Allergan plc
Form 10-Q
May 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

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

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda
(441) 295-2244

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

Allergan plc	YES	NO
Warner Chilcott Limited	YES	NO

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

Allergan plc	YES	NO
Warner Chilcott Limited	YES	NO

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

Allergan plc	Large accelerated filer	Accelerated filer
	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company	
Warner Chilcott Limited	Large accelerated filer	Accelerated filer
	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	Emerging growth company	

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

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

Allergan plc	YES	NO
Warner Chilcott Limited	YES	NO

Number of shares of Allergan plc's Ordinary Shares outstanding on April 27, 2018: 339,063,627. There is no trading market for securities of Warner Chilcott Limited, all of which are indirectly wholly owned by Allergan plc.

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

TABLE OF CONTENTS

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018

		PAGE
PART I. FINANCIAL INFORMATION		
Item 1.	Consolidated Financial Statements (unaudited)	3
	Consolidated Balance Sheets of Allergan plc as of March 31, 2018 and December 31, 2017	3
	Consolidated Statements of Operations of Allergan plc for the three months ended March 31, 2018 and March 31, 2017	4
	Consolidated Statements of Comprehensive (Loss) of Allergan plc for the three months ended March 31, 2018 and March 31, 2017	5
	Consolidated Statements of Cash Flows of Allergan plc for the three months ended March 31, 2018 and March 31, 2017	6
	Consolidated Balance Sheets of Warner Chilcott Limited as of March 31, 2018 and December 31, 2017	7
	Consolidated Statements of Operations of Warner Chilcott Limited for the three months ended March 31, 2018 and March 31, 2017	8
	Consolidated Statements of Comprehensive (Loss) of Warner Chilcott Limited for the three months ended March 31, 2018 and March 31, 2017	9
	Consolidated Statements of Cash Flows of Warner Chilcott Limited for the three months ended March 31, 2018 and March 31, 2017	10
	Notes to the Consolidated Financial Statements	11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	63
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	79
Item 4.	Controls and Procedures	81
PART II. OTHER INFORMATION		82
Item 1.	Legal Proceedings	82
Item 1A.	Risk Factors	82
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	82
Item 6.	Exhibits	82
	Signatures	84

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
ALLERGAN PLC

CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except par value)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$994.8	$ 1,817.2
Marketable securities	1,037.4	4,632.1
Accounts receivable, net	2,639.2	2,899.0
Inventories	948.4	904.5
Prepaid expenses and other current assets	773.5	1,123.9
Total current assets	6,393.3	11,376.7
Property, plant and equipment, net	1,769.5	1,785.4
Investments and other assets	267.1	267.9
Non current assets held for sale	71.8	81.6
Deferred tax assets	893.6	319.1
Product rights and other intangibles	52,566.5	54,648.3
Goodwill	50,059.5	49,862.9
Total assets	$112,021.3	$ 118,341.9
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$5,072.3	$ 5,541.4
Income taxes payable	117.5	74.9
Current portion of long-term debt and capital leases	626.2	4,231.8
Total current liabilities	5,816.0	9,848.1
Long-term debt and capital leases	25,936.4	25,843.5
Other long-term liabilities	826.8	886.9
Other taxes payable	1,555.7	1,573.9
Deferred tax liabilities	5,540.4	6,352.4
Total liabilities	39,675.3	44,504.8
Commitments and contingencies (Refer to Note 19)		
Equity:		
Preferred shares, $0.0001 par value per share, zero and 5.1 million shares authorized, issued and outstanding, respectively	$-	$ 4,929.7
Ordinary shares; $0.0001 par value per share; 1,000.0 million shares authorized, 339.0 million and 330.2 million shares issued and outstanding, respectively	-	-
Additional paid-in capital	57,486.9	54,013.5
Retained earnings	12,799.5	12,957.2

Accumulated other comprehensive income	2,041.5	1,920.7
Total shareholders' equity	72,327.9	73,821.1
Noncontrolling interest	18.1	16.0
Total equity	72,346.0	73,837.1
Total liabilities and equity	$112,021.3	$ 118,341.9

See accompanying Notes to the Consolidated Financial Statements.

