting calculations.
US Managed Care, Medicare Part D and Medicaid Rebates *Refer to Note 2 "Basis of preparation and summary of accounting policies* As discussed in Note 2 to the consolidated financial statements, the Company's gross sales in the United States are reduced by various sales-related deductions including, but not limited to: chargebacks, trade discounts, sales returns and allowances, commercial and government rebates, customer loyalty programs and fee-for-service arrangements with certain distributors which the Company refers to in the aggregate as "SRA" allowances in order to arrive at reported net sales. The estimated SRAs are recorded at the time the Company sells product. The SRA's are recorded as a reduction to gross revenue and have a related balance sheet reserve under accounts receivable or provisions. SRAs are estimated by management based on historical payment experience, historical relationship of deductions to gross product revenues, government regulations, estimated utilisation or redemption rates, estimated customer inventory levels and current contract sales terms. The most significant of these SRAs relates to Managed Care, Medicare Part D, and Medicaid rebates. Specifically, in order to develop the SRA to reduce gross sales to reported net sales, management must estimate the rebates relating to sales made during the period. The key assumptions throughout this process include the relationship between historical and future rebate payments, product inventory levels at wholesale and retail customers, expected changes in product utilisation through commercial and governmental channels, expected changes in price, expected changes in contractual relationships with customers, and expected changes in government regulations, among others.	We evaluated the Company's key internal controls over financial reporting related to deductions made to US revenue for Managed Care, Medicare Part D, and Medicaid rebates as well as the ending balance sheet position, including controls regarding the initiation, authorisation, processing and recording of Managed Care, Medicare Part D, and Medicaid rebates. We tested a sample of Managed Care, Medicare Part D, and Medicaid rebate payments by obtaining the third party invoice and agreeing the amount and related terms to company records, evaluating the accuracy of the calculation, validity of the rebate claim, adherence to the applicable rebate program / contract, and completeness, accuracy, and existence of the payment made. We utilised our internal governmental pricing experts to evaluate the appropriateness of the Company's application of the US governmental rebate program. We performed analytical procedures over the Company's accrual estimate at year-end by comparing Managed Care, Medicare Part D, and Medicaid rebate accrual balances to our independently developed expectations. Our expectations took into account unpaid liabilities relating to current and prior earned rebate periods as well as accruals for product currently at distributors and retailers, but not utilised by patients. The inputs to our expectation included historical payments, product inventory levels at wholesale and retail customers, expected changes in price, expected changes in contractual relationships with customers (where applicable), and expected changes in government regulations (where applicable), among

Key audit matter	*How our audit addressed the key audit matter*
Based on our professional judgement of the quantitative significance of the Managed Care, Medicare Part D and Medicaid rebate programs, the complexity of the US Medicaid government reimbursement program and the significance of the judgements applied by management in determining the appropriateness of each of the related accruals, Managed Care, Medicare Part D, and Medicaid rebate provisions were a significant focus of our audit.	others. We corroborated the inputs to our expectations by reference to various internal and third party sources. We evaluated management's analysis over the current year movement in Managed Care, Medicare Part D, and Medicaid rebate provisions, corroborating the movements by obtaining and evaluating relevant supporting documentation.

How we tailored the audit scope

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

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

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

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

Overall, through the full scope audit of the group's largest reporting component and specified procedures performed at five components, we obtained coverage of 93% of group net revenues. We allocated materiality levels and issued instructions to each component auditor. In addition to the audit report from each of the component auditors, we received detailed memoranda of examinations on work performed and relevant findings which supplemented our understanding of the component, its results and the audit findings and we participated in a number of local audit closing meetings. This, together with additional procedures performed at the group level, gave us evidence we needed for our opinion on the financial statements as a whole.

Materiality

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

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

	Consolidated financial statements	*Parent company financial statements*
Overall materiality	$115 million (2017: $125 million).	$365 million (2017: $365 million)
How we determined it	We considered a number of potential benchmarks for materiality including revenue, EBITDA (defined as earnings before interest, taxes, depreciation and amortization), pre-tax loss and determined an overall materiality of $115 million which approximates to 0.75% of revenue.	Circa 0.5% of net assets
Rationale for benchmark applied	The group's earnings fluctuate significantly period over period reflecting the impact of events such as acquisitions, dispositions, patent and other legal disputes, impairments of in-process research and development intangible assets, impairment of intangible assets, the impacts of income tax reform in the United States and restructuring and integration activities. Accordingly, determining materiality using a single benchmark such as pre-tax loss was not considered appropriate. We considered it necessary to evaluate multiple benchmarks to arrive at our overall materiality for our audit. The benchmarks we considered represent the performance measures that the group reports to the users of the financial statements.	The entity is a holding company whose main activity is the management of investments in subsidiaries.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $10 million (group audit) (2017: $10 million) and $10 million (parent company audit) (2017: $10 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non-Financial Statement" as defined by the Act on which we are not required to report) have been included.

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

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non-Financial Statement" as defined by the Act on which we are not required to report) for the year ended December 31, 2018 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report (excluding the information included in the "Non-Financial Statement" as defined by the Act on which we are not required to report).

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities for financial statements set out on page 67, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2014 opinions on other matters

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

Companies Act 2014 exception reporting

Directors' remuneration and transactions

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

/s/ Alisa Hayden

Alisa Hayden
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
March 22, 2019

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year Ended December 31, 2018

(all amounts in millions except per share amounts)	Notes	2018 $	2017 $
Revenue	2,18	15,787.4	15,940.7
Cost of sales		(2,191.4)	(2,168.0)
Gross profit		**13,596.0**	**13,772.7**
Selling, general and administrative expenses		(17,577.4)	(17,593.8)
Research and development		(2,266.2)	(2,100.1)
Other income / (expense)		241.1	(3,248.1)
Interest expense and similar items	14	(895.6)	(1,284.8)
Interest income		45.2	67.7
(Loss) before taxes		**(6,856.9)**	**(10,386.4)**
Benefit for income taxes	16	1,770.7	6,670.4
(Loss) from continuing operations		(5,086.2)	(3,716.0)
(Loss) from discontinued operations	6	-	(402.9)
(Loss)		**(5,086.2)**	**(4,118.9)**
(Income) attributable to noncontrolling interest		(10.2)	(6.6)
(Loss) for the year		**(5,096.4)**	**(4,125.5)**
Dividends on preferred shares	17	46.4	278.4
(Loss) for the year for ordinary shareholders		**(5,142.8)**	**(4,403.9)**
(Loss) per share:			
(Loss) per share attributable to ordinary shareholders – basic:			
Continuing operations		(15.26)	(11.99)
Discontinued operations		-	(1.20)
(Loss) per share – basic	2	(15.26)	(13.19)
(Loss) per share attributable to ordinary shareholders – diluted:			
Continuing operations		(15.26)	(11.99)
Discontinued operations		-	(1.20)
(Loss) per share – diluted	2	(15.26)	(13.19)
Dividends per ordinary share		**2.88**	**2.80**
Weighted average ordinary shares outstanding:			
Basic	2	337.0	333.8
Diluted	2	337.0	333.8

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) / INCOME
Year Ended December 31, 2018

(all amounts in millions)	Notes	2018 $	2017 $
(Loss)		(5,086.2)	(4,118.9)
Other comprehensive (loss) / income:			
Foreign currency translation (losses) / gains	17,21	(474.4)	1,248.0
Net impact of other-than-temporary loss on investment in Teva securities	17,21	-	1,599.4
Unrealized (losses) / gains, net of tax		(38.1)	111.7
Total other comprehensive (loss) / income, net of tax		(512.5)	2,959.1
Comprehensive (loss)		(5,598.7)	(1,159.8)
Comprehensive (income) attributable to noncontrolling interest		(10.2)	(6.6)
Comprehensive (loss) attributable to ordinary shareholders		**(5,608.9)**	**(1,166.4)**

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
As of December 31, 2018

(all amounts in millions)	Notes	2018 $	2017 $
Assets			
Fixed assets:			
Intangible assets			
Goodwill	13	45,913.3	49,862.9
Other Intangibles	13	43,695.4	54,648.3
Tangible assets			
Property, plant and equipment	11	1,787.0	1,785.4
Investments	12	46.0	72.3
Total fixed assets		**91,441.7**	**106,368.9**
Current assets:			
Assets held for sale	3	916.2	81.6
Inventories	9	846.9	904.5
Debtors:			
Accounts receivable		2,868.1	2,899.0
Other assets	12	1,897.0	174.5
Prepaid expenses and other current assets	12	819.1	1,123.9
Deferred income taxes – amounts due after more than one year	16	1,063.7	319.1
Investments-marketable securities	12	1,026.9	4,632.1
Cash at bank and in hand		880.4	1,817.2
		10,318.3	**11,951.9**
Creditors (amounts falling due within a year)			
Current portion of long-term debt and capital leases	14	868.3	4,231.8
Accounts payable		349.8	324.5
Income taxes payable	16	72.4	74.9
Accrued expenses	10	1,923.4	2,082.9
Total current liabilities		**3,213.9**	**6,714.1**
Net current assets		**7,104.4**	**5,237.8**
Total assets less current liabilities		**98,546.1**	**111,606.7**
Creditors (amounts falling after more than one year)			
Long-term debt and capital leases	14	22,929.4	25,843.5
Other taxes payable	16	428.7	723.6
Other long term liabilities	15	337.1	221.7
		23,695.2	26,788.8

CONSOLIDATED BALANCE SHEET - continued
As of December 31, 2018

(all amounts in millions)	Notes	2018 $	2017 $
Provision for liabilities			
Pensions and similar obligations	8	139.8	141.6
Severance provision	19	85.8	185.9
Uncertain tax positions	16	1,186.8	850.3
Litigation related	22	65.0	55.0
Deferred income taxes	16	5,501.8	6,352.4
Sales returns and allowances	2	2,359.9	2,179.9
Contingent liabilities	21	344.6	476.9
Other provisions	2,10	36.2	738.8
Net assets		**65,131.0**	**73,837.1**
Capital and reserves			
Called up share capital presented as equity	17	-	-
Share premium		457.9	5,285.2
Other reserves		57,397.3	55,578.7
Profit and loss account		7,258.9	12,957.2
Shareholders' equity		**65,114.1**	**73,821.1**
Non controlling interest		16.9	16.0
Total shareholders' funds		**65,131.0**	**73,837.1**

See accompanying Notes to the Consolidated Financial Statements.

On behalf of the board

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

/s/ Carol Anthony (John) Davidson
Carol Anthony (John) Davidson
Director

CONSOLIDATED STATEMENT OF EQUITY
For the Year Ended December 31, 2018

(all amounts in millions)	Called up share capital	Share premium account	Other reserves	Profit and loss account	Noncontrolling interest	Total
	$	$	$	$	$	$
Balance as of December 31, 2016	**-**	**5,101.8**	**52,748.4**	**18,342.5**	**7.8**	**76,200.5**
(Loss) for the year	-	-	-	(4,125.5)	-	(4,125.5)
Value of employee services-share options, net	-	-	250.3	-	-	250.3
Other comprehensive income	-	-	1,359.7	-	-	1,359.7
Other comprehensive income resulting from other-than-temporary loss on investment in Teva securities	-	-	1,599.4	-	-	1,599.4
Impact of the share repurchase programs	-	-	(450.0)	-	-	(450.0)
Non-cash share issuance for Zeltiq Acquisition	-	-	8.5	-	-	8.5
Impact of change in accounting for share-based compensation plans	-	-	62.4	(41.6)	-	20.8
Ordinary shares issued under employee share plans	-	183.4	-	-	-	183.4
Dividends declared	-	-	-	(939.8)	-	(939.8)
Preferred share dividend	-	-	-	(278.4)	-	(278.4)
Movement in noncontrolling interest	-	-	-	-	8.2	8.2
Balance as of December 31, 2017	**-**	**5,285.2**	**55,578.7**	**12,957.2**	**16.0**	**73,837.1**
(Loss) for the year	-	-	-	(5,096.4)	-	(5,096.4)
Value of employee services-share options, net	-	-	204.8	-	-	204.8
Other comprehensive income	-	-	(512.5)	-	-	(512.5)
Impact of the share repurchase programs	-	-	(2,740.4)	-	-	(2,740.4)
Impact of conversion of Mandatory Preferred Shares into ordinary shares	-	(4,929.7)	4,929.7	-	-	-
Impact of new accounting pronouncement	-	-	(63.0)	424.7	-	361.7
Ordinary shares issued under employee share plans	-	102.4	-	-	-	102.4
Dividends declared	-	-	-	(980.2)	-	(980.2)
Preferred share dividend	-	-	-	(46.4)	-	(46.4)
Movement in noncontrolling interest	-	-	-	-	0.9	0.9
Balance as of December 31, 2018	**-**	**457.9**	**57,397.3**	**7,258.9**	**16.9**	**65,131.0**

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(all amounts in millions)

	2018	2017
	$	$
Cash Flows From Operating Activities:		
(Loss)	(5,086.2)	(4,118.9)
Reconciliation to net cash provided by operating activities:		
Depreciation	196.3	171.5
Amortization	6,552.3	7,197.1
Provision for inventory reserve	96.4	102.2
Share-based compensation	239.8	293.3
Deferred income tax benefit	(1,255.7)	(7,783.1)
Goodwill impairments	2,841.1	-
In-process research and development impairments	804.6	1,452.3
Loss on asset sales and impairments, net	2,857.6	3,927.7
Net income impact of other-than-temporary loss on investment in Teva securities	-	3,273.5
Charge to settle Teva related matters	-	387.4
Loss on forward sale of Teva shares	-	62.9
Gain on sale of Teva securities, net	(60.9)	-
Amortization of inventory step-up	-	131.7
Gain on sale of businesses	(182.6)	-
Non-cash extinguishment of debt	30.0	(15.7)
Cash (discount) / charge related to extinguishment of debt	(45.6)	205.6
Amortization of deferred financing costs	22.6	27.8
Contingent consideration adjustments, including accretion	(106.5)	(133.2)
Other, net	29.0	(37.0)
Changes in assets and liabilities (net of effects of acquisitions):		
Decrease / (increase) in accounts receivable, net	(37.0)	(188.3)
Decrease / (increase) in inventories	(145.7)	(144.8)
Decrease / (increase) in prepaid expenses and other current assets	4.3	27.9
Increase / (decrease) in accounts payable and accrued expenses	151.6	95.9
Increase / (decrease) in income and other taxes payable	(1,191.6)	1,114.1
Increase / (decrease) in other assets and liabilities	(73.7)	29.1
Net cash provided by operating activities	5,640.1	6,079.0
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(253.5)	(349.9)
Additions to product rights and other intangibles	-	(614.3)
Additions to investments	(2,471.7)	(9,783.8)
Proceeds from sale of investments and other assets	6,259.3	15,153.3
Payments to settle Teva related matters	(466.0)	-
Proceeds from sales of property, plant and equipment	30.4	7.1
Acquisitions of businesses, net of cash acquired	-	(5,290.4)
Net cash provided by / (used in) investing activities	3,098.5	(878.0)
Cash Flows From Financing Activities:		
Proceeds from borrowings of long-term indebtedness, including credit facility	2,657.0	3,550.0
Payments on debt, including capital lease obligations and credit facility	(8,804.5)	(6,413.6)
Debt issuance and other financing costs	(10.4)	(20.6)
Cash charge related to extinguishment of debt	-	(205.6)
Payments of contingent consideration and other financing	(30.9)	(511.6)
Proceeds from stock plans	102.4	183.4
Proceeds from forward sale of Teva securities	465.5	-
Payments to settle Teva related matters	(234.0)	-
Repurchase of ordinary shares	(2,775.4)	(493.0)
Dividends paid	(1,049.8)	(1,218.2)
Net cash (used in) financing activities	(9,680.1)	(5,129.2)
Effect of currency exchange rate changes on cash and cash equivalents	4.7	21.4
Net (decrease) / increase in cash and cash equivalents	(936.8)	93.2
Cash and cash equivalents at beginning of period	1,817.2	1,724.0
Cash and cash equivalents at end of period	880.4	1,817.2
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Income taxes other, net of refunds	717.4	(5.1)
Interest	965.7	1,144.4
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
Dividends accrued	1.4	24.6

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 The Company

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

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

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

As a result of the Teva Transaction and the divestiture of the Company's Anda Distribution business, and in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-08 "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," the financial results of the businesses held for sale were reclassified to discontinued operations for all periods presented in our consolidated financial statements.

Allergan was incorporated in Ireland with registration number 527629 on May 16, 2013 as a private limited company and re-registered effective September 20, 2013 as a public limited company. The principal activity of Allergan plc is an investment holding company. Its registered address is Clonshaugh Business and Technology Park, Coolock, Dublin, D17 E400, Ireland.

2 Basis of preparation and summary of accounting policies

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

These consolidated financial statements were prepared in accordance with Irish Company Law, to present to the shareholders of the Company and file with the Companies Registration Office in Ireland. Accordingly,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

these financial statements include disclosures required by the Companies Act in addition to those required under US GAAP. The consolidated financial statements include the accounts of subsidiaries, after elimination of intercompany accounts and transactions. The consolidated financial information presented herein reflects all financial information that, in the opinion of management, is necessary for a fair statement of financial position, profit and loss and cash flows for the periods presented.

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

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 year ended December 31, 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 ship and bill 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 profit / (loss). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Implementation of New Guidance – continued

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)					
Pronouncement	Accounts receivable, net	Prepaid expenses and other current assets	Accounts payable and accrued expenses	Deferred tax liabilities	Profit and loss account	Other reserves
	$	$	$	$	$	$
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 $205.6 million and cash flows from financing activities decreased by $205.6 million in 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 presents 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.

Use of Estimates

Management is required to make certain estimates and assumptions in order to prepare consolidated financial statements in conformity with GAAP. Such estimates and assumptions affect the reported financial statements. The Company's most significant estimates relate to the determination of SRAs (defined below)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Use of Estimates – continued

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

Foreign Currency Translation

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

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

Cash and Cash Equivalents

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

Fair Value of Other Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, accounts and other receivables, investments, trade accounts payable, and long-term debt, including the current portion. The carrying amounts of cash and cash equivalents, marketable securities, accounts and other receivables and trade accounts payable are representative of their respective fair values due to their relatively short maturities. The fair values of investments in companies that are publicly traded are based on quoted market prices. The Company estimates the fair value of its fixed rate long-term obligations based on quoted market rates.

Inventories

Inventories consist of finished goods held for sale and distribution, raw materials and work in process. Inventory includes brand and aesthetic products which represent Food and Drug Administration ("FDA") approved or likely to be approved indications. Inventory valuation reserves are established based on a number of factors/situations including, but not limited to, raw materials, work in process or finished goods

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Inventories – continued

not meeting product specifications, product obsolescence, or application of the lower of cost (first-in, first-out method) or net realizable value concepts. The determination of events requiring the establishment of inventory valuation reserves, together with the calculation of the amount of such reserves may require judgment. Assumptions utilized in our quantification of inventory reserves include, but are not limited to, estimates of future product demand, consideration of current and future market conditions, product net selling price, anticipated product launch dates, competition and potential product obsolescence and other events relating to special circumstances surrounding certain products. No material adjustments have been required to our inventory reserve estimates for the periods presented. Adverse changes in assumptions utilized in our inventory reserve calculations could result in an increase to our inventory valuation reserves and higher cost of sales.

Property, Plant and Equipment

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

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

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

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

Investments

The Company's equity investments are accounted for under the equity method of accounting when the Company can exert significant influence and the Company's ownership interest does not exceed 50%. The Company records equity method investments at cost and adjusts for the appropriate share of investee net earnings or losses. Investments in which the Company owns less than a 20% interest and cannot exert significant influence are recorded at fair value and the Company recognizes any changes in fair value in profit / (loss). For equity investments without readily determinable fair values, the Company may make a separate election for each eligible investment to use a measurement alternative until the investment's fair value becomes readily determinable. Under the alternative method, the equity investments are accounted for at cost, less any impairment, plus or minus changes resulting from observable price changes in an orderly transaction for an identical or similar investment of the same issuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Marketable Securities

The Company's marketable securities consist of U.S. treasury and agency securities and debt and equity securities of publicly-held companies. The Company's marketable securities are recorded at fair value, based upon quoted market prices with an offset to interest income.

Product Rights and Other Definite Lived Intangible Assets

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

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

Goodwill and Intangible Assets with Indefinite Lives

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

The Company tests goodwill and intangible assets with indefinite lives for impairment annually in the second quarter. Additionally, the Company may perform interim tests if an event occurs or circumstances change that could potentially reduce the fair value of a reporting unit or an indefinite lived intangible asset below its carrying amount such as those fourth quarter 2018 triggering events relating to the Company's General Medicine Reporting Unit as discussed in "NOTE 13 — Goodwill, Product Rights and Other Intangible Assets". 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Goodwill and Intangible Assets with Indefinite Lives – continued

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 as of the measurement date of the 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 SG&A and this could result in a material impact to profit / (loss) and income / (loss) per share.

Prior to Allergan's 2018 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.

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, 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.

Contingent Consideration

We determine the acquisition date fair value of contingent consideration obligations for business acquisitions based on a probability-weighted income approach derived from revenue estimates, post-tax

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Contingent Consideration – continued

gross profit levels and a probability assessment with respect to the likelihood of achieving contingent obligations including contingent payments such as milestone obligations, royalty obligations and contract earn-out criteria, where applicable. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined using the fair value concepts defined in ASC Topic 820 "Fair Value Measurement," ("ASC 820"). The resultant probability-weighted cash flows are discounted using an appropriate effective annual interest rate. At each reporting date, the contingent consideration obligation will be revalued to estimated fair value and changes in fair value will be reflected as income or expense in our consolidated statement of operations. Changes in the fair value of the contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of future revenue estimates and changes in probability assumptions with respect to the likelihood of achieving the various contingent payment obligations. Changes in assumptions utilized in our contingent consideration fair value estimates could result in an increase or decrease in our contingent consideration obligation and a corresponding charge or reduction to operating results. Refer to "NOTE 21 — Fair Value Measurement" for additional details regarding the fair value of contingent consideration.

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 as that is when the customer has obtained control of significantly all of the economic benefits.

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. When the Company sells a business and future royalties are considered as part of the consideration, the Company recognizes the royalties as a component of "other income / (expense), net".

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 18 – 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition – continued

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.

Deductions 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 deductions 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 deductions has been applied on a consistent basis and no material revenue adjustments to total reported revenues 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 deduction for chargebacks also takes into account an estimate of the expected wholesaler sell-through levels to indirect customers at certain contract prices. The Company validates the chargeback 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition – continued

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 deduction for third-party rebates is estimated based on our customers' contracted rebate programs and the Company's historical experience of rebates paid. Any significant changes to our customer rebate programs are considered in establishing the reserve for rebates. The deductions 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 balance.

Cash Discounts – Cash discounts are provided to customers that pay within a specific time period. The deduction 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 deduction 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 reserve for returns is based upon historical experience and current trends of actual customer returns. Additionally, we consider other factors when estimating the current period returns reserve, including levels of inventory in the distribution channel, as well as significant market changes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition – continued

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

	Chargebacks	Rebates	Returns and Other Allowances	Cash Discounts	Total
	$	$	$	$	$
Balance at December 31, 2016	**114.2**	**1,614.0**	**415.9**	**34.7**	**2,178.8**
Deduction related to sales in 2017	1,098.7	4,891.4	1,799.3	330.6	8,120.0
Credits and payments	(1,135.7)	(4,710.4)	(1,734.7)	(328.8)	(7,909.6)
Add: LifeCell and Zeltiq Acquisitions	-	4.2	37.1	-	41.3
Balance at December 31, 2017	**77.2**	**1,799.2**	**517.6**	**36.5**	**2,430.5**
Deduction related to sales in 2018	1,117.7	5,464.7	1,725.3	322.2	8,629.9
Credits and payments	(1,133.1)	(5,355.4)	(1,676.3)	(328.0)	(8,492.8)
Balance at December 31, 2018	**61.8**	**1,908.5**	**566.6**	**30.7**	**2,567.6**

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

	As of December 31,	
	2018	2017
	$	$
Accounts receivable	207.7	250.6
Provisions	2,359.9	2,179.9
	2,567.6	**2,430.5**

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

	Years Ended December 31,	
	2018	2017
	$	$
Gross product sales	24,056.9	23,688.4
Deductions to reduce gross product sales to net products sales	(8,629.9)	(8,120.0)
Net product sales	**15,427.0**	**15,568.4**
Percentage of Gross Product Sales	*64.1%*	*65.7%*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Revenue Recognition – continued

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. Charge for bad debts, included in selling, general and administrative expenses, were $18.5 million and $11.6 million in the years ended December 31, 2018 and 2017, respectively.