ALLERGAN PLC

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	Three Months Ended March 31,	
	2018	2017
Net revenues	$3,672.1	$3,572.9
Operating expenses:		
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	522.8	450.4
Research and development	474.7	759.9
Selling and marketing	800.0	869.1
General and administrative	295.9	316.1
Amortization	1,697.6	1,736.0
In-process research and development impairments	522.0	340.0
Asset sales and impairments, net	13.1	7.4
Total operating expenses	4,326.1	4,478.9
Operating (loss)	(654.0)	(906.0)
Interest income	17.3	25.3
Interest (expense)	(250.6)	(289.7)
Other (expense) / income, net	(78.8)	(1,922.8)
Total other (expense), net	(312.1)	(2,187.2)
(Loss) before income taxes and noncontrolling interest	(966.1)	(3,093.2)
(Benefit) for income taxes	(682.2)	(532.1)
Net (loss) from continuing operations, net of tax	(283.9)	(2,561.1)
(Loss) from discontinued operations, net of tax	-	(3.1)
Net (loss)	(283.9)	(2,564.2)
(Income) attributable to noncontrolling interest	(2.2)	(1.0)
Net (loss) attributable to shareholders	(286.1)	(2,565.2)
Dividends on preferred shares	46.4	69.6
Net (loss) attributable to ordinary shareholders	$(332.5)	$(2,634.8)
(Loss) per share attributable to ordinary shareholders - basic:		
Continuing operations	$(0.99)	$(7.85)
Discontinued operations	-	(0.01)
Net (loss) per share - basic	$(0.99)	$(7.86)
(Loss) per share attributable to ordinary shareholders - diluted:		
Continuing operations	$(0.99)	$(7.85)
Discontinued operations	-	(0.01)
Net (loss) per share - diluted	$(0.99)	$(7.86)
Dividends per ordinary share	$0.72	$0.70

Weighted average shares outstanding:		
Basic	334.6	335.1
Diluted	334.6	335.1

See accompanying Notes to the Consolidated Financial Statements.

ALLERGAN PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

(Unaudited; in millions)

	Three Months Ended March 31,	
	2018	2017
Net (loss)	$(283.9)	$(2,564.2)
Other comprehensive income / (loss)		
Foreign currency translation gains	183.8	162.6
Net impact of other-than-temporary loss on investment in Teva securities	-	1,599.4
Unrealized (losses), net of tax	-	(1.9)
Impact of ASU No. 2016-01, net of tax	(63.0)	-
Total other comprehensive income, net of tax	120.8	1,760.1
Comprehensive (loss)	(163.1)	(804.1)
Comprehensive (income) attributable to noncontrolling interest	(2.2)	(1.0)
Comprehensive (loss) attributable to ordinary shareholders	$(165.3)	$(805.1)

See accompanying Notes to the Consolidated Financial Statements.

ALLERGAN PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three Months Ended March 31,	
	2018	2017
Cash Flows From Operating Activities:		
Net (loss)	$(283.9)	$(2,564.2)
Reconciliation to net cash provided by operating activities:		
Depreciation	56.1	41.6
Amortization	1,697.6	1,736.0
Provision for inventory reserve	14.2	23.9
Share-based compensation	72.5	62.7
Deferred income tax benefit	(1,026.4)	(712.8)
In-process research and development impairments	522.0	340.0
Loss on asset sales and impairments, net	13.1	7.4
Net income impact of other-than-temporary loss on investment in Teva securities	-	1,978.0
Loss on Teva securities	77.7	-
Amortization of inventory step-up	-	27.9
Amortization of deferred financing costs	6.3	6.7
Contingent consideration adjustments, including accretion	5.3	30.7
Other, net	6.5	(18.8)
Changes in assets and liabilities (net of effects of acquisitions):		
Decrease / (increase) in accounts receivable, net	259.1	53.2
Decrease / (increase) in inventories	(52.7)	(50.5)
Decrease / (increase) in prepaid expenses and other current assets	(0.6)	2.5
Increase / (decrease) in accounts payable and accrued expenses	(231.6)	(363.7)
Increase / (decrease) in income and other taxes payable	336.6	123.8
Increase / (decrease) in other assets and liabilities	(13.5)	(1.1)
Net cash provided by operating activities	1,458.3	723.3
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(46.4)	(33.2)
Additions to product rights and other intangibles	-	(346.3)
Additions to investments	(1,455.9)	(6,387.9)
Proceeds from sale of investments and other assets	4,889.5	9,655.3
Payments to settle Teva related matters	(466.0)	-
Proceeds from sales of property, plant and equipment	11.1	0.7
Acquisitions of businesses, net of cash acquired	-	(2,874.4)
Net cash provided by investing activities	2,932.3	14.2
Cash Flows From Financing Activities:		
Proceeds from borrowings of long-term indebtedness, including credit facility	709.0	-
Proceeds from Forward Sale of Teva securities	372.3	-
Payments on debt, including capital lease obligations and credit facility	(4,322.1)	(1,015.9)
Proceeds from stock plans	35.5	52.6

Other financing, including contingent consideration	(9.3)	(76.3)
Payments to settle Teva related matters	(234.0)	-
Repurchase of ordinary shares	(1,439.6)	(29.5)
Dividends paid	(319.5)	(305.8)
Net cash (used in) financing activities	(5,207.7)	(1,374.9)
Effect of currency exchange rate changes on cash and cash equivalents	(5.3)	6.3
Net (decrease) in cash and cash equivalents	(822.4)	(631.1)
Cash and cash equivalents at beginning of period	1,817.2	1,724.0
Cash and cash equivalents at end of period	$994.8	$1,092.9
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Income taxes other, net of refunds	$35.7	$55.0
Interest	$344.4	$420.0
Schedule of Non-Cash Investing and Financing Activities:		
Conversion of mandatory convertible preferred shares	$4,929.7	$-
Dividends accrued	$1.4	$24.6

See accompanying Notes to the Consolidated Financial Statements.