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.

Litigation and Contingencies

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

R&D Activities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

R&D Activities – continued

As of December 31, 2018, we are developing a number of products, some of which utilize novel drug delivery systems, through a combination of internal and collaborative programs including but not limited to the following:

Product	Therapeutic Area	Indication	Expected Launch Year	Phase
Cariprazine	Central Nervous System	Bipolar Depression	2019	Review
Abicipar	Eye Care	Age Related Macular Degeneration	2020	III
Bimatoprost SR	Eye Care	Glaucoma	2020	III
Ubrogepant	Central Nervous System	Acute Migraine	2020	III
Atogepant	Central Nervous System	Prophylaxis Migraine	2021	III
Presbysol	Eye Care	Presbyopia	2021	III
Rapastinel	Central Nervous System	Depression	2021	III*
Cenicriviroc	Gastrointestinal	NASH	2022	III
Relamorelin	Gastrointestinal	Gastroparesis	2023	III
Abicipar	Eye Care	Diabetic Macular Edema	2023	II
Brimonidine DDS	Eye Care	Geographic Atrophy	2023	II
Brazikumab	Gastrointestinal	Crohn's Disease	2024	II
Botox	Medical Aesthetics	Platysma/Masseter	2025/2023	II
Brazikumab	Gastrointestinal	Ulcerative Colitis	2025	II

* Refer to "NOTE 30 – Subsequent Events" for more information.

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

Allocation of Acquisition Fair Values to Assets Acquired and Liabilities Assumed

We account for acquired businesses using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The consolidated financial statements and results of operations reflect an acquired business after the completion of the acquisition. The fair value of the consideration paid, including contingent consideration, is assigned to the underlying net assets of the acquired business based on their respective fair values as determined using a market participant concept. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

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

- Intangible assets (including IPR&D assets upon successful completion of the project and approval of the product) which are amortized to amortization expense over the expected life of the asset. Significant judgments are used in determining the estimated fair values assigned to the assets acquired and liabilities assumed and in determining estimates of useful lives of long-lived assets. Fair value determinations and useful life estimates are based on, among other factors, estimates of expected future net cash flows, estimates of appropriate discount rates used to present value expected future net cash flow streams, the timing of approvals and the probability of success for IPR&D projects and the timing of related product

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

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

launch dates, the assessment of each asset's life cycle, the impact of competitive trends on each asset's life cycle and other factors. These judgments can materially impact the estimates used to allocate acquisition date fair values to assets acquired and liabilities assumed and the future useful lives. For these and other reasons, actual results may vary significantly from estimated results.

- Inventory is recorded at fair market value factoring in selling price and costs to dispose. Inventory acquired is typically valued higher than replacement cost.

Income Taxes

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

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

The Tax Cuts and Jobs Act ("TCJA") introduced an additional U.S. tax on certain non-U.S. subsidiaries' earnings which are considered to be Global Intangible Low Taxed Income (referred to as "GILTI"). Under this provision, the amount of GILTI included by a U.S. shareholder will be taxed at a rate of 10.5% for tax years beginning after December 31, 2017 (increasing to 13.125% for tax years beginning after December 31, 2025) with a partial offset for foreign tax credits. After consideration of the relevant guidance and completing the accounting for the tax effects of the TCJA, the Company has elected to treat GILTI as a period cost.

Comprehensive Income / (Loss)

Comprehensive income / (loss) includes all changes in equity during a period except those that resulted from investments by or distributions to the Company's stockholders. Other comprehensive income / (loss) refers to revenues, expenses, gains and losses that are included in comprehensive income / (loss), but excluded from profit / (loss) as these amounts are recorded directly as an adjustment to shareholders' equity. The Company's other comprehensive income / (loss) is primarily comprised of actuarial gains / (losses), the impact of hedging transactions, pension liabilities and foreign currency translation adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Earnings Per Share ("EPS")

The Company computes EPS in accordance with ASC Topic 260, "Earnings Per Share" ("ASC 260") and related guidance, which requires two calculations of EPS to be disclosed: basic and diluted. Basic EPS is computed by dividing net (loss) / income by the weighted average ordinary shares outstanding during a period. Diluted EPS is based on the treasury stock method and includes the effect from potential issuance of ordinary shares, such as shares issuable pursuant to the exercise of stock options and restricted stock units. Diluted EPS also includes the impact of ordinary share equivalents 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 follows ($ in millions, except per share amounts):

	2018	2017
	$	$
(Loss):		
(Loss) attributable to ordinary shareholders excluding (loss) from discontinued operations, net of tax	(5,142.8)	(4,001.0)
(Loss) from discontinued operations, net of tax	-	(402.9)
(Loss) attributable to ordinary shareholders	(5,142.8)	(4,403.9)
Basic weighted average ordinary shares outstanding	**337.0**	**333.8**
Basic EPS:		
Continuing operations	(15.26)	(11.99)
Discontinued operations	-	(1.20)
(Loss) per share	(15.26)	(13.19)
Dividends per ordinary share	**2.88**	**2.80**
Diluted weighted average ordinary shares outstanding	**337.0**	**333.8**
Diluted EPS:		
Continuing operations	(15.26)	(11.99)
Discontinued operations	-	(1.20)
(Loss) per share	(15.26)	(13.19)

Stock awards to purchase 2.3 million and 3.8 million ordinary shares for the years ended December 31, 2018 and 2017, respectively, were outstanding, but not included in the computation of diluted EPS, because the awards were anti-dilutive for continuing operations and as such the treatment for discontinued operations was also anti-dilutive.

The Company's preferred shares were converted to ordinary shares on March 1, 2018. The weighted average impact of ordinary share equivalents of 2.9 million for the year ended December 31, 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. Similarly,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Earnings Per Share ("EPS") – continued

the anti-diluted weighted average impact of ordinary share equivalents upon mandatory conversion of the preferred shares of 17.8 million for the year ended December 31, 2017, were excluded from in the calculation of diluted EPS.

Refer to "NOTE 17 – Equity" for further discussion on the Company's share repurchase programs.

Employee Benefits

Defined Contribution Plans

The Company has defined contribution plans that are post-employment benefit plans under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution plans are recognized as an employee benefit expense in the consolidated statement of operations in the periods during which the related services were rendered.

Defined Benefit Plans

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

Share-based Compensation

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

The Company grants awards with the following features:

- Time-based 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Employee Benefits – continued

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 were measured against pre-established total shareholder returns metrics.

Restructuring Costs

The Company records liabilities for costs associated with exit or disposal activities in the period in which the liability is incurred. In accordance with existing benefit arrangements, employee severance costs are accrued when the restructuring actions are probable and estimable. Costs for one-time termination benefits in which the employee is required to render service until termination in order to receive the benefits are recognized ratably over the future service period. The Company also incurs costs with contract terminations and costs of transferring products as part of restructuring activities. Refer to "NOTE 19 — Business Restructuring Charges" for more information.

Recent Accounting Pronouncements

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. As of the January 1, 2019 transition date, the right of use ("ROU") asset and liability were less than 1.0% and less than 2.0% of total Company assets and liabilities, respectively.

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 profit and loss account.

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 profit and loss accounts as of the beginning of the period of adoption. The entity is

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Basis of preparation and summary of accounting policies - continued

Recent Accounting Pronouncements – continued

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 profit and loss account.

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 profit and loss account.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3 Continuing Operations and Discontinued Operations

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

The following balance sheet shows a reconciliation of continuing operations to the global company as of December 31, 2018 ($ in millions):

	As of December 31, 2018		
	Continuing Operations	**Assets Held for Sale Other**	**Whole Company**
	$	**$**	**$**
Assets			
Fixed assets:			
Intangible assets			
Goodwill	45,913.3	-	45,913.3
Other Intangibles	43,695.4	849.4	44,544.8
Tangible assets			
Property, plant and equipment	1,787.0	32.8	1,819.8
Investments	46.0	-	46.0
Total fixed assets	**91,441.7**	**882.2**	**92,323.9**
Current assets:			
Assets held for sale	916.2	(916.2)	-
Inventories	846.9	34.0	880.9
Debtors:			
Accounts receivable	2,868.1	-	2,868.1
Other assets	1,897.0	-	1,897.0
Prepaid expenses and other current assets	819.1	-	819.1
Deferred income taxes—amounts due after more than one year	1,063.7	-	1,063.7
Investments—marketable securities	1,026.9	-	1,026.9
Cash at bank and in hand	880.4	-	880.4
	10,318.3	**(882.2)**	**9,436.1**
Creditors (amounts falling due within a year)			
Current portion of long-term debt and capital leases	868.3	-	868.3
Accounts payable	349.8	-	349.8
Income taxes payable	72.4	-	72.4
Accrued expenses	1,923.4	-	1,923.4
Total current liabilities	**3,213.9**	-	**3,213.9**
Net current assets	**7,104.4**	**(882.2)**	**6,222.2**
Total assets less current liabilities	**98,546.1**	-	**98,546.1**
Creditors (amounts falling after more than one year)			
Long-term debt and capital leases	22,929.4	-	22,929.4
Other taxes payable	428.7	-	428.7
Other long term liabilities	337.1	-	337.1
	23,695.2	-	23,695.2
Provision for liabilities			
Pensions and similar obligations	139.8	-	139.8
Severance provision	85.8	-	85.8
Uncertain tax positions	1,186.8	-	1,186.8
Litigation related	65.0	-	65.0
Deferred income taxes	5,501.8	-	5,501.8
Sales returns and allowances	2,359.9	-	2,359.9
Contingent liabilities	344.6	-	344.6
Other provisions	36.2	-	36.2
Net assets	**65,131.0**	-	**65,131.0**
Capital and reserves			
Called up share capital	-	-	-
Share premium	457.9	-	457.9
Other reserves	57,397.3	-	57,397.3
Profit and loss account	7,258.9	-	7,258.9
Shareholders' equity	**65,114.1**	-	**65,114.1**
Non controlling interest	16.9	-	16.9
Total shareholders' funds	**65,131.0**	-	**65,131.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3 Continuing Operations and Discontinued Operations - continued

The following balance sheet shows a reconciliation of continuing operations and discontinued operations to the global company as of December 31, 2017 ($ in millions):

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3 Continuing Operations and Discontinued Operations - continued

The profit and loss accounts had no discontinued operations for the year ended December 31, 2018. The following profit and loss accounts shows a reconciliation of continuing operations and discontinued operations to the global company for the year ended December 31, 2017 ($ in millions):

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

4 Business Developments

2018 Significant Business Developments

The following are the significant transactions that were completed or announced in the year ended December 31, 2018.

Licenses and Asset Acquisitions

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 which may be recorded if the corresponding events become probable. The transaction was accounted for as an asset acquisition as the purchase primarily related to one asset. The aggregate upfront expense of $196.6 million was recorded as a component of R&D expense in the year ended December 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Business Developments - continued

Licenses and Asset Acquisitions – continued

Elastagen Pty Ltd

On April 6, 2018, the Company completed the acquisition of Elastagen Pty Ltd, a clinical stage medical company developing medical and cosmetic treatments including recombinant human tropoelastin, the precursor of elastin, which will be combined with Allergan's existing fillers product lines. The transaction was accounted for as an asset acquisition as the purchase primarily related to one asset. The aggregate upfront expense of $96.1 million was recorded as a component of R&D expense during the year ended December 31, 2018. Under the terms of the agreement, Elastagen Pty Ltd is eligible to receive additional contingent consideration of up to $165.0 million which may be recorded if the corresponding events become probable.

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. The aggregate upfront expense of $33.2 million was recorded as a component of R&D expense during the year ended December 31, 2018.

Divestitures

Aclaris Therapeutics, Inc.

On November 30, 2018, the Company divested Rhofade® to Aclaris Therapeutics, Inc. Under the terms of the agreement, the purchase price included an upfront cash payment, a potential development milestone payment for an additional dermatology product, and tiered payments based on annual net sales of Rhofade®, which have a fair value estimated to be $50.3 million. As a result of this transaction, the Company recorded a net loss of $266.2 million which is included as a component of "Asset sales and impairments, net", a component of SG&A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Business Developments - continued

Divestitures – continued

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):

	$
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**

Assets Held for Sale

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

	December 31, 2018	December 31, 2017
	$	$
Assets		
Fixed assets:		
Intangible assets		
Goodwill	-	12.8
Product rights and other intangibles	849.4	15.8
Tangible assets		
Property, plant and equipment, net	32.8	53.0
Total fixed assets	**882.2**	**81.6**
Current assets:		
Inventories	34.0	-
Net current assets	**916.2**	**81.6**

As of December 31, 2018, Allergan concluded that its Anti-Infectives business met the criteria for held for sale based on management's intent and ability to divest the business within the next twelve months. As a result of this decision, Allergan impaired the business assets by $771.7 million, including goodwill of $622.0 million, based on the expected aggregate fair value to be received of approximately $885.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Business Developments - continued

Assets Held for Sale – continued

Upon the sale of the business, Allergan would only recognize the upfront proceeds received in exchange for the assets disposed, which may result in further potential write downs as of the date of sale. If contingent consideration is part of the aggregate fair value received, the Company would recognize any future benefits in "other income / (expense)" as the contingent portion of the divestiture is earned.

As of December 31, 2017, assets held for sale principally consisted of facilities no longer in use and certain product rights and other intangibles and goodwill.

2017 Significant Business Developments

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

Acquisitions

Keller Medical, Inc.

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

Zeltiq® Aesthetics, Inc.

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

Assets Acquired and Liabilities Assumed at Fair Value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Business Developments - continued

Acquisitions – continued

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

	Final Valuation as of December 31, 2018
	$
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**

IPR&D and Intangible Assets

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

The fair value of the intangible assets acquired in the Zeltiq Acquisition was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value for these acquired intangible assets ranged from 10.0% to 11.0% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. The discount rate of the Zeltiq Acquisition was driven by the life-cycle stage of the products and the therapeutic indication. For these and other reasons, actual results may vary significantly from estimated results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Business Developments - continued

Acquisitions – continued

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

	Amount recognized as of the acquisition date	Weighted average useful lives (years)
	$	Number
Definite Lived Assets		
Consumables	985.0	6.7
System	43.0	3.7
Total CMP	1,028.0	
Customer Relationships	157.0	6.6
Total Definite Lived Assets	**1,185.0**	

Goodwill

Among the reasons the Company acquired Zeltiq and the factors that contributed to the recognition of goodwill was the expansion of the Company's leading medical aesthetics portfolio. Goodwill from the Zeltiq Acquisition of $954.7 million was assigned to the US Specialized Therapeutic segment and goodwill of $256.9 million was assigned to the International segment and is non-deductible for tax purposes.

Inventories

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

Deferred Tax Liabilities

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

LifeCell Corporation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Business Developments - continued

Acquisitions – continued

Assets Acquired and Liabilities Assumed at Fair Value

The LifeCell Acquisition has been accounted for using the acquisition method of accounting.

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

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

IPR&D and Intangible Assets

The fair value of the acquired intangible assets was determined using the IPR&D and Intangible Asset Valuation Technique. The discount rate used to arrive at the present value for these acquired intangible assets was 7.5% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections in the LifeCell Acquisition. The discount rate of the LifeCell Acquisition was driven by the life-cycle stage of the products including, the advanced nature of IPR&D projects and the therapeutic indication. For these and other reasons, actual results may vary significantly from estimated results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Business Developments - continued

Acquisitions – continued

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

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

Goodwill

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

Inventories

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

Deferred Tax Liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Business Developments - continued

Licenses and Other Transactions Accounted for as Asset Acquisitions

Lyndra, Inc.

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

Editas Medicine, Inc.

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

In the year ended December 31, 2018, the Company exercised a $15.0 million option to develop and commercialize EDIT-101 globally for the treatment of LCA10 which was included as a component of R&D expense. Additionally, Editas has exercised its option to co-develop and share equally in the profits and losses from EDIT-101 in the United States. Editas received an additional $25.0 million milestone, which was included as a component as R&D expense in the year ended December 31, 2018, as the FDA accepted the investigational new drug application for EDIT-101.

Assembly Biosciences, Inc.

On January 9, 2017, the Company entered into a licensing agreement with Assembly Biosciences, Inc. ("Assembly") for the worldwide rights to Assembly's microbiome gastrointestinal development programs. Under the terms of the agreement, the Company made an upfront payment to Assembly of $50.0 million for the exclusive, worldwide rights to develop and commercialize certain development compounds. Additionally, Assembly will be eligible to receive success-based development and commercial milestone payments plus royalties based on net sales. The Company and Assembly will generally share development costs through proof-of-concept ("POC") studies, and Allergan will assume all post-POC development costs. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing as well as the lack of certain other inputs and processes that the transaction did not qualify as a business. The total upfront payment of $50.0 million was included as a component of R&D

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Business Developments - continued

Licenses and Other Transactions Accounted for as Asset Acquisitions – continued

expense in the year ended December 31, 2017 and the future success based milestone payments of up to $2,771.0 million, including amounts for additional development programs not committed to as of December 31, 2017, will be recorded if the corresponding events become probable.

Lysosomal Therapeutics, Inc.

On January 9, 2017, the Company entered into a definitive agreement for the option to acquire Lysosomal Therapeutics, Inc. ("LTI"). LTI is focused on innovative small-molecule research and development in the field of neurodegeneration, yielding new treatment options for patients with severe neurological diseases. Under the agreement, Allergan acquired an option right directly from LTI shareholders to acquire LTI for $150.0 million plus future milestone payments following completion of a Phase Ib trial for LTI-291 as well as an upfront research and development payment. The Company concluded based on the stage of development of the assets, the lack of acquired employees and manufacturing, as well as the lack of certain other inputs and processes, that the transaction did not qualify as a business. The aggregate upfront payment of $145.0 million was recorded as a component of R&D expense in the year ended December 31, 2017. The Company did not exercise its option and on January 2, 2019, the option agreement with LTI was terminated.

Other Transactions

Saint Regis Mohawk Tribe

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

5 Collaborations

The Company has ongoing transactions with other entities through collaboration agreements. The following represent the material collaboration agreements impacting the years ended December 31, 2018 and 2017.

Ironwood Collaboration

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5 Collaborations - continued

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

Based on the nature of the arrangement (including its contractual terms), the nature of the payments and applicable guidance, the Company records receipts from and payments to Ironwood in two pools: the "Development pool" which consists of R&D expenses, and the "Commercialization pool," which consists of revenue, cost of sales and other operating expenses. The net payment to or receipt from Ironwood for the Development pool is recorded in R&D expense and the net payment to or receipt from Ironwood for the Commercialization pool is recorded in cost of goods sold. In the year ended December 31, 2018, the Company recorded a $29.9 million Linzess® profit share true-up in cost of sales.

Amgen Collaboration

In December 2011, we entered into a collaboration agreement with Amgen Inc. ("Amgen") to develop and commercialize, on a worldwide basis, biosimilar versions of Herceptin®, Avastin®, Rituxan/Mab Thera®, and Erbitux® (the "Amgen Collaboration Agreement"). Amgen has assumed primary responsibility for developing, manufacturing and initially commercializing the oncology antibody products.

In addition, we will contribute our significant expertise in the commercialization and marketing of products in highly competitive specialty markets, including helping effectively manage the lifecycle of the biosimilar products. The collaboration products are expected to be sold under a joint Amgen/Allergan label. We will initially receive royalties and sales milestones from product revenues. The collaboration will not pursue biosimilars of Amgen's proprietary products. In the year ended December 31, 2017, the FDA approved MVASI ™, a biosimilar of Avastin, for the treatment of five types of cancer. As a result of the approval, the Company can achieve certain commercial and sales based milestones and receive royalties based on the net sales of the product. In the year ended December 31, 2018, the Company recorded $25.0 million in milestone revenue as a result of the anticipated product launch of MVASI™ during the 2019 fiscal year. Additionally, in the year ended December 31, 2018, the European Commission granted marketing authorization for MVASI ™ and KANJINTI™, both biosimilars of Herceptin.

6 Discontinued Operations

Global Generics Business

On July 27, 2015, the Company announced that it entered into the Teva Transaction, which closed on August 2, 2016. On October 3, 2016, the Company completed the divestiture of the Anda Distribution business to Teva for $500.0 million.

In October 2016, pursuant to our agreement with Teva, Teva provided the Company with its proposed estimated adjustment to the closing date working capital balance. The Company disagreed with Teva's proposed adjustment, and, pursuant to our agreement with Teva, each of the Company's and Teva's proposed adjustments were submitted to arbitration ("Working Capital Arbitration") to determine the working capital amount in accordance with GAAP as applied by the Company consistent with past practice. On January 31, 2018, Allergan plc and Teva entered into a Settlement Agreement and Mutual Releases (the "Agreement"). The Agreement provides that the Company will make a one-time payment of $700.0 million to Teva which was paid in the year ended December 31, 2018; the Company and Teva will jointly dismiss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6 Discontinued Operations - continued

their working capital dispute arbitration, and the Company and Teva will release all actual or potential claims under the Master Purchase Agreement, dated July 26, 2015, by and between the Company and Teva, for breach of any representation, warranty, or covenant (other than any breach of a post-closing covenant not known as of the date of the Agreement). The Company recorded a pre-tax charge of $466.0 million as a component of other (expense) / income, net from discontinued operations relating to the settlement in the year ended December 31, 2017.

The fair value of Teva Shares owned were recorded within "Marketable securities" on the Company's Consolidated Balance Sheet.

Teva Share Activity

During the year ended December 31, 2018, the Company recorded the following movements in its investment in Teva securities ("Teva Share Activity") ($ in millions except per share information):

	Shares	Carrying Value per Share	Market Price	Proceeds Received	Value of Marketable Securities	Unrealized Gain / (Loss) as a Component of Other Comprehensive Income	Gain / (Loss) Recognized in Other Income/ (Expense), Net	Derivative Instrument (Liability)/ Asset	Retained Earnings
	Number	$	$	$	$	$	$	$	$
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[1]	(25.0)	18.95	16.53[2]	413.3	(473.8)	-	2.5	62.9	-
Settlement of forward sale entered into during the three months ended March 31, 2018, net[3]	(25.0)	17.09	18.61[4]	465.5	(427.3)	-	38.2	-	-
Open market sales during the twelve months ended December 31, 2018	(45.9)	n.a.[5]	20.41	936.7	(916.6)	-	20.2	-	-
Teva securities as of and for the twelve months ended December 31, 2018	**-**	**-**	**-**	**1,815.5**	**-**	**-**	**60.9**	**-**	**129.3**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6 Discontinued Operations - continued

(2) 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.

(3) On February 13, 2018, the Company entered into additional forward sale transactions under which we sold approximately 25.0 million Teva shares. The value of the shares were based on the volume weighted average price of Teva shares plus a premium and settled during the year ended December 31, 2018. As a result of the transaction, the Company received 80% of the proceeds, or approximately $372.0 million on February 13, 2018. The forward sale was settled on May 7, 2018 for total proceeds of $465.5 million.

(4) 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.

(5) Average carrying value per share was $19.97.

During the year ended December 31, 2017, the Company recorded the following movements in its investment in Teva securities ($ in millions except per share information):

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6 Discontinued Operations - continued

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

	For the Year Ended December 31,
	2017
	$
Net revenues	**-**
Cost of sales	-
Gross profit	**-**
Selling, general and administrative expenses	(20.0)
Research and development	-
Other (expense)	(470.4)
(Loss) before taxes	**(490.4)**
(Benefit) for income taxes	87.5
(Loss)	**(402.9)**

7 Share-Based Compensation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7 Share-Based Compensation - continued

Fair Value Assumptions

All restricted stock and restricted stock units (whether time-based 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 Grants	2017 Grants
Dividend yield	1.5%	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, including discontinued operations, for the years ended December 31, 2018 and 2017 was as follows ($ in millions):

	Years Ended December 31,	
	2018	2017
	$	$
Equity-based compensation awards	239.8	293.3
Cash-settled awards in connection with the Zeltiq Acquisition	-	31.5
Non-equity settled awards other	-	(16.8)
Total share-based compensation expense	239.8	308.0

In the years ended December 31, 2018 and 2017, the related tax benefits were $53.5 million and $105.0 million, respectively, relating to share-based compensation.

In the year ended December 31, 2017, the income in non-equity settled awards other was due to an actuarial reversal of $16.8 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7 Share-Based Compensation - continued

Included in the share-based compensation awards for the years ended December 31, 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") ($ in millions):

	Years Ended December 31,	
	2018	2017
	$	$
Zeltiq Acquisition	10.1	47.8
Allergan Acquisition	8.3	47.1
Forest Acquisition	-	10.1
Total	18.4	105.0

Unrecognized future share-based compensation expense was $312.4 million as of December 31, 2018. This amount will be recognized as an expense over a remaining weighted average period of 1.3 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 December 31, 2018 (in millions, except per share data):

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Grant Date Fair Value
	Number	$	Number	$
Restricted shares / units outstanding at December 31, 2017	2.0	237.72	1.8	484.1
Granted	1.4	147.10		204.0
Vested	(0.6)	242.16		(152.5)
Forfeited	(0.3)	203.72		(62.7)
Restricted shares / units outstanding at December 31, 2018	**2.5**	**190.27**	**1.6**	**472.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7 Share-Based Compensation - continued

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 December 31, 2018 (in millions, except per share data):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
	Number	$	Number	$
Outstanding, vested and expected to vest at December 31, 2017	7.3	120.94	5.2	312.7
Granted	0.2	151.27		
Exercised	(1.0)	100.85		
Cancelled	(0.2)	244.13		
Outstanding, vested and expected to vest at December 31, 2018	**6.3**	**122.74**	**4.4**	**69.0**

The decrease in the aggregate intrinsic value of the options is primarily related to the decline in the Company's stock from $163.58 as of December 31, 2017 to $133.66 as of December 31, 2018.

8 Pension and Other Postretirement Benefit Plans

Defined Benefit Plan Obligations

The Company has numerous defined benefit plans offered to employees around the world. For these plans, retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances. As of December 31, 2018, all of the Company's plans were frozen for future enrollment.

The service and settlement costs captured as part of the net periodic (benefit) are recorded within selling, general & administrative expenses and the interest costs and expected return on plan assets are recorded within "other income / (expense), net". The net periodic (benefit) of the defined benefit plans for continuing operations for the years ended December 31, 2018 and 2017 was as follows ($ in millions):

	Years Ended December 31,	
	2018	2017
	$	$
Service cost	2.8	5.5
Interest cost	38.1	40.7
Expected return on plan assets	(63.8)	(54.5)
Settlement	(0.6)	(0.1)
Net periodic (benefit)	**(23.5)**	**(8.4)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

Obligations and Funded Status

Pension obligations are assessed in accordance with the advice of professionally qualified actuaries. The valuations below are as of December 31, 2018 and 2017.

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

	Years Ended December 31,	
	2018	2017
	$	$
Change in Plan Assets		
Fair value of plan assets at beginning of year	1,235.2	1,093.9
Employer contribution	14.8	15.2
(Loss) / gain on plan assets	(53.6)	117.2
Benefits paid	(41.1)	(36.0)
Settlements	(2.9)	(5.3)
Effects of exchange rate changes and other	(22.8)	50.2
Fair value of plan assets at end of year	**1,129.6**	**1,235.2**

	Years Ended December 31,	
	2018	2017
	$	$
Change in Benefit Obligation		
Benefit obligation at beginning of the year	1,330.0	1,234.1
Service cost	2.8	5.5
Interest cost	38.1	40.7
Actuarial (gain) / loss	(74.5)	36.9
Curtailments	-	(8.1)
Settlements and other	(2.9)	(5.3)
Benefits paid	(41.1)	(36.0)
Effects of exchange rate changes and other	(25.2)	62.2
Benefit obligation at end of year	**1,227.2**	**1,330.0**
Funded status at end of year	**(97.6)**	**(94.8)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

Plan Assets

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

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

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

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

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

The fair values of the Company's pension plan assets at December 31, 2018 by asset category are as follows ($ in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Assets				
Investment funds				
U.S. equities	20.6	-	-	20.6
International equities	205.3	-	-	205.3
Other equity securities	49.8	-	-	49.8
Equity securities	**275.7**	**-**	**-**	**275.7**
U.S. Treasury bonds	-	63.0	-	63.0
Bonds and bond funds	-	787.2	-	787.2
Debt securities	**-**	**850.2**	**-**	**850.2**
Other investments				
Other	-	3.7	-	3.7
Total assets	**275.7**	**853.9**	**-**	**1,129.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

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

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

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

	Target Allocation as of December 31,	
	2018	2017
Bonds	70.6%	68.8%
Equity securities	26.0%	31.2%
Other investments	3.4%	0.0%

Expected Contributions

Employer contributions to the pension plan during the year ending December 31, 2019 are expected to be $8.9 million for continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

Expected Benefit Payments

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

	Expected Benefit Payments
	$
2019	36.3
2020	38.7
2021	40.9
2022	43.2
2023	45.6
Thereafter	1,022.5
Total liability	**1,227.2**

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

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

	Defined Benefit as of December 31,	
	2018	2017
	$	$
Projected benefit obligations	1,227.2	1,330.0
Accumulated benefit obligations	1,223.5	1,324.7
Plan assets	1,129.6	1,235.2

Amounts Recognized in Other Comprehensive Income / (Loss)

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

	Defined Benefit
	$
Balance as of December 31, 2016	**24.4**
Net actuarial gain	33.8
Balance as of December 31, 2017	**58.2**
Net actuarial (loss)	(44.6)
Balance as of December 31, 2018	**13.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

Actuarial Assumptions

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

	As of December 31,	
	2018	2017
Discount rate	3.3%	2.9%
Salary growth rate	3.0%	3.0%

The weighted average assumptions used to calculate the net periodic benefit cost of the Company's defined benefit plans are as follows:

	As of December 31,	
	2018	2017
Discount rate	2.9%	3.3%
Expected rate of return on plan assets	5.2%	5.0%
Salary growth rate	3.0%	3.0%

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

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

Other Post-Employment Benefit Plans

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

	Accumulated Benefit Obligation
	$
Accumulated benefit obligation as of December 31, 2016	**52.7**
Interest cost	2.0
Actuarial charge	(5.0)
Benefits paid	(2.9)
Accumulated benefit obligation as of December 31, 2017	**46.8**
Interest cost	1.6
Actuarial charge	(2.6)
Benefits paid	(3.6)
Accumulated benefit obligation as of December 31, 2018	**42.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Pension and Other Postretirement Benefit Plans - continued

Savings Plans

The Company also maintains certain defined contribution savings plans covering substantially all U.S.-based employees. The Company contributes to the plans based upon the employee contributions. The Company's expense for contributions to these retirement plans for amounts included in continuing operations was $128.9 million and $89.1 million in the years ended December 31, 2018 and 2017, respectively.

9 Inventories

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

Inventories consisted of the following ($ in millions):

	December 31, 2018	December 31, 2017
	$	$
Raw materials	303.2	326.9
Work-in-process	145.7	158.1
Finished goods	520.2	527.8
	969.1	1,012.8
Less: inventory reserves	122.2	108.3
Total Inventories	**846.9**	**904.5**

10 Accounts payable, accrued expenses and other

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

	December 31, 2018	December 31, 2017
	$	$
Accrued expenses:		
Accrued payroll and related benefits	694.3	635.6
Accrued R&D expenditures	215.5	165.9
Interest payable	191.4	245.9
Royalties payable	155.1	189.2
Accrued pharmaceutical fees	145.3	186.4
Legal fees	27.0	23.3
Accrued selling and marketing expenditures	61.1	53.0
Accrued non-provision taxes	68.5	76.5
Dividends payable	1.4	24.6
Other accrued expenses	363.8	482.5
Total accrued expenses	1,923.4	2,082.9
Accounts payable	349.8	324.5
Total accounts payable and accrued expenses	**2,273.2**	**2,407.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

10 Accounts payable, accrued expenses and other - continued

Creditors for tax and social welfare at the balance sheet dates amounted to ($ in millions):

	December 31, 2018	December 31, 2017
	$	$
Income taxes payable	72.4	74.9
Accrued other taxes	37.5	36.7
Social welfare taxes	15.8	4.2
Total	**125.7**	**115.8**

Contractual commitments consisted of the following for the year ended December 31, 2018 ($ in millions):

Balance as of December 31, 2017	Net Additions	Payments	Balance as of December 31, 2018
$	$	$	$
705.4	-	(701.1)	4.3

11 Property, plant and equipment

Property, plant and equipment consisted of the following as of December 31, 2018 and 2017 ($ in millions):

	Machinery and Equipment	Research and Laboratory Equipment	Transportation/ Other	Land, Buildings and Leasehold Improvements	Construction in Progress	Total
	$	$	$	$	$	$
Cost Basis						
At December 31, 2017	**545.3**	**59.0**	**475.3**	**814.9**	**507.0**	**2,401.5**
Additions	9.9	5.0	35.8	60.4	142.4	253.5
Disposals/transfers/other	44.9	6.4	25.8	45.2	(180.0)	(57.7)
Currency translation	(9.7)	(3.0)	(7.3)	(9.4)	(2.7)	(32.1)
At December 31, 2018	**590.4**	**67.4**	**529.6**	**911.1**	**466.7**	**2,565.2**
Accumulated Depreciation						
At December 31, 2017	**219.3**	**38.5**	**232.4**	**125.9**	**-**	**616.1**
Additions	70.9	9.2	71.1	45.1	-	196.3
Disposals/transfers/ impairments/other	(1.5)	-	(6.7)	(13.5)	-	(21.7)
Currency translation	(4.5)	(1.4)	(5.4)	(1.2)	-	(12.5)
At December 31, 2018	**284.2**	**46.3**	**291.4**	**156.3**	**-**	**778.2**
Property, plant and equipment						
At December 31, 2018	**306.2**	**21.1**	**238.2**	**754.8**	**466.7**	**1,787.0**

Depreciation expense for continuing operations was $196.3 million and $171.5 million in the years ended December 31, 2018 and 2017, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12 Other assets

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

	December 31, 2018	December 31, 2017
	$	$
Prepaid taxes	403.8	690.9
Royalty receivables	67.7	80.1
Sales and marketing	41.8	31.9
Prepaid insurance	16.7	20.9
Other	289.1	300.1
Total prepaid expenses and other current assets	**819.1**	**1,123.9**

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

	December 31, 2018	December 31, 2017
	$	$
Taxes receivable	1,674.8	32.1
Deferred executive compensation investments	90.8	112.4
Contingent income	75.3	-
Other assets	56.1	30.0
Total other assets	**1,897.0**	**174.5**

Investments

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

	December 31, 2018	December 31, 2017
	$	$
Investments – marketable securities:		
Short-term investments	1,026.9	2,814.4
Teva shares	-	1,817.7
Total investments – marketable securities	1,026.9	4,632.1
Investments and other assets:		
Equity method investments	8.4	11.5
Other long-term investments	37.6	60.8
Total investments	46.0	72.3

The Company's marketable securities and other long-term investments 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 $1.7 billion of taxes receivable primarily relates to a current tax benefit and reclassification of certain deferred tax assets to non-current taxes receivable for U.S. capital losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12 Other assets - continued

Other assets include security and equipment deposits and long-term receivables.

13 Goodwill, Product Rights and Other Intangible Assets

Goodwill

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

	US Specialized Therapeutics	US General Medicine	International	Total
	$	$	$	$
Balance as of December 31, 2017	**20,859.6**	**21,399.7**	**7,603.6**	**49,862.9**
Divested	(184.0)	-	-	(184.0)
Impairments	-	(2,841.1)	-	(2,841.1)
Held for sale		(622.0)		(622.0)
Foreign exchange and other adjustments	-	-	(302.5)	(302.5)
Balance as of December 31, 2018	**20,675.6**	**17,936.6**	**7,301.1**	**45,913.3**

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 increased versus the prior year annual testing 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 performance by management.

Of the Reporting Units tested in the second quarter, 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, were 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 were 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.

Fourth Quarter 2018 Testing

In the three months ended December 31, 2018 and subsequent to the Company's annual impairment test, the Company identified several impairment indicators which led to the fourth quarter assessment of its General Medicine Reporting Unit for impairment. The Company noted the following:

- At December 31, 2018, the Company determined that the Anti-Infectives business met the held for sale criteria. Based on this determination, the Company compared the anticipated sales price of the business with internal estimates of discounted future cash flows, noting a decline in the fair value of the group of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

- Other commercial factors which included a decline in projected cash flows of its Women's Health business, in part, due to the failure to receive FDA approval for a late stage product candidate.
- An increase in the cost of the capital since the Company's second quarter annual impairment test. The Company's weighted average cost of capital for the General Medicine Reporting Unit increased to 9.5% due to increased interest rates and other market dynamics.

As a result of the evaluation, the Company tested General Medicine's goodwill for impairment and recorded a $2,841.1 million goodwill impairment charge to its General Medicine Reporting Unit.

No impairment indicators were noted for the Company's other Reporting Units subsequent to the annual impairment test. The fair value of its General Medicine, US Eye Care and the Company's other Reporting Units are, in part, comprised of anticipated product launches in the next three years. Negative events regarding these pipeline assets including, but not limited to, Abicipar, Atogepant, Bimatoprost SR, Cariprazine, Rapastinel, and Ubrogepant, as well as other next generation aesthetic products could lead to further goodwill impairment charges. Allergan's General Medicine Reporting Unit's asset value equals fair value as of December 31, 2018, while its US Eye Care Reporting Unit has headroom of less than 10%.

As of December 31, 2018 and 2017, the gross balance of goodwill, prior to the consideration of impairments, was $48,771.7 million and $49,880.2 million, respectively.

Product Rights and Other Intangible Assets

Product rights and other intangible assets consisted of the following for the year ended December 31, 2018 ($ in millions):

Cost Basis	Balance as of December 31, 2017	Additions	Impairments	Divested / Held for Sale	Foreign Currency Translation	Balance as of December 31, 2018
	$	$	$	$	$	$
Intangibles with definite lives:						
Product rights and other intangibles	73,892.5	49.0	-	(3,391.0)	(315.4)	**70,235.1**
Trade name	690.0	-	-	-	-	**690.0**
Total definite lived intangible assets	74,582.5	49.0	-	(3,391.0)	(315.4)	**70,925.1**
Intangibles with indefinite lives:						
IPR&D	5,874.1	-	(798.0)	(28.0)	-	**5,048.1**
Total indefinite lived intangible assets	5,874.1	-	(798.0)	(28.0)	-	**5,048.1**
Total product rights and other intangibles	80,456.6	49.0	(798.0)	(3,419.0)	(315.4)	**75,973.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

Accumulated Amortization	Balance as of December 31, 2017	Amortization	Impairments	Divested / Held for Sale	Foreign Currency Translation	Balance as of December 31, 2018
	$	$	$	$	$	$
Intangibles with definite lives:						
Product rights and other intangibles	(25,593.6)	(6,474.2)	(2,239.9)	2,233.4	89.3	**(31,985.0)**
Trade name	(214.7)	(78.1)	-	-	-	**(292.8)**
Total definite lived intangible assets	(25,808.3)	(6,552.3)	(2,239.9)	2,233.4	89.3	**(32,277.8)**
Total product rights and other intangibles	(25,808.3)	(6,552.3)	(2,239.9)	2,233.4	89.3	**(32,277.8)**
Net Product Rights and Other Intangibles	54,648.3					**43,695.4**

In the year ended December 31, 2018, the Company determined that the Anti-Infectives business was deemed held for sale. Based on the anticipated future cash flows, the Company impaired certain Anti-Infective CMP by $149.7 million. The remaining amount of net product rights and other intangibles which met the held for sale criteria is $849.4 million.

Non-Annual Testing

In addition to the Company's annual impairment test performed in the second quarter, the Company noted the following impairments based on triggering events during the year ended December 31, 2018:

- In the fourth quarter of 2018, the Company impaired the intangible assets associated with Kybella by $1,643.8 million in "Asset sales and impairments, net" as a result of a decrease in the future sales forecasts based on current performance, in part due to risks relating to supply of the product and the corresponding impact on demand;
- In the fourth quarter of 2018, the Company impaired the intangible assets associated with True Tear® by $187.6 million in "Asset sales and impairments, net" as a result of lower sales forecasts based on the Company's current marketing plans and initial results of product launch;
- In the year ended December 31, 2018, the Company divested net product rights and other intangibles of $205.4 million in "Asset sales and impairments, net" and $130.5 million (after intangible asset impairment of $252.0 million) as part of the divestitures of the Medical Dermatology business to Almirall, S.A. and the divestiture of Rhofade® to Aclaris Therapeutics, Inc, respectively; and
- In the first quarter of 2018, the Company recorded a $522.0 million impairment as a result of negative clinical data related to the oral psoriasis indication received in March 2018 for its RORyt IPR&D project obtained as part of the acquisition of Vitae Pharmaceuticals, Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

Annual Testing

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:

- a $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;
- a $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.;
- a $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;
- a $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;
- a $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
- a $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.

Product rights and other intangible assets consisted of the following for the year ended December 31, 2017 ($ in millions):

Cost Basis	Balance as of December 31, 2016	Additions	Impairments	IPR&D to CMP Transfers	Divested / Held for Sale / Other	Foreign Currency Translation	Balance as of December 31, 2017
	$	$	$	$	$	$	$
Intangibles with definite lives:							
Product rights and other intangibles	67,801.4	3,876.9	-	1,444.0	(34.0)	804.2	**73,892.5**
Trade name	690.0	-	-	-	-	-	**690.0**
Total definite lived intangible assets	68,491.4	3,876.9	-	1,444.0	(34.0)	804.2	**74,582.5**
Intangibles with indefinite lives:							
IPR&D	8,758.3	10.0	(1,452.3)	(1,444.0)	(6.6)	8.7	**5,874.1**
Total indefinite lived intangible assets	8,758.3	10.0	(1,452.3)	(1,444.0)	(6.6)	8.7	**5,874.1**
Total product rights and other intangibles	77,249.7	3,886.9	(1,452.3)	-	(40.6)	812.9	**80,456.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

Accumulated Amortization	Balance as of December 31, 2016	Amortization	Impairments	Divested / Held for Sale / Other	Foreign Currency Translation	Balance as of December 31, 2017
	$	$	$	$	$	$
Intangibles with definite lives:						
Product rights and other intangibles	(14,493.9)	(7,119.6)	(3,879.1)	24.8	(125.8)	**(25,593.6)**
Trade name	(137.2)	(77.5)	-	-	-	**(214.7)**
Total definite lived intangible assets	(14,631.1)	(7,197.1)	(3,879.1)	24.8	(125.8)	**(25,808.3)**
Total product rights and other intangibles	(14,631.1)	(7,197.1)	(3,879.1)	24.8	(125.8)	**(25,808.3)**
Net Product Rights and Other Intangibles	62,618.6					**54,648.3**

Annual Testing

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

- a $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;
- a $91.3 million impairment of a women's healthcare project based on the Company's intention to divest a non-strategic asset;
- a $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;
- a $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
- a $20.0 million ($209.0 million year to date) impairment of an eye care project obtained as part of the Allergan Acquisition due to an anticipated delay in launch.

Non Annual Testing

In addition to the Company's annual IPR&D impairment test, the Company noted the following impairments based on triggering events during the year ended December 31, 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. 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 $170.0 million related to other Dry Eye IPR&D assets obtained in the Allergan Acquisition;
- The Company impaired the intangible asset related to Aczone® by $646.0 million as a result of market dynamics, including erosion in the brand acne market, an anticipated decline in the market outlook, and generic entrants;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Goodwill, Product Rights and Other Intangible Assets - continued

- The Company impaired an IPR&D medical aesthetics project obtained as part of the Allergan Acquisition by $29.0 million; 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.

Other

The following items also had a significant impact on net product rights and other intangibles in the year ended December 31, 2017:

- The Company acquired $2,020.0 million of intangible assets in connection with the LifeCell Acquisition;
- The Company acquired $1,185.0 million of intangible assets in connection with the Zeltiq Acquisition;
- The Company reacquired rights on select licensed products promoted in the Company's US General Medicine segment in an aggregate value of $574.0 million. As part of the rights reacquired, the Company is no longer obligated to pay royalties on the specific products, which increases the Company's segment gross margin percentage;
- The Company reclassified certain intangible assets from IPR&D to CMP primarily related to Juvederm®, Rhofade®, Botox® for forehead lines and TrueTear™ upon approval of the products.

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 December 31, 2018 over each of the next five years is estimated to be as follows ($ in millions):

	Amortization Expense
	$
2019	5,585.0
2020	5,356.4
2021	4,429.3
2022	4,079.9
2023	3,668.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Capital Leases

Debt consisted of the following ($ in millions):

	Guarantor	Issuance Date / Acquisition Date	Interest Payments	Balance As of December 31, 2018	Balance As of December 31, 2017	Fair Market Value As of December 31, 2018	Fair Market Value As of December 31, 2017
				$	$	$	$
Senior Notes:							
Floating Rate Notes							
$500.0 million floating rate notes due March 12, 2018 (1)	(5)	March 4, 2015	Quarterly	-	500.0	-	500.6
$500.0 million floating rate notes due March 12, 2020 (2)	(5)	March 4, 2015	Quarterly	500.0	500.0	501.9	508.1
				500.0	1,000.0	501.9	1,008.7
Fixed Rate Notes							
$3,000.0 million 2.350% notes due March 12, 2018	(5)	March 4, 2015	Semi-annually	-	3,000.0	-	3,001.9
$250.0 million 1.350% notes due March 15, 2018	(6)	March 17, 2015	Semi-annually	-	250.0	-	249.7
$500.0 million 2.450% notes due June 15, 2019	(5)	June 10, 2014	Semi-annually	-	500.0	-	499.7
$3,500.0 million 3.000% notes due March 12, 2020	(5)	March 4, 2015	Semi-annually	2,706.7	3,500.0	2,694.8	3,528.4
$650.0 million 3.375% notes due September 15, 2020	(6)	March 17, 2015	Semi-annually	650.0	650.0	648.7	661.3
$750.0 million 4.875% notes due February 15, 2021	(7)	July 1, 2014	Semi-annually	450.0	450.0	459.4	474.3
$1,200.0 million 5.000% notes due December 15, 2021	(7)	July 1, 2014	Semi-annually	1,200.0	1,200.0	1,234.8	1,282.6
$3,000.0 million 3.450% notes due March 15, 2022	(5)	March 4, 2015	Semi-annually	2,940.5	3,000.0	2,891.0	3,044.5
$1,700.0 million 3.250% notes due October 1, 2022	(6)	October 2, 2012	Semi-annually	1,700.0	1,700.0	1,652.2	1,703.0
$350.0 million 2.800% notes due March 15, 2023	(6)	March 17, 2015	Semi-annually	350.0	350.0	332.8	341.6
$1,200.0 million 3.850% notes due June 15, 2024	(5)	June 10, 2014	Semi-annually	1,036.7	1,200.0	1,021.0	1,232.3
$4,000.0 million 3.800% notes due March 15, 2025	(5)	March 4, 2015	Semi-annually	3,027.5	4,000.0	2,956.0	4,067.1
$2,500.0 million 4.550% notes due March 15, 2035	(5)	March 4, 2015	Semi-annually	1,789.0	2,500.0	1,690.7	2,631.9
$1,000.0 million 4.625% notes due October 1, 2042	(6)	October 2, 2012	Semi-annually	456.7	456.7	412.4	471.2
$1,500.0 million 4.850% notes due June 15, 2044	(5)	June 10, 2014	Semi-annually	1,079.4	1,500.0	1,019.1	1,606.2
$2,500.0 million 4.750% notes due March 15, 2045	(5)	March 4, 2015	Semi-annually	881.0	1,200.0	836.6	1,277.3
				18,267.5	25,456.7	17,849.5	26,073.0
Euro Denominated Notes							
€700.0 million floating rate notes due June 1, 2019 (3)	(5)	May 26, 2017	Quarterly	802.7	840.4	794.9	837.2
€700.0 million floating rate notes due November 15, 2020 (4)	(5)	November 15, 2018	Quarterly	802.7	-	791.3	-
€750.0 million 0.500% notes due June 1, 2021	(5)	May 26, 2017	Annually	860.0	900.4	849.7	895.8
€500.0 million 1.500% notes due November 15, 2023	(5)	November 15, 2018	Annually	573.4	-	572.4	-
€700.0 million 1.250% notes due June 1, 2024	(5)	May 26, 2017	Annually	802.7	840.4	775.5	831.1
€500.0 million 2.625% notes due November 15, 2028	(5)	November 15, 2018	Annually	573.4	-	573.4	-
€550.0 million 2.125% notes due June 1, 2029	(5)	May 26, 2017	Annually	630.7	660.3	594.7	657.8
				5,045.6	3,241.5	4,951.9	3,221.9
Total Senior Notes Gross				**23,813.1**	**29,698.2**	**23,303.3**	**30,303.6**
Unamortized premium				64.3	88.9	-	-
Unamortized discount				(64.5)	(81.7)	-	-
Total Senior Notes Net				**23,812.9**	**29,705.4**	**23,303.3**	**30,303.6**
Other Indebtedness							
Debt Issuance Costs				(92.1)	(121.5)		
Margin Loan				—	459.0		
Other				69.3	29.7		
Total Other Borrowings				**(22.8)**	**367.2**		
Capital Leases				**7.6**	**2.7**		
Total Indebtedness				**23,797.7**	**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

(4) Interest on the 2020 floating rate notes is the three month EURIBOR plus 0.350% per annum

(5) Guaranteed by Warner Chilcott Limited, Allergan Capital S.à r.l. and Allergan Finance, LLC

(6) Guaranteed by Allergan plc and Warner Chilcott Limited

(7) Guaranteed by Allergan plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Capital Leases - continued

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

The following represents the significant activity during the year ended December 31, 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 $3,939.1 million of senior notes at face value for a total of $3,893.5 million from open market redemptions. As a result of the debt extinguishment, the Company recognized a net gain of $15.6 million within "other income / (expense), net" for the discount received upon repurchase of $45.6 million, offset by the non-cash write-off of premiums and debt fees related to the repaid notes of $30.0 million;
- The Company borrowed €1,700.0 million of senior notes;
- 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.

The following represents the significant activity during the year ended December 31, 2017 to the Company's total indebtedness:

- The Company repurchased and retired $2,843.3 million of senior notes at face value for a total of $3,013.8 million as a result of a tender offer. As a result of the tender offer, the Company recognized a net loss of $161.6 million within "other income / (expense), net" for the premium paid upon repurchase of $170.5 million, offset by the non-cash write-off of premiums and debt fees related to the repaid notes of $8.9 million;
- The Company borrowed €2,700.0 million of senior notes;
- The Company repaid scheduled maturities on senior notes of $2,700.0 million;
- The Company repurchased and retired $750.0 million of senior notes at face value for a total of $785.1 million as a result of an early tender payment. As a result of the early tender payment, the Company recognized a net loss of $27.6 million within "other income / expense, net" for the premium paid upon repurchase of $35.1 million, offset by the non-cash write-off of premiums and debt fees related to the repaid notes of $7.5 million; and
- The Company borrowed $525.0 million of indebtedness under the Company's margin loan and subsequently repaid $66.0 million.

Revolving Credit Facility

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Capital Leases - continued

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

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

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

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

The Company was subject to, and as of December 31, 2018, was in compliance with all financial covenants under the terms of the Revolver Agreement. At December 31, 2018, there were $32.0 million of outstanding borrowings or letters of credit outstanding under the Revolver Agreement.

Annual Debt Maturities

As of December 31, 2018, annual debt maturities of senior notes gross were as follows ($ in millions):

	Total Payments
	$
2019	802.7
2020	4,659.4
2021	2,510.0
2022	4,640.5
2023	923.4
2024 and after	10,277.1
Total senior notes gross	**23,813.1**

Amounts represent total anticipated cash payments assuming scheduled repayments. Total interest expense in the years ended December 31, 2018 and 2017 was $895.6 million and $1,284.8 million, respectively. Interest on indebtedness which had a maturity in excess of five years from December 31, 2018 was approximately $467.0 million ($58.1 million relating to the 2024 notes, $139.4 million relating to the 2025 notes, $2.0 million relating to the 2028 notes, $15.3 million relating to the 2029 notes, $107.4 million relating to the 2035 notes, $21.5 million relating to the 2042 notes, $69.3 million relating to the 2044 notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Capital Leases - continued

and $54.0 million relating to the 2045 notes). Interest on indebtedness which had a maturity in excess of five years from December 31, 2017 was approximately $527.2 million ($12.0 million relating to the 2023 notes, $54.2 million relating to the 2024 notes, $156.2 million relating to the 2025 notes, $115.4 million relating to the 2035 notes, $32.0 million relating to the 2042 notes, $73.8 million relating to the 2044 notes and $83.6 million relating to the 2045 notes).

During the years ended December 31, 2018 and 2017, the following components were included within interest expense ($ in millions):

	Years Ended December 31,	
	2018	**2017**
	$	**$**
Fixed Rate Notes	827.2	1,030.5
Euro Denominated Notes	37.5	19.8
Floating Rate Notes	20.8	25.9
Debt extinguishment costs as part of the debt tender offer	-	161.6
Debt extinguishment other	(15.6)	27.6
Other	25.7	19.4
Interest expense and similar items	**895.6**	**1,284.8**

Interest Expense on Indebtedness

Interest expense in the year ended December 31, 2018 decreased versus the year ended December 31, 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 year ended December 31, 2018 versus the year ended December 31, 2017.

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

Debt Extinguishment Other

During the year ended December 31, 2018, the Company repurchased $3,939.1 million of senior notes in the open market. As a result of the debt extinguishment, the Company recognized a net gain of $15.6 million within “other income / (expense), net” for the discount received upon repurchase of $45.6 million, offset by the non-cash write-off of premiums and debt fees related to the repaid notes of $30.0 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Capital Leases - continued

During the year ended December 31, 2018, the Company redeemed and retired the following senior notes ($ in millions):

	Year Ended December 31, 2018		
Tranche	**Face Value Retired**	**Cash Paid for Retirement**	**Remaining Value at December 31, 2018**
	$	**$**	**$**
2.450% due 2019	500.0	500.0	-
3.000% due 2020	793.2	791.3	2,706.7
3.450% due 2022	59.5	58.6	2,940.5
3.850% due 2024	163.3	160.9	1,036.7
3.800% due 2025	972.5	963.8	3,027.5
4.550% due 2035	711.0	696.9	1,789.0
4.850% due 2044	420.6	413.5	1,079.4
4.750% due 2045	319.0	308.5	881.0
Total	**3,939.1**	**3,893.5**	**13,460.8**

Subsequent to December 31, 2018, the Company has purchased $96.2 million of indebtedness through March 20, 2019.

In the year ended December 31, 2017, the Company repaid $750.0 million of senior notes due in the year ending December 31, 2019. As a result of the extinguishment, the Company recognized a loss of $27.6 million, within “Other (expense) / income” for the early payment and non-cash write-off of premiums and debt fees related to the repaid notes, including $35.1 million of a make-whole premium.

Lease Commitments

The Company has operating leases for certain facilities, vehicles and equipment. The terms of the operating leases for the Company’s facility leases may require the Company to pay property taxes, normal maintenance expense and maintain minimum insurance coverage. Total property rental expense for operating leases for the years ended December 31, 2018 and 2017 was $63.2 million and $72.0 million, respectively. Total fleet rental expense for operating leases for the years ended December 31, 2018 and 2017 was $41.1 million and $40.5 million, respectively. The Company also has deminimis capital leases for certain facilities and equipment. The future anticipated property lease rental payments under both capital and operating leases that have remaining terms in excess of one year are ($ in millions):

	Total Payments
	$
2019	62.5
2020	52.5
2021	47.9
2022	43.3
2023	39.0
Thereafter	173.8
Total minimum lease payments	**419.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14 Long-Term Debt and Capital Leases - continued

The Company has entered into certain sub-lease agreements which will offset future lease commitments.

15 Other Long-Term Liabilities

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

	December 31, 2018	December 31, 2017
	$	$
Legacy Allergan deferred executive compensation	90.8	113.8
Accrued R&D milestone	75.0	-
Long-term contractual obligations	43.2	45.2
Deferred revenue	36.1	37.9
Other long-term liabilities	92.0	24.8
Total other long-term liabilities	**337.1**	**221.7**

The Company has the following select provisions as of December 31, 2018 and 2017 considered long-term in nature ($ in millions):

	December 31, 2018	December 31, 2017
	$	$
Acquisition related contingent consideration liabilities	336.3	420.7
Long-term pension and post retirement liability	166.5	162.7
Long-term severance and restructuring liabilities	14.2	53.1
Product warranties	27.9	28.7
Total	**544.9**	**665.2**

16 Income Taxes

On December 22, 2017, the TCJA, was enacted into law, which made significant changes to the Internal Revenue Code and impacted the U.S. taxation of our domestic and international operations. The estimated income tax effects of the TCJA on the Company's financial statements were initially recorded on a provisional basis at December 31, 2017, pursuant to the guidance in Staff Accounting Bulletin ("SAB") 118. The guidance provided for a measurement period for up to one year from the enactment date of the TCJA for which adjustments to provisional amounts may be recorded as a component of tax expense or benefit. As of the end of the measurement period, December 22, 2018, the Company has completed its accounting for the tax effects of the TCJA based on several factors including relevant legislative updates issued since the date of enactment, the filing of the Company's 2017 U.S. federal income tax return and the finalization of the Company's financial results as of December 31, 2018. As a result, during the year ended December 31, 2018, the Company recorded a net $14.3 million income tax benefit as an adjustment to the provisional amounts recorded as of December 31, 2017. Additionally, the Company has elected to treat GILTI as a period cost when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

For the years ended December 31, 2018 and 2017, losses before income taxes consisted of the following ($ in millions):

	Years Ended December 31,	
	2018	2017
	$	$
Irish	(4,285.8)	(1,139.0)
Non-Irish	(2,571.1)	(9,247.4)
Total (loss) / income before taxes	**(6,856.9)**	**(10,386.4)**

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

	Years Ended December 31,	
	2018	2017
	$	$
Current (benefit) / provision:		
U.S. federal	(1,024.5)	763.1
U.S. state	34.2	(54.8)
Non-U.S.	481.6	410.0
Total current (benefit) / provision	(508.7)	1,118.3
Deferred (benefit) / provision:		
U.S. federal	(569.9)	(6,911.9)
U.S. state	(80.6)	(252.3)
Non-U.S.	(611.5)	(624.5)
Total deferred (benefit) / provision	(1,262.0)	(7,788.7)
Total (benefit) / provision for income taxes	**(1,770.7)**	**(6,670.4)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

The reconciliations for the years ended December 31, 2018 and 2017 between the statutory Irish income tax rate for Allergan plc and the effective income tax rates were as follows:

	Allergan plc	
	Years Ended December 31,	
	2018	2017
Statutory rate	(12.5)%	(12.5)%
Earnings subject to U.S. taxes [1] [2]	(1.8)%	(17.4)%
Earnings subject to rates different than the statutory rate [1][2]	(3.4)%	2.1%
Impact of U.S. tax reform enactment [3]	(0.2)%	(27.2)%
Tax reserves and audit outcomes	2.6%	0.4%
Non-deductible expenses [4]	7.4%	0.2%
Impact of acquisitions and reorganizations [5]	(15.3)%	(9.3)%
Tax credits and U.S. special deductions	(0.9)%	(1.5)%
Rate changes [6]	2.2%	(1.2)%
Valuation allowances [7]	(3.7)%	2.2%
Other	(0.2)%	0.0%
Effective income tax rate	**(25.8)%**	**(64.2)%**

(1) The benefit to the 2018 effective tax rate was lower as compared to 2017 due to fewer losses in jurisdictions with tax rates higher than the Irish statutory rate, the reduction of the U.S. federal tax rate as a result of Tax Reform and the net impact of GILTI, which is being treated as a period cost in 2018 and was not included in 2017.

(2) In 2018, the Company recorded amortization expense of $6.6 billion and intangible impairment charges of $3.0 billion, resulting in a tax benefit of $277.5 million, as a portion of these amounts were incurred in jurisdictions with tax rates higher than the Irish statutory rate. Comparatively, in 2017, the Company recorded amortization expense of $7.2 billion and impairment charges of $8.7 billion, including Teva Share Activity, resulting in a net tax benefit of $1,262.2 million, favorably impacting the 2017 effective tax rate as compared to 2018.

(3) In 2017, as part of the enactment of the TCJA, the Company recorded a provisional net deferred tax benefit of $2.8 billion related to the change in tax rates applicable to our deferred tax liabilities, the net reversal of amounts previously accrued for taxes on unremitted earnings of certain non-U.S. subsidiaries and the tax on the deemed repatriation of the Deferred Foreign Earnings of certain non-U.S. subsidiaries (toll charge). Adjustments were recorded in 2018 at the close of the measurement period under SAB 118, but were not material.

(4) In 2018, the Company recorded goodwill impairments of $3.5 billion (including a portion allocated to assets held for sale) with no corresponding tax benefit, resulting in a tax detriment of $432.9 million to the 2018 effective tax rate.

(5) In 2018, the Company recorded a tax benefit of $1,047.8 million for deferred taxes related to the tax effects of integration and the recognition of outside basis differences. This resulted in a more favorable impact on the effective tax rate as compared to 2017.

(6) As a result of statutory and other tax rate changes applied to certain deferred tax assets and liabilities, the Company recorded a detriment of $148.0 million in the year ended December 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

(7) In 2018, the Company recorded a tax benefit of $254.0 million for the full release of a valuation allowance related to the Company's foreign tax credit and partial release related to non-U.S. net operating loss carryforwards.

Deferred tax assets and liabilities are measured based on the difference between the financial statement and tax basis of assets and liabilities at the applicable tax rates. The significant components of the Company's net deferred tax assets and liabilities consisted of the following (in millions):

	Years Ended December 31,	
	2018	2017
	$	$
Benefits from net operating and capital loss carryforwards	2,145.8	651.9
Benefits from tax credit and other carryforwards	377.6	363.3
Differences in financial statement and tax accounting for:		
Inventories, receivables and accruals	231.8	278.4
Basis differences in investments	56.1	1,088.7
Share-based and other compensation	295.5	315.4
Other	82.4	21.5
Total deferred tax asset, gross	3,189.2	2,719.2
Less: Valuation allowance	(1,637.9)	(403.8)
Total deferred tax asset, net	1,551.3	2,315.4
Differences in financial statement and tax accounting for:		
Property, equipment and intangible assets	(5,487.4)	(7,604.8)
Basis differences in investments	(499.9)	(731.4)
Other	(2.1)	(12.5)
Total deferred tax liabilities	(5,989.4)	(8,348.7)
Total deferred taxes	**(4,438.1)**	**(6,033.3)**

During the year ended December 31, 2018, the Company's net deferred tax liability decreased by $1,595.2 million. This was predominately the result of amortization and impairments related to our intangible assets partially offset by the realization of outside basis differences in investments. The valuation allowance increased because the Company no longer considers the likelihood of utilizing certain net operating losses to be remote. Accordingly, a deferred tax asset mostly offset by a valuation allowance was recorded at the applicable tax rate in the period ended December 31, 2018. The table above includes immaterial reclassifications to conform with current year disclosures.

The Company had the following carryforward tax attributes at December 31, 2018:

- $914.5 million of U.S. federal net operating losses ("NOL") and other tax attributes which begin to expire in 2019;
- $294.4 million of U.S. tax credits which begin to expire in 2019;
- $480.0 million of U.S. state NOLs which begin to expire in 2019;
- $4,797.6 million of non-U.S. NOLs which begin to expire in 2019 and $4,826.6 million of non-U.S. NOLs which are not subject to expiration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

U.S. net operating loss and tax credit carryforwards of $317.2 million and $213.0 million, respectively, are subject to an annual limitation under Internal Revenue Code Section 382.

During the year ended December 31, 2018, the Company recorded a net increase to the valuation allowance of $1,234.1 million primarily related to non-U.S. net operating loss carryforwards. As of December 31, 2018, a valuation allowance balance of $1,637.9 million is recorded due to the uncertainty of realizing tax credits ($6.1 million), net operating losses ($1,596.3 million), capital loss carryforwards ($35.2 million) and other deferred tax assets ($0.3 million).

At December 31, 2018, Allergan plc (the Irish parent) is permanently reinvested in approximately $11.0 billion of earnings of its non-Irish subsidiaries and therefore has not provided deferred income taxes on these undistributed earnings. The amounts are intended to be indefinitely reinvested in non-Irish operations and would not be subject to significant taxes if amounts were distributed to Allergan plc. The U.S. subsidiaries of Allergan plc are not permanently reinvested in the earnings of their non-U.S. subsidiaries as the provisions under current U.S. tax law will allow these earnings to be remitted to the U.S. without any significant tax cost. The Company recorded a $53.6 million deferred tax liability for the estimated cost to repatriate the accumulated earnings of these non-U.S. subsidiaries to their U.S. shareholders as of December 31, 2018.

The deferred tax provisions movement for the years ended December 31, 2018 and 2017 is analyzed as follows ($ in millions):

	$
Balance December 31, 2017	**(6,352.4)**
Provisions	1,035.3
Other	(184.7)
Balance December 31, 2018	**(5,501.8)**

Accounting for Uncertainty in Income Taxes

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	Years Ended December 31,	
	2018	2017
	$	$
Balance at the beginning of the year	850.3	811.2
Increases for current year tax positions	164.3	10.1
Increases for prior year tax positions	193.4	69.2
Increases due to acquisitions	-	19.8
Decreases for prior year tax positions	(5.0)	(38.7)
Settlements	(5.4)	(21.7)
Lapse of applicable statute of limitations	(5.9)	(2.9)
Foreign exchange	(4.9)	3.3
Balance at the end of the year	**1,186.8**	**850.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Income Taxes - continued

Accounting for Uncertainty in Income Taxes – continued

If these benefits were subsequently recognized, $998.0 million would favorably impact the Company's effective tax rate.

The Company's continuing policy is to recognize interest and penalties related to uncertain tax positions in tax expense. During the years ended December 31, 2018 and 2017, the company recognized approximately $42.3 million and $45.8 million in interest and penalties, respectively. At December 31, 2018 and 2017, the Company had accrued $155.2 million (net of tax benefit of $35.0 million) and $113.7 million (net of tax benefit of $25.9 million) of interest and penalties related to uncertain tax positions, respectively. Although the company cannot determine the impact with certainty based on specific factors, it is reasonably possible that the unrecognized tax benefits may change by up to approximately $90.0 million within the next twelve months due to the resolution of certain tax examinations.

The Company conducts business globally and, as a result, it files U.S. federal, state and foreign tax returns. The Company strives to resolve open matters with each tax authority at the examination level and could reach agreement with a tax authority at any time. While the Company has accrued for amounts it believes 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 Internal Revenue Service ("IRS") as set forth below:

IRS Audits	Taxable Years
Allergan W.C. Holding Inc. f/k/a Actavis W.C. Holding Inc.	2013, 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 3/17/2015

17 Equity

Share Repurchase Programs

On January 29, 2019, the Company announced that its Board of Directors approved a separate $2.0 billion share repurchase program.

On July 26, 2018, the Company's Board of Directors approved a $2.0 billion share repurchase program. As of December 31, 2018, the Company had repurchased 7.2 million shares for $1.2 billion under the program. Subsequent to December 31, 2018, the Company has repurchased 3.8 million shares for $571.6 million through March 20, 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17 Equity - continued

In September 2017, the Company's Board of Directors approved a $2.0 billion share repurchase program. As of December 31, 2017, the Company had repurchased $450.0 million, or 2.6 million shares under the program. The Company completed the share repurchase program in 2018, repurchasing $1.54 billion or 9.6 million shares.

The Company's Board of Directors approved a $10.0 billion accelerated share repurchase ("ASR") program, which was initiated in November 2016 and completed in 2017. Under the ASR, the Company repurchased 4.2 million ordinary shares in the year ended December 31, 2017.

Quarterly Dividend

During the year ended December 31, 2018 the Company paid a quarterly cash dividend of $0.72 per share for holders of the Company's ordinary shares in March, June, September and December of 2018. The total amount paid in the year ended December 31, 2018 was $980.2 million. During the year ended December 31, 2017 the Company paid a quarterly cash dividend of $0.70 per share for holders of the Company's ordinary shares in March, June, September and December of 2017. The total amount paid in the year ended December 31, 2017 was $939.8 million.

On January 25, 2019, the Company's Board of Directors approved an increase in the Company's quarterly cash dividend for 2019 to $0.74 per ordinary share.

Preferred Shares

On February 24, 2015, the Company completed an offering of 5,060,000 of our 5.500% mandatorily convertible preferred shares, Series A, par value $0.0001 per share (the "Mandatory Convertible Preferred Shares"). Dividends on the Mandatory Convertible Preferred Shares were payable on a cumulative basis when, as and if declared by our board of directors, or an authorized committee thereof, at an annual rate of 5.500% on the liquidation preference of $1,000.00 per Mandatory Convertible Preferred Share. The Company declared dividends in cash on March 1, June 1, September 1 and December 1 of each year commencing June 1, 2015, to and including March 1, 2018. The net proceeds from the Mandatory Convertible Preferred Share issuance of $4,929.7 million were used to fund the Allergan Acquisition, which under US GAAP were included as a component of "Preferred Shares" until conversion at which time they were reclassified into "Additional Paid-in-Capital."

In the year ended December 31, 2018 and 2017, the Company paid $69.6 million and $278.4 million, respectively, of dividends on the 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.

Accumulated Other Comprehensive Income / (Loss)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17 Equity - continued

Unrealized gain / (losses) net of tax primarily represent experience differentials and other actuarial charges related to the Company's defined benefit plans. The movements in accumulated other comprehensive income / (loss) for the years ended December 31, 2018 and 2017 were as follows ($ in millions):

	Foreign Currency Translation Items	Unrealized gain / (loss) net of tax	Total Accumulated Other Comprehensive Income / (Loss)
	$	$	$
Balance as of December 31, 2016	**534.7**	**(1,573.1)**	**(1,038.4)**
Other comprehensive gain / (loss) before reclassifications into general and administrative	1,248.0	111.7	1,359.7
Net impact of other-than-temporary loss on investment in Teva securities	-	1,599.4	1,599.4
Total other comprehensive income / (loss)	1,248.0	1,711.1	2,959.1
Balance as of December 31, 2017	**1,782.7**	**138.0**	**1,920.7**
Amounts reclassed, net of tax, upon adoption of ASU 2016-01	-	(63.0)	(63.0)
Balance as of January 1, 2018	**1,782.7**	**75.0**	**1,857.7**
Other comprehensive gain / (loss) before reclassifications into general and administrative	(474.4)	(38.1)	(512.5)
Total other comprehensive income / (loss)	(474.4)	(38.1)	(512.5)
Balance as of December 31, 2018	**1,308.3**	**36.9**	**1,345.2**

As of December 31, 2018 and 2017, unrealized gain / (loss) net of tax included $36.9 million and $75.0 million, respectively, related to the Company's pension and other post retirement plans. The $63.0 million as of December 31, 2017 which was subject to the implementation of ASU No. 2016-01 was reclassified into profit and loss accounts as a result of the implementation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17 Equity - continued

Called Up Share Capital ($ in thousands)

	Years Ended December 31,	
	2018	2017
	$	$
Authorised		
40,000 deferred ordinary shares of €1.00 par value	55.0	55.0
10,000,000 serial preferred shares of $0.0001 par value	1.0	1.0
1,000,000,000 ordinary shares of $0.0001 par value	100.0	100.0
Total authorised share capital	**156.0**	**156.0**
Allotted, called up and fully paid 40,000 deferred ordinary shares of €1.00 par value	55.0	55.0
332.6 million and 330.2 million ordinary shares of $0.0001 par value	33.3	33.1
	88.3	**88.1**

18 Segments

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

The operating segments are organized as follows:

- The US Specialized Therapeutics segment includes sales and expenses relating to branded products within the U.S., including Medical Aesthetics, Medical Dermatology 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.
- Other select revenues and operating expenses including R&D expenses, select SG&A expenses including amortization, IPR&D impairments, goodwill impairments and asset sales and impairments,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

net as not all such information has been accounted for at the segment level, or such information has not been used by all segments.

- Total assets including capital expenditures.

The Company defines segment net revenues as product sales and other revenue derived from our 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 years ended December 31, 2018 and 2017 ($ in millions):

	Year Ended December 31, 2018			
	US Specialized Therapeutics	**US General Medicine**	**International**	**Total**
	$	**$**	**$**	**$**
Net revenues	6,920.3	5,322.9	3,504.7	15,747.9
Operating expenses:				
Cost of sales[1]	565.2	799.1	537.1	1,901.4
Selling and marketing	1,348.3	924.6	928.7	3,201.6
General and administrative	205.3	156.4	141.7	503.4
Segment contribution	**4,801.5**	**3,442.8**	**1,897.2**	**10,141.5**
Contribution margin	***69.4%***	***64.7%***	***54.1%***	***64.4%***
Corporate[2]				1,067.3
Research and development				2,266.2
Selling, general and administrative excluded from segments and corporate designation				13,055.6
Other (income)				(241.1)
Interest (income)				(45.2)
Interest expense and similar items				895.6
(Loss) before taxes				(6,856.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

(1) Excludes amortization and impairment of acquired intangibles including products rights, as well as indirect cost of sales not attributable to segment results.
(2) Corporate includes net revenues of $39.5 million.

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

(1) Excludes amortization and impairment of acquired intangibles including products rights, as well as indirect cost of sales not attributable to segment results.
(2) Corporate includes net revenues of $21.4 million.

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

The following table presents our net revenue disaggregated by geography for our international segment for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,	
	2018	2017
	$	$
Europe	1,482.6	1,439.2
Asia Pacific, Middle East and Africa	1,089.9	929.9
Latin America and Canada	862.4	863.3
Other*	69.8	87.1
Total International	3,504.7	3,319.5

* Includes royalty and other revenue

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

The following tables present global net revenues for the top products greater than 10% of total revenues of the Company as well as a reconciliation of segment revenues to total net revenues for the years ended December 31, 2018 and 2017 ($ in millions):

	Year Ended December 31, 2018			
	US Specialized Therapeutics	US General Medicine	International	Total
	$	$	$	$
Botox®	2,545.8	-	1,031.6	3,577.4
Restasis®	1,197.0	-	64.5	1,261.5
Juvederm® Collection	548.2	-	614.8	1,163.0
Linzess®/Constella®	-	761.1	24.1	785.2
Lumigan®/Ganfort®	291.8	-	392.6	684.4
Bystolic® / Byvalson®	-	583.8	2.0	585.8
Alphagan®/Combigan®	375.4	-	176.0	551.4
Lo Loestrin®	-	527.7	-	527.7
Vraylar®	-	487.1	-	487.1
Eye Drops	202.7	-	279.7	482.4
Alloderm ®	407.3	-	8.0	415.3
Breast Implants	263.0	-	130.1	393.1
Viibryd®/Fetzima®	-	342.4	7.2	349.6
Coolsculpting ® Consumables	235.3	-	64.2	299.5
Ozurdex ®	111.0	-	187.7	298.7
Zenpep®	-	237.3	0.4	237.7
Carafate ® / Sulcrate ®	-	217.8	2.8	220.6
Armour Thyroid	-	198.8	-	198.8
Canasa®/Salofalk®	-	169.2	17.6	186.8
Viberzi®	-	176.5	1.3	177.8
Asacol®/Delzicol®	-	130.8	45.7	176.5
Coolsculpting ® Systems & Add On Applicators	126.3	-	43.3	169.6
Skin Care	138.8	-	15.2	154.0
Saphris®	-	139.7	-	139.7
Teflaro®	-	128.0	0.3	128.3
Namzaric®	-	115.8	-	115.8
Avycaz®	-	94.6	-	94.6
Rapaflo®	81.9	-	6.4	88.3
Savella®	-	85.0	-	85.0
Namenda®	-	71.0	-	71.0
Dalvance®	-	56.1	2.3	58.4
Aczone®	55.1	-	0.4	55.5
Liletta®	-	50.9	-	50.9
Estrace® Cream	-	49.0	-	49.0
Kybella® / Belkyra®	31.8	-	6.3	38.1
Tazorac®	25.4	-	0.7	26.1
Minastrin® 24	-	9.5	-	9.5
Other	283.5	690.8	379.5	1,353.8
Total segment revenues	**6,920.3**	**5,322.9**	**3,504.7**	**15,747.9**
Corporate revenues				39.5
Total net revenues				**15,787.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Segments - continued

	Year Ended December 31, 2017			
	US Specialized Therapeutics	US General Medicine	International	Total
	$	$	$	$
Botox®	2,254.4	-	914.5	3,168.9
Restasis®	1,412.3	-	61.3	1,473.6
Juvederm® Collection	501.1	-	540.7	1,041.8
Linzess®/Constella®	-	701.1	21.9	723.0
Lumigan®/Ganfort®	317.5	-	371.5	689.0
Bystolic® / Byvalson®	-	612.2	2.2	614.4
Alphagan®/Combigan®	377.3	-	175.1	552.4
Eye Drops	199.5	-	281.0	480.5
Lo Loestrin®	-	459.3	-	459.3
Namenda®	-	452.9	-	452.9
Breast Implants	242.6	-	156.9	399.5
Estrace® Cream	-	366.6	-	366.6
Viibryd®/Fetzima®	-	333.2	3.1	336.3
Alloderm ®	321.2	-	7.5	328.7
Ozurdex ®	98.4	-	213.4	311.8
Vraylar®	-	287.8	-	287.8
Asacol®/Delzicol®	-	195.5	50.2	245.7
Carafate ® / Sulcrate ®	-	235.8	2.9	238.7
Zenpep®	-	212.3	-	212.3
Coolsculpting ® Consumables	150.1	-	41.6	191.7
Canasa®/Salofalk®	-	162.7	18.3	181.0
Armour Thyroid	-	169.1	-	169.1
Aczone®	166.3	-	0.5	166.8
Skin Care	153.2	-	12.0	165.2
Viberzi®	-	156.6	0.5	157.1
Saphris®	-	155.2	-	155.2
Coolsculpting ® Systems & Add On Applicators	106.6	-	32.1	138.7
Namzaric®	-	130.8	-	130.8
Teflaro®	-	121.9	-	121.9
Rapaflo®	108.1	-	7.3	115.4
Savella®	-	98.2	-	98.2
Tazorac®	65.4	-	0.7	66.1
Minastrin® 24	-	61.4	-	61.4
Avycaz®	-	61.2	-	61.2
Kybella® / Belkyra®	49.5	-	6.8	56.3
Dalvance®	-	53.9	2.4	56.3
Liletta®	-	37.6	-	37.6
Other	280.1	730.9	395.1	1,406.1
Total segment revenues	**6,803.6**	**5,796.2**	**3,319.5**	**15,919.3**
Corporate revenues				21.4
Total net revenues				**15,940.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19 Business Restructuring Charges

Restructuring activities for the year ended December 31, 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	7.3	-	-	7.3
Research and development	1.0	-	-	1.0
Selling and marketing	31.2	4.1	-	35.3
General and administrative	4.3	4.1	-	8.4
Total expense	43.8	8.2	-	52.0
Cash payments	(138.4)	-	(5.5)	(143.9)
Non-cash adjustments	-	(8.2)	-	(8.2)
Reserve balance at December 31, 2018	**71.4**	**-**	**14.4**	**85.8**

In the year ended December 31, 2018, the Company recorded severance and other employee related charges of $52.0 million, which includes $8.2 million of share-based compensation related to this program. In the year ending December 31, 2018, the Company incurred $14.1 million in severance and other employee related charges and $8.2 million of share-based compensation related to the restructuring program announced in December 2017. In the year ending December 31, 2018, the Company initiated a new restructuring program of its international commercial operations. As a result of the program, the Company intends to eliminate approximately 200 selling and marketing positions while streamlining the Company's operations and focusing on key growth markets and products. The Company expects that the majority of the severance costs will be paid during the 2019 fiscal year.

Restructuring activities for the year ended December 31, 2017 is as follows ($ in millions):

	Severance and Retention	Share-Based Compensation	Other	Total
	$	$	$	$
Reserve balance at December 31, 2016	68.5	-	39.7	108.2
Charged to expense				
Cost of sales	50.4	-	-	50.4
Research and development	37.1	-	-	37.1
Selling and marketing	92.5	-	-	92.5
General and administrative	37.5	38.8	16.3	92.6
Total expense	217.5	38.8	16.3	272.6
Cash payments	(110.4)	(31.5)	(36.1)	(178.0)
Other reserve impact	(9.6)	(7.3)	-	(16.9)
Reserve balance at December 31, 2017	**166.0**	**-**	**19.9**	**185.9**

In December 2017, the Company approved a new restructuring program intended to optimize and restructure its operations, while reducing costs and global headcount in anticipation of loss of exclusivity of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19 Business Restructuring Charges - continued

several key revenue-generating products in 2018. As a result of this program, the Company intended to eliminate over 1,000 then filled positions, impacting employees in commercial and other functions. Commercial reductions primarily focused on products and categories subject to loss of exclusivity. In addition, the Company eliminated approximately 400 open positions. In the year ended December 31, 2017, the Company recorded severance and other employee related charges of $91.3 million, which includes $4.0 million of share based compensation related to this program. During the year ended December 31, 2017 the Company also recorded $14.6 million of other charges relating to the program and impairments of $17.7 million primarily related to fixed assets and facilities which the Company intended to exit during the 2018 fiscal year.

During the year ended December 31, 2017, the Company also initiated other restructuring programs which impacted the commercial, research and development, and global operations organizations. As a result of the commercial organization restructuring program, the Company recorded severance and other employee related charges of $16.9 million and eliminated approximately 200 filled positions and approximately 150 open positions during the year. This initiative reduced costs in the commercial organization and primarily impacted the General Medicine sales force. As a result of a research and development restructuring program, the Company recorded severance and other employee related charges of $12.4 million and eliminated approximately 100 filled positions. This initiative intended to reduce costs as a result of prioritizing the Company's pipeline. The majority of these severance costs were paid during the year ended December 31, 2017 and the Company does not anticipate any additional costs under these programs. As a result of the global operations restructuring program, the Company will close a manufacturing facility in 2019 and reduce the Company's headcount by approximately 250 employees. This program resulted in the Company recording $41.5 million of severance employee related charges and $4.2 million of accelerated depreciation. The majority of the severance costs will be paid during the year ending December 31, 2019. The Company also recorded other restructuring charges $91.7 million related to various other initiatives and the integration of acquired businesses during the year ended December 31, 2017.

During the years ended December 31, 2018 and 2017, the Company recognized restructuring charges related to continuing operations of $52.0 million and $272.6 million, respectively.

20 Derivative Instruments and Hedging Activities

The Company's revenue, earnings, cash flows and fair value of its assets and liabilities can be impacted by fluctuations in foreign exchange risks and interest rates, as applicable. The Company manages the impact of foreign exchange risk and interest rate movements through operational means and through the use of various financial instruments, including derivative instruments such as foreign currency derivatives. As of December 31, 2018, the Company had outstanding third-party foreign currency forward instruments, excluding debt, of $42.1 million. As of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20 Derivative Instruments and Hedging Activities - continued

In November 2018, the Company entered into a 700 million Euro forward contract to buy Euros while selling USD. The derivative has a maturity of May 31, 2019. The derivative instrument will be marked-to-market to the P&L offsetting the revaluation (P&L) impact on the Euro 700 million variable interest debt. For the year ended December 31, 2018, the Company recorded a gain of $5.9 million relating to this instrument.

Net Investment Hedge

In the normal course of business, we manage certain foreign exchange risks through a variety of strategies, including hedging. Our hedging strategies include the use of derivatives, as well as net investment hedges. For net investment hedges, the effective portion of the gains and losses on the instruments arising from the effects of foreign exchange are recorded in the currency translation adjustment component of accumulated other comprehensive income / (loss), consistent with the underlying hedged item. Hedging transactions are limited to an underlying exposure. As a result, any change in the value of our hedging instruments would be substantially offset by an opposite change in the value of the underlying hedged items. We do not use derivative instruments for trading or speculative purposes.

The Company is exposed to foreign exchange risk in its international operations from foreign currency purchases, net investments in foreign subsidiaries, and foreign currency assets and liabilities created in the normal course of business, including the Euro Denominated Notes. In the year ended December 31, 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 $5.1 billion as of December 31, 2018 and $3.6 billion as of December 31, 2017. During the year ended December 31, 2018, the impact of the net investment hedges recorded in other comprehensive loss was a gain of $144.5 million, which primarily offset the impact of the Euro denominated notes. During the year ended December 31, 2017, the impact of the net investment hedges recorded in other comprehensive income was a loss of $208.2 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 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 December 31, 2018 and 2017 consisted of the following ($ in millions):

	Fair Value Measurements as of December 31, 2018 Using:			
	Total	Level 1	Level 2	Level 3
	$	$	$	$
Assets:				
Cash equivalents*	207.1	207.1	-	-
Short-term investments	1,026.9	-	1,026.9	-
Deferred executive compensation investments	90.8	73.8	17.0	-
Royalty receivable	50.3	-	-	50.3
Investments and other	46.0	38.5	7.5	-
Total assets	**1,421.1**	**319.4**	**1,051.4**	**50.3**
Liabilities:				
Deferred executive compensation liabilities	90.8	73.8	17.0	-
Contingent consideration obligations	344.6	-	-	344.6
Total liabilities	**435.4**	**73.8**	**17.0**	**344.6**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 Fair Value Measurement - continued

Investments in securities as of December 31, 2018 included the following ($ in millions):

	Investments in Securities as of December 31, 2018			
Level 1	**Carrying amount**	**Estimated fair value**	**Cash & cash equivalents**	**Marketable securities**
	$	**$**	**$**	**$**
Money market funds	207.1	207.1	207.1	-
Total	**207.1**	**207.1**	**207.1**	**-**

Level 2	**Carrying amount**	**Estimated fair value**	**Cash & cash equivalents**	**Marketable securities**
	$	**$**	**$**	**$**
Other investments	1,026.9	1,026.9	-	1,026.9
Total	**1,026.9**	**1,026.9**	**-**	**1,026.9**

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants. Fair values are determined based on Fair Value Leveling.

Marketable securities and investments consist of money market securities, U.S. treasury and agency securities, and equity and debt securities of publicly traded companies for which market prices are readily available. Unrealized gains or losses on marketable securities are recorded in interest income beginning January 1, 2018. Unrealized gains or losses on long-term equity investments are recorded in other income / (expense), net beginning on January 1, 2018. These amounts were recorded within accumulated other comprehensive (loss) / income as of December 31, 2017. The Company's marketable securities and other long-term investments 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):

	Years Ended December 31,	
Expense / (income)	**2018**	**2017**
	$	**$**
Cost of sales	(111.7)	(183.2)
Research and development	5.1	50.0
Total	**(106.6)**	**(133.2)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 Fair Value Measurement - continued

During the year ended December 31, 2018, cost of sales primarily relates to the Company's True Tear® product not achieving a milestone event, as well as a corresponding decrease in commercial forecasts. In the year ended December 31, 2018, research and development primarily relates to a R&D asset that was delayed, which lowered the probability of the milestone being achieved. The year ended December 31, 2018 also includes the progression of other R&D projects relating to the acquisition of Tobira Therapeutics, Inc.

During the year ended December 31, 2017, the Company had net contingent consideration income in cost of sales of $183.2 million due to declines in forecasted revenues for select products, including Rhofade®. The Company had net contingent consideration expense in R&D of $50.0 million due to the advancement of the Company's True Tear® product and products acquired as part of the Tobira Acquisition.

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2018 and 2017 ($ in millions):

	Balance as of December 31, 2017	Net transfers in to (out of) Level 3	Purchases, settlements, and other net	Net accretion and fair value adjustments	Balance as of December 31, 2018
	$	$	$	$	$
Liabilities:					
Contingent consideration obligations	476.9	-	(25.7)	(106.6)	344.6

	Balance as of December 31, 2016	Net transfers in to (out of) Level 3	Purchases, settlements, and other net	Net accretion and fair value adjustments	Balance as of December 31, 2017
	$	$	$	$	$
Liabilities:					
Contingent consideration obligations	1,172.1	-	(562.0)	(133.2)	476.9

The Company determines the acquisition date fair value of contingent consideration obligations based on a probability-weighted income approach derived from revenue estimates and a probability assessment with respect to the likelihood of achieving contingent obligations including contingent payments such as milestone obligations, royalty obligations and contract earn-out criteria, where applicable. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. The resultant probability-weighted cash flows are discounted using an appropriate effective annual interest rate to reflect the internal rate of return and incremental commercial uncertainty, major risks and uncertainties associated with the successful completion of the events triggering the contingent obligation. At each reporting date, the Company revalues the contingent consideration obligation to estimated fair value and records changes in fair value as income or expense in our consolidated statement of operations. Changes in the fair value of the contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of revenue estimates and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21 Fair Value Measurement - continued

changes in probability assumptions with respect to the likelihood of achieving the various contingent consideration obligations. Accretion expense related to the increase in the net present value of the contingent liability is included in operating income for the period.

During the year ended December 31, 2018, the following activity in contingent consideration obligations by acquisition was incurred ($ in millions):

Business Acquisition	Balance as of December 31, 2017	Fair Value Adjustments and Accretion	Payments and Other	Balance as of December 31, 2018
	$	$	$	$
Tobira Acquisition	227.8	27.2	-	255.0
Allergan Acquisition	18.7	(17.7)	(1.0)	-
Medicines 360 acquisition	44.4	13.5	(14.8)	43.1
AqueSys acquisition	28.5	(23.1)	-	5.4
Oculeve acquisition	90.1	(88.4)	-	1.7
ForSight Acquisition	46.3	(22.2)	-	24.1
Metrogel acquisition	7.5	-	(7.5)	-
Forest Acquisition	12.7	3.1	(2.2)	13.6
Other	0.9	1.0	(0.2)	1.7
Total	**476.9**	**(106.6)**	**(25.7)**	**344.6**

Royalty Receivable

The fair value measurement of the royalty receivable 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 royalty receivable are recorded in our consolidated statements of operations as follows ($ in millions):

	Balance as of December 31, 2017	Net transfers in to (out of) Level 3	Purchases, settlements, and other net	Net accretion and fair value adjustments	Balance as of December 31, 2018
	$	$	$	$	$
Asset:					
Royalty receivable	-	-	50.3	-	50.3

22 Commitments and Contingencies

The Company and its affiliates are involved in various disputes, governmental and/or regulatory inspections, inquires, investigations and proceedings, and litigation matters that arise from time to time in the ordinary course of business. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the Company, its results of operations, financial condition and cash flows. The Company's general practice is to expense legal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

fees as services are rendered in connection with legal matters, and to accrue for liabilities when losses are probable and reasonably estimable.

The Company evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that is accrued. As of December 31, 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.

Intellectual Property Litigation

Patent Enforcement Matters

Bystolic®. On January 19, 2018, subsidiaries of the Company 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") in connection with an abbreviated new drug application filed with the FDA by Aurobindo seeking approval to market a generic version of Bystolic® and challenging said patent. Allergan entered into a settlement agreement with Aurobindo on September 12, 2018, and the case was dismissed. No patent litigation remains concerning Bystolic®.

Byvalson®. On September 18, 2017, subsidiaries of the Company brought an action for infringement of U.S. Patent Nos. 7,803,838 (the "'838 patent") and 7,838,552 (the "'552 patent") in the U.S. District Court for the District of New Jersey against Prinston Pharmaceutical Inc., Zhejiang Huahai Pharmaceutical Co., Ltd.,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Huahai US Inc. and Solco Healthcare US, LLC (collectively, "Prinston") in connection with an abbreviated new drug application filed with the FDA by Prinston seeking approval to market a generic version of Byvalson® and challenging said patents. Allergan entered into a settlement agreement with Prinston, and the case was dismissed. No patent litigation remains concerning Byvalson®.

Combigan® IV. On October 30, 2017, subsidiaries of the Company filed an action for infringement of U.S. Patent Number 9,770,453 (the "'453 Patent") against Sandoz, Inc. and Alcon Laboratories, Inc. ("Sandoz") in the U.S. District Court for the District of New Jersey, in connection with the abbreviated new drug applications respectively filed with the FDA by Sandoz and Alcon, seeking approval to market a generic version of Combigan®. On March 6, 2018, U.S. Patent Nos. 9,907,801 (the "'801 Patent") and 9,907,802 (the "'802 Patent") were added to the case. 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 July 13, 2018, the district court adopted Allergan's proposed claim construction and granted Allergan's motion for preliminary injunction against Sandoz. 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. Sandoz has appealed the grant of the injunction, and the appeal is ongoing.

Delzicol®. On August 28, 2015, November 9, 2015 and April 1, 2016, subsidiaries of the Company and Qualicaps Co., Ltd. (collectively, "Plaintiffs") brought actions 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"), Mylan Pharmaceuticals, Inc., Mylan Laboratories Limited and Mylan, Inc. (collectively, "Mylan") and Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Ltd. (collectively, "Zydus") in connection with abbreviated new drug applications respectively filed with the FDA by Teva, Mylan and Zydus, each seeking approval to market generic versions of Delzicol® and challenging said patent. The '180 patent expires on April 13, 2020. On October 24, 2017, the District Court entered final judgment of non-infringement in favor of Teva and Mylan. On December 12, 2018, the United States Court of Appeals for the Federal Circuit affirmed the district court's decision of non-infringement in favor of Teva. On February 13, 2019, the Federal Circuit denied Plaintiffs' petition for rehearing, and a mandate issued on February 20, 2019.

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 December 18, 2017, Plaintiffs, under the settlement agreement, Mylan may launch its generic version of Delzicol® on July 1, 2019, or earlier under certain circumstances. No patent litigation remains concerning Delzicol®.

Fetzima®. In October and November 2017, subsidiaries of the Company and Pierre Fabre Medicament S.A.S. brought actions for infringement of U.S. Patent Nos. RE43,879 (the "'879 Patent"); 8,481,598 (the "'598 Patent"); and 8,865,937 (the "'937 Patent") against MSN Laboratories Private Limited and MSN Pharmaceuticals Inc. (collectively, "MSN"), Prinston Pharmaceutical Inc. and Solco Healthcare U.S., LLC (collectively, "Prinston"), Torrent Pharmaceuticals Limited and Torrent Pharma Inc. (collectively, "Torrent"), West-Ward Pharmaceuticals International Limited and West-Ward Pharmaceuticals Corp. (collectively, "West-Ward"), Zydus Pharmaceuticals (USA) Inc. ("Zydus"), Aurobindo Pharma USA, Inc. and Aurobindo Pharma Limited (collectively, "Aurobindo"), and Amneal Pharmaceuticals LLC and Amneal Pharmaceuticals Private Limited (collectively, "Amneal"), in connection with abbreviated new drug applications, respectively filed with the FDA by MSN, Prinston, Torrent, West-Ward, Zydus, Aurobindo,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

and Amneal, each seeking approval to market generic versions of Fetzima® and challenging said patents. 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. Allergan entered into a settlement agreement with Amneal on December 18, 2018, and the case as against Amneal was dismissed.

The case is currently in fact discovery. No trial date has been set.

Juvéderm ®. On February 26, 2019, subsidiaries of the Company filed a complaint for infringement of U.S. Patent Nos. 8,450,475 (the "'475 Patent), 8,357,795 (the "'795 Patent"), 8,822,676 (the "'676 Patent"), 9,089,519 (the "'519 Patent"), 9,238,013 (the "'013 Patent") and 9,358,322 (the "'322 Patent") in the U.S. District Court for the District of Delaware against Prollenium US Inc. and Prollenium Medical Technologies Inc. (collectively, "Prollenium"). The complaint seeks, among other things, a judgment that Defendants have infringed these patents by making, selling, offering to sell, and importing Prollenium's Revanesse® Versa+™ product within and into the United States. Plaintiffs seek injunctive relief and damages for Defendants' infringement. No trial date has been set.

Kybella®. On November 9, 2018, a subsidiary of the Company brought an action for infringement of U.S. Patent Nos. 8,101,593 (the "'593 Patent"), 8,367,649 (the "'649 Patent") and 8,653,058 (the "'058 Patent") against Slayback Pharma LLC ("Slayback") in the U.S. District Court for the District of New Jersey in connection with an abbreviated new drug application filed with the FDA by Slayback seeking approval to market a generic version of Kybella® and challenging said patents. The '593, '649, and '058 Patents expire in March 2030. No trial date has been set.

Lastacaft®. On September 8, 2017, a subsidiary of the Company and Vistakon Pharmaceuticals, LLC (collectively, "Plaintiffs"), brought an action for infringement of U.S. Patent No. 8,664,215 ("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, "Aurobindo") in connection with an abbreviated new drug application filed with FDA by Aurobindo, seeking approval to market a generic version of Lastacaft® and challenging the '215 patent. Plaintiffs entered into a settlement agreement with Aurobindo on November 15, 2018, and the case was dismissed. No patent litigation remains concerning Lastacaft®.

Latisse® IV. In December 2016, Sandoz announced the U.S. market launch of its generic copy of Latisse®. In July 2017, subsidiaries of the Company 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, among other things, 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 dismissing the Delaware action against Alcon. The District of Colorado case against Sandoz is currently in fact discovery and a trial date has not yet been set.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

LATISSE® V. On September 25, 2017, subsidiaries of the Company and Duke University brought an action for infringement of U.S. Patent No. 9,579,270 (the "'270 Patent") against Alembic Pharmaceuticals, Ltd., Alembic Global Holding SA, and Alembic Pharmaceuticals, Inc. (collectively, "Alembic") in the U.S. District Court for the District of New Jersey in connection with an abbreviated new drug application filed with FDA by Alembic, seeking approval to market a generic version of Latisse® and challenging the '270 patent. No trial date has been set.

Latisse® VI. On September 19, 2018, subsidiaries of the Company and Duke University brought an action for infringement of U.S. Patent No. 9,579,270 (the "'270 Patent") against Akorn, Inc. and Hi-Tech Pharmacal Co., Inc. (collectively, "Akorn") in the U.S. District Court for the District of New Jersey in connection with an abbreviated new drug application filed with FDA by Akorn seeking approval to market a generic version of Latisse® and challenging the '270 patent. No trial date has been set.

Linzess®. In October and November 2016, subsidiaries of the Company and Ironwood received Paragraph IV certification notice letters from Teva Pharmaceuticals USA, Inc. ("Teva"), Aurobindo Pharma Ltd., Mylan Pharmaceuticals Inc. ("Mylan"), and Sandoz Inc. ("Sandoz") indicating that they had submitted to FDA ANDAs seeking approval to manufacture and sell generics version of Linzess® 145 mcg and 290 mcg capsules ("Linzess") before the expiration of some or all of the nine patents then listed in the Orange Book, including U.S. Patent Nos. 7,304,036 (the "'036 Patent"); 7,371,727 (the "'727 Patent"); 7,704,947 (the "'947 Patent"); 7,745,409 (the "'409 Patent"); 8,080,526 (the "'526 Patent"); 8,110,553 (the "'553 Patent"); 8,748,573 (the "'573 Patent"); 8,802,628 (the "'628 Patent"); and 8,933,030 (the "'030 Patent"). (The '727, '947, '409, '526 and '553 Patents expire in January 2024; the '036 Patent expires in August 2026; and the '573, '628 and '030 Patents expire in 2031.) Teva, Aurobindo Pharma Ltd., Mylan and Sandoz claim that the patents discussed in their respective notice letters are invalid, unenforceable and/or would not be infringed. On November 30, 2016, subsidiaries of the Company 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. These lawsuits triggered automatic stays of approval of the applicable ANDAs that expire no earlier than February 2020 (unless there is a final court decision adverse to Plaintiffs sooner). Trial is scheduled for June 2019.

In May 2017, subsidiaries of 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, subsidiaries of the Company 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 FDA approval), or earlier in certain circumstances. The Sun action was dismissed on January 18, 2018.

In July 2017, subsidiaries of 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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

'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, subsidiaries of the Company 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 FDA approval), or earlier in certain circumstances. The Aurobindo actions were dismissed on May 7, 2018.

In September 2017, October 2017 and January 2018, subsidiaries of 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, subsidiaries of 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, subsidiaries of the Company 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

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.

On December 21, 2018, subsidiaries of the Company and Ironwood entered into a settlement agreement with Mylan. Under the terms of the settlement agreement, Plaintiffs will provide a license to Mylan to market its generic versions of Linzess® 145 mcg and 290 mcg in the United States beginning on February 5, 2030 (subject to FDA approval), and its generic version of Linzess® 72 mcg in the United States beginning on August 5, 2030, or earlier in certain circumstances. The Mylan actions were dismissed on December 27, 2018.

Namenda XR®. In 2014, subsidiaries of the Company 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 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.

The Federal Circuit issued the mandate of the court on February 20, 2018, and certain generics launched generic products shortly thereafter. No patent litigation remains concerning Namenda XR®.

Namzaric®. In 2015 subsidiaries of the Company 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, Par Pharmaceutical, Inc., and Amerigen Pharmaceuticals, Inc. and Amerigen Pharmaceuticals Ltd. (collectively, "Amerigen"). Plaintiffs entered into settlement agreements with each of the generics who challenged some or all of these patents, including Apotex, Amerigen, Accord, Macleods and Par. Plaintiffs' settlement agreement with Amneal, who is believed to be a first applicant with respect to certain dosage strengths (memantine hydrochloride extended-release and donepezil hydrochloride, 14 mg/10 mg and 28 mg/10 mg) of Namzaric®, provides a license to Amneal that will permit it to launch its generic version of Namzaric® as of January 1, 2025, or earlier in certain circumstances. Alternatively, under certain circumstances, Amneal has an option to launch an authorized generic version of Namzaric® beginning on January 1, 2026. No patent litigation remains concerning Namzaric®.

Restasis®. Between August 2015 and July 2016, a subsidiary of the Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

The subsidiary 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, the Company will supply and authorize certain parties to launch an authorized generic version of Restasis® on August 28, 2024 or earlier in certain circumstances.

On September 8, 2017, the Company 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 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. On November 13, 2018, the U.S. Court of Appeals for the Federal Circuit issued a decision affirming the district court's finding of invalidity of the asserted claims of the '111, '048, '930 and '191 Patents. On March 6, 2019, the Federal Circuit denied Allergan and the Tribe's petition for rehearing, and a mandate issued on March 13, 2019.

On December 22, 2016, a subsidiary of the Company 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 Akron issues a mandate. The parties' stipulation provides that Deva will be bound by the outcome of that appeal.

On August 10 and September 20, 2018, a subsidiary of the Company 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. The cases were voluntarily dismissed on January 2, 2019.

Restasis® IPR. On June 6, 2016, a subsidiary of the Company 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, a subsidiary of the Company received a notification letter that an IPR petition and motion for joinder was filed by Argentum Pharmaceuticals LLC ("Argentum") regarding the '111 patent. On December 7, 2016, the Company 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 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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

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.

On February 23, 2018, the USPTO issued orders denying the Tribe's motion to dismiss (or terminate).

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. On December 21, 2018, the Company and the Tribe filed a petition for a writ of certiorari with the United States Supreme Court. That petition is currently pending.

Saphris®. Between September 2014 and May 2015, subsidiaries of the Company 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") against Sigmapharm Laboratories, LLC ("Sigmapharm"), Hikma Pharmaceuticals, LLC ("Hikma"), Breckenridge Pharmaceutical, Inc. ("Breckenridge"), Alembic Pharmaceuticals, Ltd. ("Alembic") and Amneal Pharmaceuticals, LLC ("Amneal"), and related subsidiaries and affiliates thereof in the U.S. District Court for the District of Delaware in connection with an abbreviated new drug applications respectively filed with FDA by Sigmapharm, Hikma, Breckenridge, Alembic and Amneal, each seeking approval to market a generic versions of Saphris® and challenging each of said patents. 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. In 2016, the parties agreed to dismiss all claims related to the '358 and '228 patents, leaving only the '476 patent at issue. On October 13, 2016, the court stayed trial as to Sigmapharm and extended the 30-month stay as to Sigmapharm. On June 30, 2017, the district court issued an opinion and order finding all asserted claims of the '476 patent valid, that claims 1, 2, 5 and 6 were infringed by Alembic, Amneal, Breckenridge and Hikma, 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. The case is currently on appeal.

On March 14, 2019, the Federal Circuit vacated the district court's July 2017 judgment that claims 1 and 4 are not invalid and remanded for the district court to consider a fact question and its impact on the obviousness analysis. The Federal Circuit also vacated the judgment of non-infringement of claims 4, 9 and 10 as to Alembic and Breckenridge and remanded for the district court to consider their infringement under a revised claim construction.

A separate bench trial concerning Sigmapharm's infringement of claim 1 of the '476 patent began on June 20, 2018, and on November 16, 2018, the court held that Sigmapharms' proposed ANDA product would infringe claim 1 of the '476 patent On November 26, 2018, Sigmapharm sought relief from the November 16, 2018 decision. On November 30, 2018, the Company moved for entry of final judgment. Both motions are currently pending.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Savella®. On October 5 and 6, 2017, subsidiaries of the Company 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. No patent litigation remains concerning Savella.

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.

Trade Secret Matters

Botulinum Neurotoxin ITC Investigation. On January 30, 2019, subsidiaries of the Company and Medytox Inc. (collectively, "Complainants") filed a complaint with the United States International Trade Commission ("ITC") against Daewoong Pharmaceuticals Co., Ltd., Daewoong Co., Ltd., and Evolus Inc. (collectively, "Respondents") requesting the ITC commence an investigation with respect to the Respondents' importation into the United States of Respondents' botulinum neurotoxin products, including DWP-450 (also known as Jeuveau™), that were developed, made and/or imported using Medytox's trade secrets. Complainants seek, among other things, a permanent exclusionary order and cease and desist orders covering Respondents' botulinum neurotoxin products, including DWP-450/Jeuveau™. On February 28, 2019, the ITC instituted an investigation into Respondents' botulinum neurotoxin products, including DWP-450/Jeuveau™. The ITC has set May 29, 2020 as the target date for completion of the investigation.

Trademark Enforcement Matters

Juvéderm®. On April 5, 2017, a subsidiary of the Company 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, the Company 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 the Company's complaint based on purported lack of personal jurisdiction. The case remains pending against Dima.

Subsidiaries of the Company 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. A subsidiary of the Company has also filed against Dermavita, Dima Corp. and others a full action of trademark infringement in the Paris court. Dermavita has

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

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 subsidiaries of the Company in the Nanterre, France court alleging that the subsidiaries have not used its Juvéderm trademark and requesting the court to revoke the Company's trademark based on its purported lack of use. The Company has submitted its principal brief and awaits a hearing on.

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.

Antitrust Litigation

Asacol® Litigation. Class action complaints have been filed against certain subsidiaries of the Company on behalf of putative classes of direct and indirect purchasers. The lawsuits have been consolidated in the U.S. District Court for the District of Massachusetts. The complaints allege that plaintiffs paid higher prices for Asacol® HD and Delzicol® as a result of alleged actions preventing or delaying generic competition in the market for an 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. While the district court granted the indirect purchaser plaintiffs' motion for class certification, the Court of Appeals for the First Circuit issued an order granting the Company's motion to appeal the district court's decision to certify the proposed class and later issued a decision reversing the lower court's decision on class certification. The appellate court recently denied plaintiffs' motion for rehearing *en banc* and remanded the case back to the District Court.

Botox® Litigation. A class action complaint was filed against certain subsidiaries of the Company in the United States District Court for the Central District of California on February 24, 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 the U.S. federal antitrust laws as well as violations of California state laws. In the complaint, plaintiffs seek an unspecified amount of treble damages. On November 30, 2017, the parties reached a tentative settlement and the court granted plaintiffs' motion for final approval of class settlement. On September 10, 2018, the court dismissed with prejudice all claims against the defendants.

Loestrin® 24 Litigation. Putative classes of direct and indirect purchasers as well as opt-out direct purchasers have filed complaints that have been consolidated in the U.S. District Court for the District of Rhode Island. The lawsuits allege that subsidiaries of the Company engaged in anticompetitive conduct, including when settling patent lawsuits related to Loestrin® 24 Fe, in violation of federal and state antitrust and consumer protection laws. The complaints each seek declaratory and injunctive relief and damages. The court recently conducted hearings on the class plaintiffs' class certification motions and on the parties' motions for summary judgement on the issue of market power.

Namenda® Litigation. In 2014, the State of New York filed a lawsuit in the U.S. District Court for the Southern District of New York alleging that Forest was acting to prevent or delay generic competition to Namenda® in violation of federal and New York antitrust laws and committed other fraudulent acts in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

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. The parties in that case then reached a settlement to resolve the dispute. Following the conclusion of the New York Attorney General Matter, putative class actions were filed on behalf of direct and indirect purchasers in the same federal court. 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 a Company subsidiary and generic companies also violated the antitrust laws. Plaintiffs seek unspecified injunctive relief, treble damages and attorneys' fees. The court has denied defendants' motion for summary judgement in the direct purchaser action, certified the direct purchaser class of plaintiffs and set a trial date for October 2019.

Restasis® Competitor Litigation. Shire, which offers the dry-eye disease drug Xiidra®, sued subsidiaries of the Company in U.S. District Court for the District of New Jersey alleging that defendants 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®. The complaint seeks injunctive relief and damages under federal and state law. The court held a hearing on defendants' motion to dismiss the complaint but has not yet issued a ruling on such motion. The parties are engaged in limited discovery.

Restasis® Class Action Litigation. Several class actions were filed on behalf of putative classes of direct and indirect purchasers of Restasis® alleging that subsidiaries of the company harmed competition by engaging in conduct to delay the market entry of generic versions of Restasis® in violation of the federal antitrust laws as well as state antitrust and consumer-protection laws and unjust enrichment. The cases have been consolidated in the U.S. District Court for the District of New Jersey. All plaintiffs seek damages, declaratory relief, and injunctive relief. The parties are currently engaged in discovery.

Commercial Litigation

Celexa®/Lexapro® Class Actions. Certain subsidiaries of the Company were named in federal court actions relating to the promotion of Celexa® and/or Lexapro® all of which were consolidated in an MDL proceeding in the U.S. District Court for the District of Massachusetts. Most of these claims were resolved through a settlement in September 2014. However, two lawsuits remain which assert claims under the federal Racketeer Influenced and Corrupt Organizations ("RICO") Act. The court has entered summary judgment in favor of the defendants in both actions and denied plaintiffs' class certification motions. Plaintiffs in both cases appealed the dismissal of their claims and denial of class certification to the United States Court of Appeals for the First Circuit and the appeals court issued a decision in January 2019 affirming the denial of the class certification motions but reversing the lower court's decision granting the defendants' summary judgment motions.

Warner Chilcott Marketing Practices. A putative nationwide class of private payer entities, or their assignees, that paid Medicare benefits on behalf of their beneficiaries filed a complaint against certain subsidiaries of the Company in the U.S. District Court for the District of Massachusetts. The Complaint asserts claims under the federal RICO statute, state consumer protection statutes, common law fraud, and unjust enrichment with respect to the sale and marketing of certain products. Defendants' motion to dismiss the Amended Complaint is still pending.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Generic Drug Pricing Securities and ERISA Litigation. Putative classes of shareholders and two individual opt-out plaintiffs filed class action lawsuits against the Company and certain of its current and former officers alleging that defendants made materially false and misleading statements between February 2014 and November 2016 regarding the Company's internal controls over its financial reporting and that it failed to disclose that its former Actavis generics unit had engaged in illegal, anticompetitive price-fixing with its generic industry peers. These lawsuits have been consolidated in the U.S. District Court for the District of New Jersey. The complaints seek unspecified monetary damages. The Company's motion to dismiss the complaint is still pending. In addition, class action complaints have been filed 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 have been consolidated in the district court in New Jersey. The court granted the Company's motion to dismiss this complaint. The ERISA plaintiffs have appealed this decision to the Third Circuit Court of Appeals.

Telephone Consumer Protection Act Litigation. In October 2012, Forest and certain of its affiliates were named as defendants in a putative class action in the United States District Court for the Eastern District of 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 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 and distributors of opioid products, in over 1,700 matters relating to the promotion and sale of prescription opioid pain relievers and additional suits have been filed. The lawsuits allege generally 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. Plaintiffs in these suits include states, political subdivisions of states (i.e., counties and municipalities), Native American tribes and other private litigants such as insurance plans, hospital systems and consumers who were prescribed opioid products and were subsequently treated for an overdose or addiction. Cases are pending in both federal and state courts. The federal court cases have been consolidated in an MDL in the U.S. District Court for the Northern District of Ohio, with a first set of cases set for trial in October 2019. In the case filed on behalf of the State of California by the California counties of Santa Clara and Orange, which is pending in California state court, the previously-set trial date has been vacated and a new date has not yet been set.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Testosterone Replacement Therapy Class Action. Subsidiaries of the Company were named in a class action complaint filed on behalf a putative class of third party payers in the U.S. District Court for the Northern District of Illinois. The suit alleges that the Company's subsidiaries violated various laws including the federal RICO statute and state consumer protection laws in connection with the sale and marketing of Androderm®. The class plaintiffs seek 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. While the lawsuit is ongoing, the court has denied plaintiff's class certification motion. On February 14, 2019, the court granted Defendants' motion for summary judgment, dismissing the case in its entirety.

Xaleron Dispute. On February 5, 2016, Xaleron Pharmaceuticals, Inc. filed a lawsuit against certain subsidiaries of the Company 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 for summary judgment in April 2018 and subsequently, the parties reached an agreement to settle the litigation.

Zeltiq Advertising Litigation. 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. The case was later removed to U.S. District Court for the Central District of California. The case was dismissed by the district court and, while the plaintiffs started the process of appealing this decision to the Ninth Circuit Court of Appeals, they have since voluntarily dismissed their appeal.

Employment Litigation

In July 2012, a subsidiary of the Company was named as a defendant in an action brought by certain former Company sales representatives and specialty sales representatives in the United States District Court for the Southern District of New York. The action is a putative class and collective action, and alleges class claims under Title VII for gender discrimination with respect to pay and promotions, as well as discrimination on the basis of pregnancy, and a collective action claim under the Equal Pay Act and non-class claims on behalf of certain of the named Plaintiffs for sexual harassment and retaliation under Title VII, and for violations of the Family and Medical Leave Act. On April 3, 2017, the parties agreed to settle this matter. On February 1, 2018, the court granted preliminary approval of the settlement and set a fairness hearing for May 4, 2018. On June 29, 2018, the Court granted final approval of the settlement.

Product Liability Litigation

Actonel® Litigation. A subsidiary of the Company is a defendant in over 500 filed cases in federal and various state courts, relating to the bisphosphonate prescription drug Actonel®. In addition, there are three cases pending in provincial courts in Canada, two involving single plaintiffs, and a third on behalf of a purported class of injured plaintiffs. The complaints allege, among other things, that Actonel® caused them to suffer osteonecrosis of the jaw ("ONJ") and/or atypical fractures of the femur. Plaintiffs are seeking unspecified monetary and injunctive relief, as well as attorneys' fees. The Company subsidiary is being indemnified by Sanofi for certain claims pursuant to an agreement with Sanofi and is being partially indemnified by the Procter & Gamble Company ("P&G") for ONJ claims that were pending at the time the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Company subsidiary acquired P&G's global pharmaceutical business in 2009. Settlements have been reached that have resolved most of the pending ONJ-related claims. Recently, all pending Actonel cases in New Jersey state court were dismissed without prejudice subject to refilling after the U.S. Supreme Court issues a decision in *Merck Sharp & Dohme Corp. v. Albrecht*, Doc. No. 17-290.

Breast Implant Litigation. Certain Company subsidiaries are defendants in more than a dozen cases alleging that Allergan's textured breast implants caused women to develop a rare condition known as anaplastic large cell lymphoma (ALCL), and that the defendants failed to properly warn against this risk and failed to promptly and properly report the results of the post-marketing studies relating to these products. These cases have been filed in both federal and state courts in the United States and well as provincial courts in Canada. One of the Canadian cases has been asserted on behalf a putative class of consumers.

Benicar® Litigation. A subsidiary of the Company has been named in a number of lawsuits involving allegations that Benicar® caused certain gastrointestinal injuries. Under a co-promotion agreement, Daiichi Sankyo is defending the Company subsidiary in these lawsuits and has announced that it has agreed to enter into a program to settle all of the pending cases on behalf of all defendants, including the Company subsidiary.

Celexa®/Lexapro® Litigation. Certain Company subsidiaries are defendants in over 150 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. A Company subsidiary has been named as a defendant in over 300 cases alleging that its biologic mesh product RepliForm® did not perform as intended and caused various injuries. The majority of these cases have been consolidated in state court in Massachusetts, with the rest pending in state courts in Delaware and Minnesota and the federal court in West Virginia. Approximately 200 of these cases have been settled or dismissed.

Testosterone Litigation. A number of product liability suits were filed against certain Company 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®. The cases have been consolidated in an MDL in the U.S. District Court for Northern District of Illinois. In mid-2018, the parties reached an agreement to settle all of the pending cases.

Government Investigations, Government Litigation and Qui Tam Litigation

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

Company subsidiaries have received subpoenas and/or Civil Investigative Demands ("CID") from the United States Department of Justice, the United States Health and Human Services, Office of Inspector General, United States Congressional Committees as well as various state regulatory and enforcement authorities. Each of the subpoenas and CIDs seek documents and information relating to discrete topics, including but not limited to: the calculation and reporting by certain Company subsidiaries of their Average

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Commitments and Contingencies - continued

Manufacturer Prices, Average Wholesale Prices and Best Prices for several of their products; sales and marketing practices of Botox to urology practices; the promotion and sale of two gastroenterology products; the Saint Regis Mohawk Tribe's acquisition of six Restasis patents and the granting of exclusive licenses to the Restasis product to the Company; and, the promotion and sale of opioid products. In each case, the Company and its subsidiaries are cooperating fully with the governmental authority's requests.

Certain states have initiated lawsuits and *qui tam* lawsuits have been filed by private parties, also known as relators, on behalf of the federal or state governments. Certain Company subsidiaries have been named as defendants in lawsuits that allege generally that state Medicaid agencies were overcharged for their share of Medicaid drug reimbursement costs due to inflated Average Wholesale Prices ("AWP") reported by the Company subsidiaries. AWP lawsuits are currently pending in Illinois, Utah and Wisconsin.

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. 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 former global generics business subsidiaries and others alleging that patent litigation settlements relating to Lidoderm were anticompetitive. The FTC voluntarily withdrew its complaint in Pennsylvania and filed a similar complaint in the U.S. District Court for the Northern District 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. Defendants in the Pennsylvania action filed a declaratory judgment action against the FTC in the Pennsylvania federal court but the court granted the FTC's motion to dismiss this lawsuit. The FTC and State of California's actions were stayed pending the declaratory judgment action in the Eastern District of Pennsylvania. The federal court in California has not yet issued a ruling or lifted the stay in these cases since the court's ruling in the Eastern District of Pennsylvania.

Hydrocortisone Investigation. In 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: (i) alleged excessive and unfair prices with respect to hydrocortisone tablets and (ii) whether the former generics business subsidiary entered into anti-competitive agreements with a potential competitor for this product. The CMA has issued statements of objection with respect to both parts of its investigation. The Company intends to cooperate fully with the investigation.

Teva Shareholder Derivative Litigation. In 2017, the Company was named as defendant in a proposed Teva shareholder derivative litigation filed in the Economic Division of the Tel Aviv District Court in Israel. The lawsuit contains allegations that the Company aided and abetted Teva's board of directors violations of Israeli securities laws. To date, the court has not determined whether it will allow plaintiffs to proceed with this action.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23 Employees

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

	Years Ended December 31,	
	2018	2017
	Number	Number
Cost of Goods Sold	4,820	4,704
Sales, marketing and distribution	8,466	9,085
Research and development	2,081	2,245
General, finance and administration	1,513	1,526
	16,880	**17,560**

The following table represents compensation costs, including restructuring, for the years ended December 31, 2018 and 2017 ($ in millions):

	Years Ended December 31,	
	2018	2017
	$	$
Wages and salaries	1,994.9	1,892.8
Restructuring	52.0	256.3
Share-based compensation	231.6	269.2
Other retirement benefit costs	107.0	82.7
Social welfare (taxes)	163.1	150.4
Other benefits	175.2	265.1
Total	**2,723.8**	**2,916.5**

On a global basis, the amount of compensation costs capitalized into inventory approximated $204.7 million and $282.7 million as of December 31, 2018 and 2017, respectively. All other compensation costs were expensed in the periods.

24 Concentration

The Company considers there to be a concentration risk for customers that account for 10% or more of their third-party revenues. The following table illustrates any customer which accounted for 10% or more of our annual revenues within the U.S. and Canada in any of the past three fiscal years and the respective percentage of our revenues for which they account for each of the last two years:

Customer	2018	2017
McKesson Corporation	25%	23%
Cardinal Health, Inc.	23%	19%
AmerisourceBergen Corporation	22%	19%

No other country outside the U.S. and Canada had 10% or more of global sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24 Concentration - continued

The Company's accounts receivable primarily arise from product sales in North America and primarily represent amounts due from wholesalers, distributors, drug store chains and service providers in the health care and pharmaceutical industries, public hospitals and other government entities. Approximately 62% and 58% of the gross accounts receivable balance are concentrated among the Company's three largest customers as of December 31, 2018 and 2017, respectively. The Company performs ongoing credit evaluations of its customers and maintains an allowance for potential uncollectible accounts. Actual losses from uncollectible accounts have been minimal.

Outside of the U.S., concentrations of credit risk with respect to accounts receivable are limited due to the wide variety of customers and markets using the Company's products, as well as their dispersion across many different geographic areas. The Company monitors economic conditions, including volatility associated with international economies, and related impacts on the relevant financial markets and its business, especially in light of sovereign credit issues. The Company does not expect to have write-offs or adjustments to accounts receivable which would have a material adverse effect on its financial position, liquidity or results of operations.

Certain of the Company's finished products and raw materials are obtained from single source suppliers. Although the Company seeks to identify more than one source for its various finished products and raw materials, loss of a single source supplier could have an adverse effect on the Company's results of operations, financial condition and cash flows. Further, a second source supplier may not be able to produce the same volumes of inventory as the Company's primary supplier. No third party manufacturer accounted for 10% or more of the Company's products sold based on third-party revenues for the year ended December 31, 2018.

25 Reconciliation of Amounts Reported in our Annual Report on Form 10-K Filed with the United States Securities and Exchange

As discussed in "Note 1 — The Company", these consolidated financial statements are prepared using US GAAP to the extent that the use of such principles does not contravene Irish Company Law. We also prepare consolidated financial statements using US GAAP which are included in our Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission on February 15, 2019. The primary differences between these statutory financial statements and our consolidated financial statements included in our Form 10-K are the presentational format of the profit and loss and balance sheet, terminology used, and the inclusion of certain additional disclosures.

US GAAP terminology	Irish Company Law terminology
Accounts receivable	Debtors
Liabilities	Creditors
Operating results	Key performance indicators
Risk factors	Principal risks and uncertainties
Accumulated deficit/surplus and Statement of Operations	Profit and loss account

Irish Company Law contains specific requirements for the classification of any liability uncertain as to the amount at which it will be settled or as to the date on which it will be settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

26 Directors' Remuneration

	Years Ended December 31,	
	2018	2017
($ in millions)	$	$
Emoluments(1)	6.3	12.0
Benefits under long-term incentive schemes(2)	5.9	26.2
Contributions to retirement benefit schemes(3):		
-Defined benefit scheme	-	-
-Defined contribution scheme	0.2	0.2
Gain on the exercise of options by a director	0.4	0.3
	12.8	**38.7**

(1) Emoluments include salaries, fees and percentages, bonuses, any sums paid by way of expense allowance in so far as those sums are chargeable to income tax, and the estimated money value of any other benefits received otherwise than in cash.
(2) Benefits under long-term incentive schemes excludes options to acquire Allergan plc shares, but includes restricted shares and share units.
(3) Retirement benefits are accruing to one director who was a full time employee, with the Company, under defined contribution and defined benefit schemes.

27 Auditors' Remuneration

	Years Ended December 31,	
	2018	2017
($ in millions)	$	$
Auditors' remuneration paid to PricewaterhouseCoopers Ireland and its affiliates as follows:		
Auditors' remuneration	32.8	33.5

The table below shows remuneration for all work carried out for Allergan plc and its subsidiaries by PricewaterhouseCoopers Ireland in each of the following categories of work ($ in thousands):

	Years Ended December 31,	
	2018	2017
	$	$
Auditors' remuneration - Group:		
Statutory audit of group financial statements	1,497.3	1,841.3
Other assurance services	66.3	32.0
Tax advisory services	1,057.7	1,228.7
Other non-audit services	-	-
	2,621.3	**3,102.0**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

28 Other Income / (expense)

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

	Years Ended December 31,	
	2018	2017
	$	$
Teva Share Activity	60.9	(3,269.3)
Sale of businesses	182.6	-
Other-than-temporary impairments	-	(26.1)
Dividend income	-	85.2
Naurex recovery	-	20.0
Forward sale of Teva shares	-	(62.9)
Other (expense) / income	(2.4)	5.0
Other income / (expense)	**241.1**	**(3,248.1)**

Teva Share Activity

Refer to "NOTE 6 — Discontinued Operations" for the movements that the Company recorded during the years ended December 31, 2018 and 2017 in its investment in Teva securities.

Sale of Businesses

During the year ended December 31, 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 year ended December 31, 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.

Other-than-temporary Impairments

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

Dividend Income

During the year ended December 31, 2017, the Company received dividend income of $85.2 million 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 year ended December 31, 2017 based on the settlement of an open contract dispute.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

28 Other Income / (expense) - continued

Forward Sale of Teva Shares

Refer to "NOTE 6 — Discontinued Operations" for the movements in the Company's investment in Teva securities.

29 Related Party Transactions

There were no related party transactions requiring disclosure during the years December 31, 2018 and 2017.

30 Subsequent Events

Subsequent to the year ended December 31, 2018, Allergan announced topline results from three pivotal studies of rapastinel as an adjunctive treatment of Major Depressive Disorder (MDD), which were ongoing studies as of December 31, 2018 where the results of these blinded studies were not known to the Company until after the balance sheet date. In three acute studies (RAP-MD-01,-02,-03), the rapastinel treatment arms did not differentiate from placebo on the primary and key secondary endpoints. In addition, an interim analysis of the rapastinel relapse prevention study (RAP-MD-04) suggests the primary and key secondary endpoints will not be met. The Company included various cash flow projection scenarios for this product in the fourth quarter of 2018 impairment test of its U.S. General Medicine Reporting Unit (as discussed in "NOTE 13 – Goodwill, Product Rights and Other Intangible Assets"), including a scenario with adverse clinical trial results, and probability weighted each scenario in its fair value assessment. The results of the studies that concluded in the quarter ending March 31, 2019 represent a triggering event for the Company's General Medicine Reporting Unit in the period ending March 31, 2019. The Company will evaluate the goodwill of the General Medicine Reporting Unit for impairment in the period ending March 31, 2019 accordingly.

31 Subsidiary Undertakings

As of December 31, 2018 the Company had the following subsidiaries:

Name	Registered Office	Principal activities	Portion of equity held
AGN International Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
AGN Labs LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
AGN LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
AGN Sundry LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
AHI C.V.	Canons Court, 22 Victoria Street, Hamilton, Bermuda	Holding Company	100%
AHI CV HoldCo, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
AHI CV HoldCo, LLC, Irish Branch	Clonshaugh Business & Technology Park, Coolock, Dublin, D17 E400, Ireland	Holding Company	100%
Akarna Therapeutics, Limited	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, United Kingdom	Research & Development	100%
Allergan Acquisition 1 S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Dormant	100%
Allergan Acquisition 2 S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Dormant	100%
Allergan WC 1 S.a r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan (Thailand) Limited	973 President Tower, 8th and 11th Floors, Room No. 8E and 11K, Ploenchit Road, Kwaeng Lumpini , Khet Pathumwan, Bangkok, Thailand	Pharmaceutical Distribution and Research & Development	100%
Allergan AG	Puls 5, Hardturmstrasse 11, 8005, Zurich, Switzerland	Pharmaceutical Distribution and Research & Development	100%
Allergan AHI S.á r.l.	6, rue Jean Monnet, L-2180 Luxembourg	Holding Company	100%
Allergan AHI S.á r.l., Luxembourg, Zweigniederlassung Zug Branch	c/o MME Compliance AG, Gubelstrasse 11, Postbox 7613, 6302 Zug, Switzerland	Branch	100%
Allergan Akarna LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding company	100%
Allergan ApS	c/o Biofarma A/S, Naverland 22, 2600 Glostrup, Denmark	Pharmaceutical Distribution and Research & Development	100%
Allergan AS	c/o Visma Services, Karenlyst allé 56, Oslo 0214, Norway	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Asia Limited	Suites 1307-10, Cityplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Island East, Hong Kong	Dormant	100%
Allergan Australia Pty Limited	Level 4, 810 Pacific Highway, Gordon NSW 2072, Australia	Pharmaceutical Distribution and Research & Development	100%
Allergan B.V.	Keizerstraat 13, 4811Hl Breda, The Netherlands	Pharmaceutical Distribution	100%
Allergan Baltics, UAB	Vilniaus r. sav. Uzubaliu k. Senasis Ukmerges kel. 4	Other	100%
Allergan Baltics, UAB Eesti filiaal	Pärnu mnt 15, Kesklinna linnaosa, Tallinn, Harju maakond, 10141, Estonia	Branch	100%
Allergan Baltics, UAB Latvijas filias	Krišjāņa Valdemāra iela 21-11, LV-1010 Riga, Latvia	Branch	100%
Allergan Biologics Ltd.	12 Estuary Banks, Speke, Liverpool, L24 8RB, England	Research & Development	100%
Allergan Botox Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Bulgaria EOOD	1000 Sofia, Sredets district, 14 Tsar Osvoboditel Blvd., 5th floor, office 501, Republic of Bulgaria	Other	100%
Allergan C.I.S. SARL	Room No.1, Building 2, 21 Stanislavskogo str., Moscow, 109004, Russian Federation.	Pharmaceutical Distribution and Research & Development	100%
Allergan Capital S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan Capital S.à r.l., Luxembourg, Zweigniederlassung Zug Branch	c/o MME Compliance AG, Gubelstrasse 11, 6300 Zug, Switzerland	Branch	100%
Allergan Cayman Islands	Zephyr House, 122 Mary Street, PO Box 709, Grand Cayman KY1-1107, Cayman Islands	Holding Company	100%
Allergan Cayman Islands Irish Branch	Clonshaugh Business and Technology Park, Clonshaugh, Dublin 17	Branch	100%
Allergan Costa Rica S.R.L	Heredia, La Aurora, Parque Industrial Global Park, Bldg 900, Costa Rica	Pharmaceutical Distribution, Manufacturing and Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan CZ, s.r.o.	Zlaty Andel Business Centre, Nadrazni 344/23, Smichov, 150 00 Prague, Czech Republic	Other	100%
Allergan d.o.o. Beograd	24 Maglajska Street, 11000 Belgrade, Serbia	Other	100%
Allergan de Colombia S.A.	Calle 113 No. 7-21 Torre A oficina 713, Bogota, Colombia	Pharmaceutical Distribution and Research & Development	100%
Allergan de Venezuela, C.A.	Av. Francisco de Miranda CC Lido, Torre D Nivel 4 Of 41-D Zona el Rosal, Caracas, Venezuela	Other	100%
Allergan Development I Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Dormant	100%
Allergan Development II Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Dormant	100%
Allergan Development Ventures I Ireland Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Dormant	100%
Allergan Development Ventures I LP	Canon’s Court, 22 Victoria Street, Hamilton HM12 Bermuda	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Development Ventures I UK	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, England	Dormant	100%
Allergan Equities Unlimited Company	Clonshaugh Business and Technology Park, Clonshaugh, Dublin 17	Other	100%
Allergan Europe S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan Finance S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan Finance, LLC	The Corporation Trust Company of Nevada, 311 South Division Street, Carson City, Nevada 89703	Holding Company	100%
Allergan Finco 2 Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Allergan Finco Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan Finland Oy	c/o Alberga Business Park, 6 krs Bertel Jungin aukio 02600, Espoo, Finland	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan France SAS	12 place de la defence, 4eme etage, 92400, Courbevoie, France	Pharmaceutical Distribution and Research & Development	100%
Allergan Funding SCS	46a, avenue J.F. Kennedy, L-1855 Luxembourg	Other	100%
Allergan Furiex Ireland Limited	Clonshaugh Business & Technology Park, Dublin 17, Ireland	Holding company	100%
Allergan Furiex, Limited (dissolved on February 21, 2019)	Canon's Court, 22 Victoria Street, PO Box HM 1624, Hamilton, Bermuda HM EX.	Dormant	100%
Allergan GI Corp.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Allergan Healthcare India Private Limited	Prestige Obelisk, Levels 6 & 7, Kasturba Road, Bangalore, India 560001	Pharmaceutical Distribution and Research & Development	100%
Allergan Healthcare Philippines, Inc.	21st Floor, Robinsons Cyberscape Beta, Topaz and Ruby Roads, Ortigas Center, Pasig City, 1605 Philippines	Research & Development	100%
Allergan Hellas Pharmaceuticals S.A.	166a Kifisias Avenue & 2 Sofokleous Street, in the Municipality of Marousi, P.C. 151 26.	Pharmaceutical Distribution	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Holdco UK Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Holding Company	100%
Allergan Holdco US, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan Holdings B Ltd.	Cannon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda	Holding Company	100%
Allergan Holdings B1, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan Holdings B2 Limited	Cannon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda	Holding Company	100%
Allergan Holdings C Ltd	Clifton House, PO Box 1350, 75 Fort Street, Grand Cayman KY1-1203, Cayman Islands	Holding Company	100%
Allergan Holdings France SAS	12 place de la defense, 4eme etage, 92400, Courbevoie, France	Holding Company	100%
Allergan Holdings Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Holdings S. à r.l.	6, rue Jean Monnet, L-2180 Luxembourg	Holding Company	100%
Allergan Holdings Unlimited Company	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
Allergan Holdings, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan Hong Kong Limited	1309-10 & PT08, 13th Floor, Citiplaza Four, 12 Taikoo Wan Road, Taikoo Shing, Hong Kong	Pharmaceutical Distribution and Research & Development	100%
Allergan Hungary Kft.	1122 Budapest, Biro utca 7, Hungary.	Other	100%
Allergan Ilaclari Ticaret A.S.	Eski Buyukdere Cad. Iz Plaza Giz Kat 12, Maslak-Sisli, Istanbul, 34398, Turkey	Pharmaceutical Distribution and Research & Development	100%
Allergan Inc.	85 Enterprise Blvd., Suite 500 Markham, Ontario, L6G 0B5, Canada	Pharmaceutical Distribution and Research & Development	100%
Allergan India Private Limited	Prestige Obelisk, Levels 6 & 7, Kasturba Road, Bangalore, India 560001	Pharmaceutical Distribution and Research & Development	51%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Industrie SAS	Route de Promery, 254 ZA Pre Mairy, 74370, Pringy, France	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Allergan Information Consulting (Shanghai) Co., Ltd.	Suite 5605, Building 1, Plaza 66, 1266 Nanjin Road West, Shanghai, China	Pharmaceutical Distribution and Research & Development	100%
Allergan International Holding S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan International YK	35F Yebis Garden Place Tower, 4-20-3 Yebisu, Shibuya-ku, Tokyo, Japan	Other	100%
Allergan Ireland Finance Limited	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Allergan Ireland Holdings Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
Allergan Ireland Limited	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%
Allergan Israel Limited	32 Shacham St., Petach Tikva, Israel 4951727	Pharmaceutical Distribution and Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Japan KK	35F Yebis Garden Place Tower, 4-20-3 Yebisu, Shibuya-ku, Tokyo, Japan	Pharmaceutical Distribution and Research & Development	100%
Allergan KK	35F Yebis Garden Place Tower, 4-20-3 Yebisu, Shibuya-ku, Tokyo, Japan	Other	100%
Allergan Korea Ltd	14F, 411, Seochodae-ro, Seocho-gu, Seoul, Korea	Pharmaceutical Distribution and Research & Development	100%
Allergan Laboratorios Limitada	Av. Vitacura 2736 Office 1501, Las Condes, Region Metropolitana, Chile	Pharmaceutical Distribution and Research & Development	100%
Allergan Lending 2 LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Allergan Lending LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Allergan Limited	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, United Kingdom	Pharmaceutical Distribution and Research & Development	100%
Allergan Luxembourg International S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Malaysia Sdn. Bhd.	Level 10, Menara LGB, 1 Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur, Malaysia	Other	100%
Allergan Malta Limited	Smartcity Malta, SCM01, Suite 401, Office No. 1, Ricasoli, Kalkara SCM1001, Malta.	Other	100%
Allergan Medical GmbH (Liquidated on February 18, 2019)	c/o MME Compliance AG, Gubelstrasse 11, 6300 Zug, Switzerland	Dormant	100%
Allergan Middle East Limited	Index Tower, Level 8, Unit 802 Dubai International Financial Centre, Dubai, UAE, P.O. Box 506964	Research & Development	100%
Allergan N.V.	De Kleetlaan 4, 1831 Diegem, Belgium	Pharmaceutical Distribution and Research & Development	100%
Allergan New Zealand Ltd.	Cnr Manu Tapu Dr & Joseph Hammond Place, Auckland International Airport, Mangere, Auckland, NZ.	Pharmaceutical Distribution and Research & Development	100%
Allergan NK	Canon's Court, 22 Victoria Street, Hamilton HM EX, Bermuda	Holding Company	100%
Allergan Norden AB	Strandbergsgatan 61, SE 112 51 Stockholm, Sweden	Pharmaceutical Distribution and Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Norden AB Finnish branch	Klovinpellontie 3, 02180 Espoo, Finland	Pharmaceutical Distribution and Research & Development	100%
Allergan Pharma Holding S.à r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Dormant	100%
Allergan Pharma Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding company	100%
Allergan Pharma Limited	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Allergan Pharmaceuticals (Proprietary) Ltd.	2nd Floor Allandale Building, CNR Magwa Crescent and Epupa Road, Waterfall City Jukskei View Midrand 2090 South Africa	Pharmaceutical Distribution and Research & Development	100%
Allergan Pharmaceuticals Holdings (Ireland) Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Other	100%
Allergan Pharmaceuticals International Limited	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Pharmaceutical Distribution, Research & Development & Other	100%
Allergan Pharmaceuticals International Limited Jordan Office	81 Queen Nour Street, Amman, Jordan	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Pharmaceuticals International Limited Lebanon Office	Beirut, plot no. 5121 Mazraa, Museum Street, Stephan Building, Badaro, 1st Floor, Lebanon	Other	100%
Allergan Pharmaceuticals Ireland	Castlebar Road, Westport, Co Mayo, Ireland	Pharmaceutical Distribution and Manufacturing	100%
Allergan Pharmaceuticals Taiwan Co. Ltd.	9F, No. 102, Sec. 2, Roosevelt Road, Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	Pharmaceutical Distribution and Research & Development	100%
Allergan Productos Farmaceuticos S.A.	Libertador Avenue 498 Piso 29, North Section, City of Buenos Aires, Argentina 1001	Pharmaceutical Distribution and Research & Development	100%
Allergan Productos Farmaceuticos Ltda.	Avenida Engenheiro Luís Carlos Berrini, nº 105, 18º andar, conjuntos 181 e 182, Torre 3, Setor B, Condomínio Thera One, Cidade Monções, San Paulo, Brazil	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Allergan Property Holdings, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan Puerto Rico Holdings, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan S.A.	Edificio La Encina, Plaza de la Encina 10-11, 28760 – Tres Cantos, Madrid, Spain	Pharmaceutical Distribution and Research & Development	100%
Allergan S.p.A.	Via Salvatore Quasimodo N. 134/138, 00144 Rome, Italy	Pharmaceutical Distribution and Research & Development	100%
Allergan Sales Puerto Rico, Inc.	C T Corporation System, 818 West 7th Street, Los Angeles, CA, 90017	Pharmaceutical Distribution	100%
Allergan Sales, LLC (d/b/a Allergan; d/b/a Bioscience Laboratories)	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Research & Development	100%
Allergan Saudi Arabia LLC	Jeddah – Alshati District – Taha Khsayfan Str, The Headquarters Business Park Tower – Bldg # 2444 Floor #33, Saudi Arabia	Research & Development	75%
Allergan Scientific Office	53, el Shiekh Mohamed el Nady st., 6th zone , Nasr City, Cairo – Egypt	Other	100%
Allergan Services International, Limited	Longphort House, Earlsfort Centre, Lower Leeson Street, Dublin 2, Ireland.	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan Servicios Profesionales, S. de R.L. de C.V.	AV STA FE 505, Lomas de Santa Fe, Contadero, 05349, Mexico City, Mexico	Research & Development	100%
Allergan Singapore Pte. Ltd.	8 Marina Boulevard, #05-02 Marina Bay, Financial Centre, Singapore 018981	Pharmaceutical Distribution and Research & Development	100%
Allergan Singapore Pte. Ltd. Indonesia Rep Office	Eighty Eight Kasablanka Office Tower, Lantal 10, Unit D, JI. Casablanca Kav. 88 Kelurahan Menteng Dalan, Kecamatan Tebet Kota, Jakarta Selatan, Indonesia	Research & Development	100%
Allergan Singapore Pte. Ltd. Vietnam Rep Office	Units 2109 & 2110 21st Floor, Saigon Trade Center, 37 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	Research & Development	100%
Allergan SK S.r.o.	Štúrova 4, Bratislava 811 02, Slovakia	Other	100%
Allergan Sp. Z.o.o.	UL. MARYNARSKA 15, 02-674 WARSZAWA, POLAND	Pharmaceutical Distribution and Research & Development	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan SRL	15 Charles de Gaulle Square, Charles de Gaulle Plaza Building, 3rd floor, offices 306 – 307, 315 and 333 1st District, Bucharest, Zip 011857	Pharmaceutical Distribution and Research & Development	100%
Allergan UK LLP	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Dormant	100%
Allergan Ukraine, LLC	Vul. Boryspilska, d. 9, Damytskyy, rayon, Kyiv 02099, Ukraine	Pharmaceutical Distribution and Research & Development	100%
Allergan USA, Inc. (d/b/a Pacificom; d/b/a Pacific Communications)	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Manufacturing	100%
Allergan W.C. Holding Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan WC 2 S.a r.l.	6, rue Jean Monnet, L-2180, Luxembourg	Holding Company	100%
Allergan WC Ireland Holdings Ltd.	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Allergan, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Allergan, Inc. II SCS	2, rue Joseph Hackin, L-1746 Luxembourg	Dormant	100%
Allergan, Inc. SCS	2, rue Joseph Hackin, L-1746 Luxembourg	Dormant	100%
Allergan, S.A. de C.V.	AV STA FE 505, Lomas de Santa Fe, Contadero, 05349, Mexico City, Mexico	Pharmaceutical Distribution and Research & Development	100%
Anterios, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Aptalis Holding B.V.	Keizerstraat 13, 4811 HL Breda, The Netherlands	Holding Company	100%
Aptalis Netherlands B.V.	Keizerstraat 13, 4811 HL Breda, The Netherlands	Holding Company	100%
Aptalis Pharma Canada ULC	4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary AB T2P 5C5, Canada	Pharmaceutical Distribution and Manufacturing	100%
Aptalis Pharma S.r.l.	Pessano con Bornago (MI) via Martin Luther King 13, 20060, Milan, Italy	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Aptalis Pharma UK Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Dormant	100%
Aptalis Pharma US, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
AqueSys, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Axcan EU LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Axcan Pharma (Australia) Pty Ltd	Walker Wayland Pty Limited, Level 11, Suite 11.01, 60 Castlereagh Street, Sydney, Australia	Dormant	67%
Bonti, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Chase Pharmaceuticals Corporation	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Collagen Aesthetics Benelux S.A.	Rue de Bois-Seigneur-Isaac.40, 1421 Ophain-Bois-S-Isaac	Dormant	100%
Collagen Luxembourg SA	15 Rue de la Chapelle, 1325 Luxembourg.	Other	100%
Del Mar Indemnity Company, LLC	Marsh Management Services, Inc., 745 Fort Street, Ste. 1100, Honolulu, Hawaii 96813	Insurance	100%
Durata Holdings, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding company	100%
Durata Therapeutics U.S. Limited	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Durata Therapeutics Limited (Liquidated on February 23, 2019)	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Dormant	100%
Durata Therapeutics, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Eden Biodesign, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Dormant	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Eden Biopharm Group Ltd.	12 Estuary Banks, Speke, Liverpool, L24 8RB, England	Dormant	100%
Eden Biopharm Ltd. (Liquidated on February 23, 2019)	12 Estuary Banks, Speke, Liverpool, L24 8RB, England	Dormant	100%
Elastagen Pty Limited	Allergan Australia Pty Ltd., Level 4, 810 Pacific Highway, Gordon, NSW 2072 Australia	Research & Development	100%
Eurand France S.A.S.	Z.I. de Nogent-sur-Oise, 14, rue du Clos Barrois, 60180 Nogent-sur-Oise, France	Holding Company	100%
Exemplar Pharma LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Dormant	100%
Femalon SPRL	Rue du Travail 16, 4460 Grâce-Hollogne, Belgium	Research & Development	100%
Forest Finance B.V.	Keizerstraat 13, 4811 HL Breda, The Netherlands	Holding Company	100%
Forest Holdings France S.A.S.	12 Place de la Defense, 92400 Courbevoie, France	Holding Company	100%
Forest Laboratories Holdings Limited	Clonshaugh Business and Technology Park, Clonshaugh, Dublin 17 Ireland	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Forest Laboratories Ireland Ltd	Clonshaugh Business and Technology Park, Clonshaugh, Dublin 17 Ireland	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
ForSight VISION5, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Furiex Pharmaceuticals, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Gastro Services Pty Ltd	Walker Wayland Services Pty Limited, Suite 11.01 Level 11, 60 Castlereagh Street, SYDNEY NSW, 2000, Australia	Dormant	100%
Keller Medical, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Kythera Biopharmaceuticals (Europe) Limited (Liquidated on February 23, 2019)	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Dormant	100%
Kythera Biopharmaceuticals Australia Pty Ltd.	Level 26, 181 William Street, Melbourne Vic 3000 Australia	Other	100%
Kythera Biopharmaceuticals LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Kythera Holdings Ltd.	Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda	Holding Company	100%
LifeCell Corporation	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Manufacturing	100%
LifeCell EMEA Limited	1st Floor Marlow International, The Parkway, Marlow, Buckinghamshire SL7 1YL, United Kingdom	Other	100%
LifeCell EMEA Limited Austria branch	c/o RSM Austria Steuerberatung GmbH, Tegetthoffstrasse 7, 1010 Vienna, Austria	Branch	100%
LifeCell EMEA Limited Denmark branch	c/o RSM Denmark, Kalvebod Brygge 45, 2:a sal, 1560 Copenhagen, Denmark	Branch	100%
LifeCell EMEA Limited France branch	c/o RSM, 2 bis Rue Tête d'Or, 69006 Lyon, France	Branch	100%
LifeCell EMEA Limited Germany branch	c/o RSM Altavis GmbH, Martin-Luther-Platz 26, 40212 Dusseldorf, Germany	Branch	100%
LifeCell EMEA Limited Italy branch	c/o RSM Palea Lauri Gerla, Via Ettore de Sonnaz 19, 10121 Torino, Italy	Branch	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
LifeCell EMEA Limited Netherlands branch	Keizerstraat 13, 4811 HL Breda, The Netherlands	Branch	100%
LifeCell EMEA Limited Sucursal en Espaňa	RSM Spain, Agustín de Foxá 25, 11ºB, 28046 Madrid	Branch	100%
LifeCell EMEA Limited, Oxford, Zweigniederlassung Zürich	RSM Switzerland AG, Leutschenbachstrasse 45, CH-8050 Zurich	Branch	100%
LifeCell Medical Resources Limited	Clonshaugh Business and Technology Park, Coolock, Dublin 17 Ireland	Dormant	100%
MAP Pharmaceuticals, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
McGhan Ireland Holdings Ltd.	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Dormant	100%
McGhan Limited	c/o Michael F. Cleary, Castlebar Street, Westport Co, Mayo, Ireland	Dormant	100%
MPEX London Limited (Liquidated on February 23, 2019)	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Dormant	100%
MPEX Pharmaceuticals, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Naurex Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Northwood Medical Innovation, Ltd.	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Dormant	100%
Oculeve, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Odyssea Pharma SPRL	Rue du Travail 16, 4460 Grâce-Hollogne, Belgium	Other	100%
Pacific Pharma, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Pharm-Allergan GmbH	Bruckengebaude, Westhafenplatz 6-8, 60327, Frankfurt am Main, Germany	Pharmaceutical Distribution and Research & Development	100%
Pharm-Allergan GmbH Austria branch	Bruckengebaude, Westhafenplatz 6-8, 60327, Frankfurt am Main, Germany	Branch	100%
Pharmax Holding Limited	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Renable Pharma Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks SL7 1YL, England	Other	100%
Repros Therapeutics, Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801	Other	100%
RP Merger Sub, Inc.	The Corporation Trust Company, 1209 Orange Street, Corporation Trust Center, Wilmington, DE 19801	Other	0%
Seabreeze Silicone Unlimited Company	Clonshaugh Business and Technology Park, Coolock, Dublin 17, Ireland	Dormant	100%
Silicone Engineering Inc.	2710 Gateway Oaks Drive, Suite 150 N, Sacramento, CA 95833-3505	Dormant	100%
Tobira Therapeutics, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Research & Development	100%
Topokine Therapeutics, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Tosara Exports Limited	Clonshaugh Business & Technology Park, Coolock, Dublin 17, Ireland	Other	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Transderm, Inc.	1108 East South Union Avenue, Midvale, Utah 84047	Research & Development	100%
Uteron Pharma SPRL	Rue du Travail 16, 4460 Grâce-Hollogne, Belgium	Holding Company	100%
Varioraw Percutive Sàrl	Place de la Gare 1, c/o Fiduciaire Heller S.A., 1260 Nyon	Holding Company	100%
Vicuron Pharmaceuticals LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Holding Company	100%
Vitae Pharmaceuticals LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Warner Chilcott Deutschland GmbH	Dr. Otto-Röhm – Str 2-4 D-64331 Weiterstadt Germany	Pharmaceutical Distribution, Manufacturing and Research & Development	100%
Warner Chilcott Holdings Company II, Limited	Estera, Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda	Holding Company	100%
Warner Chilcott Holdings Company III, Limited	Estera, Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda	Holding Company	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Warner Chilcott Intermediate (Ireland) Limited	Clonshaugh Business & Technology Park, Coolock, Dublin D17 E400, Ireland	Holding Company	100%
Warner Chilcott Leasing Equipment Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Warner Chilcott Limited	Estera, Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda	Holding Company	100%
Warner Chilcott Nederland B.V.	Keizerstraat 13, 4811 HL Breda, The Netherlands	Other	100%
Warner Chilcott Pharmaceuticals S. àr.l.	14, rue de la Corraterie, Case Postale 5114, CH-1211 GENEVE 11, Switzerland	Other	100%
Warner Chilcott Sales (US), LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ A, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ Aesthetics, Inc.	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Pharmaceutical Distribution and Manufacturing	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
ZELTIQ B, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ C Company	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
ZELTIQ International, LLC	The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	Other	100%
Zeltiq International, LLC — Taiwan Branch	N/A – in de-registration process	Branch	100%
ZELTIQ Ireland International Holdings UC	Galway West Business Park, Western Distributor Road, Knocknacarra, Galway.	Other	100%
ZELTIQ Ireland Unlimited Company	Galway West Business Park, Western Distributer Road, Knocknacarra, Galway.	Other	100%
ZELTIQ Limited	1st Floor Marlow International, The Parkway, Marlow, Bucks, SL7 1YL	Pharmaceutical Distribution	100%
Zeltiq Limited Spanish branch	Ribera del Loira 46, Campo de las Naciones, Madrid	Branch	100%
Zeltiq Limited Swedish branch	Strandbergsgatan 61, SE 112 51 Stockholm, Sweden	Branch	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31 Subsidiary Undertakings - continued

Name	Registered Office	Principal activities	Portion of equity held
Zeltiq Limited German branch	Herriotstrasse 1, 60528 Frankfurt am Main, Germany	Branch	100%

32 Approval of the financial statements

The financial statements were approved by the directors on March 22, 2019.

PARENT COMPANY BALANCE SHEET
As of December 31, 2018

(all amounts in millions)	Notes	2018 $	2017 $
Assets			
Fixed assets			
Financial assets – investment in subsidiary	3	89,264.7	89,264.7
		89,264.7	89,264.7
Current assets			
Debtors – amounts due from subsidiaries		2,829.1	1,881.8
Cash at bank and in hand		1.7	0.8
		2,830.8	1,882.6
Creditors: amounts falling due within one year			
Amounts owed to subsidiaries	10	16,493.0	10,680.1
Accrued liabilities		0.9	1.2
Total current liabilities		16,493.9	10,681.3
Net current (liabilities)		(13,663.1)	(8,798.7)
Total assets less current liabilities		75,601.6	80,466.0
Creditors: amounts falling due after one year			
Amounts owed to subsidiaries	10	-	3,964.0
Other liabilities		0.1	0.4
Called up share capital presented as liability	6	-	2,966.4
Net assets		**75,601.5**	**73,535.2**
Capital and reserves			
Called up share capital presented as equity	4	0.1	0.1
Share premium account	5	457.9	355.5
Other reserves	5	4,490.7	1,529.3
Profit and loss account	5	70,652.8	71,650.3
Total equity		**75,601.5**	**73,535.2**

On behalf of the board

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

/s/ Carol Anthony (John) Davidson
Carol Anthony (John) Davidson
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2018

(all amounts in millions)	Called up share capital presented as equity	Share premium	Other reserves	Profit and loss account	Total
	$	$	$	$	$
Balance at 31 December 2016	**0.1**	**172.1**	**1,270.5**	**72,813.4**	**74,256.1**
Balance at 1 January 2017	0.1	172.1	1,270.5	72,813.4	74,256.1
Income for the financial year	-	-	-	1,153.0	1,153.0
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	1,153.0	1,153.0
Credit relating to equity settled share-based payments	-	-	250.3	-	250.3
Settlement of accelerated share repurchase	-	-	-	(947.1)	(947.1)
Open market share repurchases	-	-	-	(450.0)	(450.0)
Dividends	-	-	-	(939.8)	(939.8)
Non-cash equity issuance for the Acquisition of Zeltiq net assets	-	-	8.5	-	8.5
Profit and loss account impact of share compensation change	-	-	-	20.8	20.8
Ordinary shares issued under employee plans	-	183.4	-	-	183.4
Total transactions recognised directly in equity	-	183.4	258.8	(2,316.1)	(1,873.9)
Balance at 31 December 2017	**0.1**	**355.5**	**1,529.3**	**71,650.3**	**73,535.2**
Balance at 1 January 2018	0.1	355.5	1,529.3	71,650.3	73,535.2
Income for the financial year	-	-	-	2,722.7	2,722.7
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the financial year	-	-	-	2,722.7	2,722.7
Credit relating to equity settled share-based payments	-	-	204.4	-	204.4
Issuance of ordinary shares associated with the March 1, 2018 conversion of preferred shares	-	-	2,757.0	-	2,757.0
Open market share repurchases	-	-	-	(2,740.0)	(2,740.0)
Dividends	-	-	-	(980.2)	(980.2)
Ordinary shares issued under employee plans	-	102.4	-	-	102.4
Total transactions recognised directly in equity	-	102.4	2,961.4	(3,720.2)	(656.4)
Balance as of December 31, 2018	**0.1**	**457.9**	**4,490.7**	**70,652.8**	**75,601.5**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 General Information

Allergan plc (formerly known as Actavis plc and formerly known as Actavis Limited) (the "Company") was incorporated in Ireland with registration number 527629 on May 16, 2013 as a private limited company and re-registered effective September 20, 2013 as a public limited company. Allergan plc was established for the purpose of facilitating the business combination between Actavis, Inc. and Warner Chilcott plc ("Warner Chilcott").

On May 17, 2013 Actavis Limited acquired 100% of the share capital of Actavis Ireland Holding Limited ("AIHL"), a private limited company incorporated in Ireland. On September 30, 2013, AIHL allotted and issued 134,099,200 preference shares to Actavis plc in exchange for an allotment and issuance of 134,099,200 ordinary shares by Allergan plc.

On October 1, 2013, pursuant to the transaction agreement dated May 19, 2013 among Actavis, Inc. (now known as Allergan Finance, LLC), Warner Chilcott, Allergan plc, Actavis Ireland Holding Limited, Actavis W.C. Holding LLC (now known as Actavis W.C. Holding Inc.) and Actavis W.C. Holding 2 LLC (now known as Actavis W.C. Holding 2 Inc.) ("MergerSub"), (i) Allergan plc acquired Warner Chilcott (the "Warner Chilcott Acquisition") pursuant to a scheme of arrangement under Section 201, and a capital reduction under Sections 72 and 74, of the Irish Companies Act of 1963 where each Warner Chilcott ordinary share was converted into 0.160 of an Allergan plc ordinary share (the "Company Ordinary Shares"), or $5,833.9 million in equity consideration, and (ii) MergerSub merged with and into Actavis, Inc., with Actavis, Inc. as the surviving corporation in the merger (the "Merger" and, together with the Warner Chilcott Acquisition, the "Transactions"). Following the consummation of the Transactions, Actavis, Inc. and Warner Chilcott became wholly-owned subsidiaries of Allergan plc. Each of Actavis, Inc.'s common shares was converted into one Company Ordinary Share.

On October 1, 2013, the AIHL preference shares were converted to ordinary shares. On November 27, 2013 Allergan plc transferred 100% of its share holding in AIHL to Warner Chilcott plc, in return for 10,000 shares (par value USD 0.01) and the remainder allocated to share premium.

On July 1, 2014, the Allergan group acquired Forest Laboratories, Inc. ("Forest") for consideration including the issuance of Allergan plc equity. The equity instruments were issued in exchange for shares in Tango US Holdings Inc. valued at $20,590.5 million. On July 1, 2014, Warner Chilcott plc made a distribution to Allergan plc of $815.6 million.

On March 17, 2015, the Allergan Group acquired Allergan, Inc. ("Legacy Allergan") for approximately $77.0 billion including outstanding indebtedness assumed of $2.2 billion, cash consideration of $40.1 billion and equity consideration of $34.7 billion, which includes outstanding equity awards (the "Allergan Acquisition"). As part of the consideration, equity instruments of Allergan plc were issued through public offering and through issuance to Legacy Allergan shareholders. The Company issued ordinary shares for net proceeds of $4,071.1 million through a public offering, which was used in part to fund the cash consideration portion of the Allergan Acquisition, and issued equity consideration to Legacy Allergan shareholders, including outstanding equity awards, valued at $34,686.5 million.

The principal activity of Allergan plc is an investment holding company. Its registered address is Clonshaugh Business and Technology Park, Coolock, Dublin, D17 E400, Ireland. These financial statements are the Company's separate financial statements and are presented in its functional currency which is US dollars.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

2 Statement of compliance and summary of significant accounting policies

Statement of compliance

These financial statements have been prepared on a going concern basis and in compliance with Irish GAAP, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and the Companies Act 2014. FRS 102 refers to the accounting standards issued by the Financial Reporting Council of the UK including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and Irish law.

Accounting policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated. The Company has adopted FRS 102 in these entity financial statements.

Basis of preparation

The financial statements of Allergan plc as a stand alone entity have been prepared on a historical cost convention, as modified by the measurement of certain financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise its judgement in the process of applying the Company's accounting policies.

In accordance with section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual profit and loss account to the annual general meeting and from filing it with the Registrar of Companies. The Company's income for the years ended December 31, 2018 and 2017 determined in accordance with Irish GAAP was $2,722.7 million and $1,153.0 million, respectively.

Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company is a qualifying entity and has availed of the following disclosure exemptions:

i) Exemption from the requirements of Section 7 of FRS 102 and FRS 102 paragraph 3.17(d) to present a statement of cash flows.

ii) Exemption from the financial instrument disclosure requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A of FRS 102 as the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

iii) Exemption from certain disclosure requirements of Section 26 of FRS 102 (paragraphs 26.18(b), 26.19 to 26.21 and 26.23), in respect of share-based payments as the share-based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group; and the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

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

Basis of preparation – continued

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

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

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

ii. it discloses in the notes to these financial statements a brief narrative summary of the disclosure exemptions adopted and the name of the parent of the group in whose consolidated financial statements its financial statements are consolidated, and from where those financial statements may be obtained.

Critical accounting judgments and estimation uncertainty

Estimates and judgments made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The estimation process required to prepare the Company's financial statements requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. The Company's actual results could differ materially from those estimates.

Carrying value of investment in subsidiary

The Company is a holding company and at the balance sheet has an investment in subsidiary carried at cost of $89,264.7 million. The investment is reviewed for impairment indicators. Recoverability of the investment is dependent on the financial condition of the subsidiaries of the Company. As of December 31, 2018, no impairments were noted.

Financial assets

Investment in subsidiary is stated in the Company's Balance Sheet at cost less any return of capital, unless it has been impaired in which case it is carried at net of any impairment loss recognized.

Taxation

Income tax expense for the financial year, if any, comprises current and deferred tax recognized in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

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

Taxation – continued

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognized where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognized in financial statements.

Deferred tax is recognized on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognized only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

Foreign currencies

Transactions denominated in foreign currencies are translated into dollars at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All translation differences are taken to the profit and loss account.

Financial instruments

The Company has chosen to apply the provisions of Sections 11 and 12 of FRS 102 to account for all of its financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and cash equivalents are initially recognized at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial asset is initially measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

At the end of each financial year, financial assets measured at amortized cost are assessed for objective evidence of impairment. If there is objective evidence that a financial asset measured at amortized cost is impaired an impairment loss is recognized in profit or loss. The impairment loss is the difference between the financial asset's carrying amount and the present value of the financial asset's estimated cash inflows discounted at the asset's original effective interest rate. No impairments were recognized in the years ended December 31, 2018 or 2017.

Financial assets are derecognized when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

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

Financial instruments – continued

another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including accrued liabilities, loans from fellow group companies and preference shares, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Loans from fellow group companies, and financial liability from arrangements which constitute financing transactions are subsequently carried at amortized cost, using the effective interest method.

Mandatory convertible preference shares, in which there was an unavoidable contractual obligation to pay some cash and /or other financial assets were classified as financial liabilities and were marked-to-market with fair value movements recorded in profit or loss at each reporting date, which amounted to $2,966.4 million of income in the year ended December 31, 2018. The dividends on these preference shares were charged to the liability. As of March 1, 2018, all outstanding preferred shares were converted into 17,876,930 ordinary shares.

Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Equity shares issued

Equity shares issued are recognized at the proceeds received. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends and other distributions to company's equity shareholders are recognized as a liability in the financial statements in the financial year in which the dividends and other distributions are approved by the company's shareholders.

Share-based compensation

The Company operates a number of equity-settled, share-based compensation plans for employees of some of its subsidiaries. The fair value of the employee services received in exchange for the equity instruments granted in each of the subsidiaries of the company is recognized as an addition to investment in subsidiary with a corresponding increase in equity. Subsequently, the Company recharges its subsidiary which has the impact of reducing investment in subsidiary with a corresponding offset to related-party debtors.

The proceeds received by the Company when share options are exercised are credited to share capital (nominal value) and the balance to share premium.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

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

Share-based compensation – continued

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

Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

3 Investment in subsidiary

The investment in subsidiary at December 31, 2018 and 2017 is $89,264.7 million. There was no change in investment in subsidiary for the year ended December 31, 2018.

Details of subsidiary

Name	Principal activities	Registered office	Portion of ordinary shares held
Allergan WC Holdings Ireland Limited (f/k/a Warner Chilcott plc)	Holding Company	Clonshaugh Business and Technology Park Coolock, Dublin, D17 E400, Ireland	100%

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

4 Called up share capital ($ in thousands except share data)

	Date of issuance	$
Allotted, called up and fully paid equity		
December 31, 2016 – 334,868,727 ordinary shares of $0.0001 par value, and 40,000 deferred ordinary shares of €1.00 par value		88.6
377,966 ordinary shares of $0.0001 par value issued for share-based compensation	1/1/2017 / 12/31/2017	-
1,878,737 ordinary shares of $0.0001 par value issued for option exercises	1/1/2017 / 12/31/2017	0.2
145,478 ordinary shares of $0.0001 par value cancelled during the year	1/1/2017 / 12/31/2017	-
2,618,557 ordinary shares of $0.0001 par value cancelled during the year – open market share repurchases	1/1/2017 / 12/31/2017	(0.3)
4,203,837 ordinary shares of $0.0001 par value cancelled during the year – settlement of Accelerated Share Repurchase Program	1/1/2017 / 12/31/2017	(0.4)
December 31, 2017 – 330,157,558 ordinary shares of $0.0001 par value, and 40,000 deferred ordinary shares of €1.00 par value		88.1
532,057 ordinary shares of $0.0001 par value issued for share-based compensation	1/1/2018 / 12/31/2018	-
17,876,930 preferred share conversion	3/1/2018	1.8
989,657 ordinary shares of $0.0001 par value issued for option exercises	1/1/2018 / 12/31/2018	0.1
223,853 ordinary shares of $0.0001 par value cancelled during the year	1/1/2018 / 12/31/2018	-
16,772,162 ordinary shares of $0.0001 par value cancelled during the year – open market share repurchases	1/1/2018 / 12/31/2018	(1.7)
December 31, 2018 – 332,560,187 ordinary shares of $0.0001 par value, and 40,000 deferred ordinary shares of €1.00 par value		**88.3**

5 Reserves

Share Premium

Share premium represents proceeds received from the issuance of share capital in excess of par value.

Other reserves

During the year, 16,996,015 ordinary shares, par value $0.0001, were cancelled. In line with the requirements of Irish law, the par value of the cancelled shares totaling $1,700 was transferred to a capital redemption reserve fund account in equity. The cumulative amount within Other Reserves was $8,738 as of December 31, 2018. The rest of the Other Reserves balance relates to share based payment adjustments and tax credits.

Profit and loss reserve

This represents the accumulated comprehensive income since incorporation plus capital reductions and less distributions to equity shareholders.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

5 Reserves - continued

On June 2, 2016, the Irish High Court approved the creation of distributable profits through a capital reduction which lowered share premium and increased profit and loss reserves of the Company by $79,014.2 million.

On February 28, 2019, Allergan WC Holdings Ltd, Allergan plc's direct subsidiary, declared a dividend to Allergan plc in the amount of approximately $9,500.0 million. This dividend in part settles the inter-company payable position on Allergan plc's balance sheet as of December 31, 2018 and will be accounted for as a return of capital consistent with the substance of the transaction.

Share Repurchase Programs

On January 29, 2019, the Company announced that its Board of Directors approved a separate $2.0 billion share repurchase program.

On July 26, 2018, the Company's Board of Directors approved a $2.0 billion share repurchase program. As of December 31, 2018, the Company had repurchased 7.2 million shares for $1.2 billion under the program.

In September 2017, the Company's Board of Directors approved a $2.0 billion share repurchase program. As of December 31, 2017, the Company had repurchased $450.0 million, or 2.6 million shares under the program. The Company completed the share repurchase program in 2018, repurchasing $1.54 billion or 9.6 million shares.

The Company's Board of Directors approved a $10.0 billion accelerated share repurchase ("ASR") program, which was initiated in November 2016 and completed in 2017. Under the ASR, the Company repurchased 4.2 million ordinary shares in the year ended December 31, 2017.

Quarterly Dividend

During the year ended December 31, 2018 the Company paid a quarterly cash dividend of $0.72 per share for holders of the Company's ordinary shares in March, June, September and December of 2018. The total amount paid in the year ended December 31, 2018 was $980.2 million. During the year ended December 31, 2017 the Company paid a quarterly cash dividend of $0.70 per share for holders of the Company's ordinary shares in March, June, September and December of 2017. The total amount paid in the year ended December 31, 2017 was $939.8 million.

On January 25, 2019, the Company's Board of Directors approved an increase in the Company's quarterly cash dividend for 2019 to $0.74 per ordinary share.

6 Called up share capital as presented as liability

Preferred Shares

On February 24, 2015, the Company completed an offering of 5,060,000 of our 5.500% mandatorily convertible preferred shares, Series A, par value $0.0001 per share (the "Mandatory Convertible Preferred Shares"). Dividends on the Mandatory Convertible Preferred Shares were payable on a cumulative basis when, as and if declared by our board of directors, or an authorized committee thereof, at an annual rate of 5.500% on the liquidation preference of $1,000.00 per Mandatory Convertible Preferred Share. The Company declared dividends in cash on March 1, June 1, September 1 and December 1 of each year

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS - continued

6 Called up share capital as presented as liability - continued

commencing June 1, 2015, to and including March 1, 2018. The net proceeds from the Mandatory Convertible Preferred Share issuance of $4,929.7 million were used to fund the Allergan Acquisition.

In the year ended December 31, 2018 and 2017, the Company paid $69.6 million and $278.4 million, respectively, of dividends on the 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.

The instruments were treated as indebtedness and were marked-to-market based on a quoted market price in an active market at each reporting date. The Company notes that the fair market value was $2,966.4 million as of December 31, 2017.

7 Related party transactions

The Company is exempt from disclosing related party transactions with entities that are wholly owned within the group it heads.

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

8 Auditors' remuneration

In the years ended December 31, 2018 and 2017, $35 thousand and $35 thousand, respectively, was payable for the statutory audit of the parent individual accounts to its auditors, PricewaterhouseCoopers, Ireland.

9 Financial commitments and contingent liabilities

The Company and its affiliates are involved in a number of disputes, governmental and/or regulatory inspections, inquires, investigations and proceedings that could result in litigation, and other litigation matters that arise from time to time. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the Company, its results of operations, financial condition and cash flows.

10 Loans with subsidiaries

As of December 31, 2018, a consolidated subsidiary Warner Chilcott Limited, an indirect wholly owned subsidiary of Allergan plc had $9.8 billion in receivables from Allergan plc. These receivables related to intercompany loans between Allergan plc and subsidiaries of Warner Chilcott Limited. These loans are interest-bearing loans with varying term dates. Total interest expense recognized during the years ended December 31, 2018 and 2017 was $208.3 million and $82.1 million, respectively.

11 Approval of financial statements

The directors approved the financial statements on March 22, 2019.