WARNER CHILCOTT LIMITED

CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$994.3	$ 1,816.3
Marketable securities	1,037.4	4,632.1
Accounts receivable, net	2,639.2	2,899.0
Receivables from Parents	5,693.6	5,797.4
Inventories	948.4	904.5
Prepaid expenses and other current assets	772.8	1,123.0
Total current assets	12,085.7	17,172.3
Property, plant and equipment, net	1,769.5	1,785.4
Investments and other assets	267.1	267.9
Non current receivables from Parents	3,964.0	3,964.0
Non current assets held for sale	71.8	81.6
Deferred tax assets	890.5	316.0
Product rights and other intangibles	52,566.5	54,648.3
Goodwill	50,059.5	49,862.9
Total assets	$121,674.6	$ 128,098.4
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$4,945.1	$ 5,515.6
Payables to Parents	2,390.3	2,340.6
Income taxes payable	118.1	74.9
Current portion of long-term debt and capital leases	626.2	4,231.8
Total current liabilities	8,079.7	12,162.9
Long-term debt and capital leases	25,936.4	25,843.5
Other long-term liabilities	826.8	886.9
Other taxes payable	1,555.3	1,573.5
Deferred tax liabilities	5,537.4	6,349.4
Total liabilities	41,935.6	46,816.2
Commitments and contingencies (Refer to Note 19)		
Equity:		
Members' capital	72,935.1	72,935.1
Retained earnings	4,744.3	6,410.4
Accumulated other comprehensive income	2,041.5	1,920.7
Total members’ equity	79,720.9	81,266.2
Noncontrolling interest	18.1	16.0
Total equity	79,739.0	81,282.2
Total liabilities and equity	$121,674.6	$ 128,098.4

See accompanying Notes to the Consolidated Financial Statements.

WARNER CHILCOTT LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions)

	Three Months Ended March 31,	
	2018	2017
Net revenues	$3,672.1	$3,572.9
Operating expenses:		
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	522.8	450.4
Research and development	474.7	759.9
Selling and marketing	800.0	869.1
General and administrative	294.1	314.3
Amortization	1,697.6	1,736.0
In-process research and development impairments	522.0	340.0
Asset sales and impairments, net	13.1	7.4
Total operating expenses	4,324.3	4,477.1
Operating (loss)	(652.2)	(904.2)
Interest income	70.3	51.4
Interest (expense)	(250.6)	(289.7)
Other (expense) / income, net	(78.8)	(1,922.8)
Total other (expense), net	(259.1)	(2,161.1)
(Loss) before income taxes and noncontrolling interest	(911.3)	(3,065.3)
(Benefit) for income taxes	(682.2)	(532.1)
Net (loss) from continuing operations, net of tax	(229.1)	(2,533.2)
(Loss) from discontinued operations, net of tax	-	(3.1)
Net (loss)	(229.1)	(2,536.3)
(Income) attributable to noncontrolling interest	(2.2)	(1.0)
Net (loss) attributable to members	$(231.3)	$(2,537.3)

See accompanying Notes to the Consolidated Financial Statements.

WARNER CHILCOTT LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

(Unaudited; in millions)

	Three Months Ended March 31,	
	2018	2017
Net (loss)	$(229.1)	$(2,536.3)
Other comprehensive income / (loss)		
Foreign currency translation gains	183.8	162.6
Net impact of other-than-temporary loss on investment in Teva securities	-	1,599.4
Unrealized (losses), net of tax	-	(1.9)
Impact of ASU No. 2016-01, net of tax	(63.0)	-
Total other comprehensive income, net of tax	120.8	1,760.1
Comprehensive (loss)	(108.3)	(776.2)
Comprehensive (income) attributable to noncontrolling interest	(2.2)	(1.0)
Comprehensive (loss) attributable to members	$(110.5)	$(777.2)

See accompanying Notes to the Consolidated Financial Statements.

WARNER CHILCOTT LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Three Months Ended March 31,	
	2018	2017
Cash Flows From Operating Activities:		
Net (loss)	$(229.1)	$(2,536.3)
Reconciliation to net cash provided by operating activities:		
Depreciation	56.1	41.6
Amortization	1,697.6	1,736.0
Provision for inventory reserve	14.2	23.9
Share-based compensation	72.5	62.7
Deferred income tax benefit	(1,026.4)	(712.8)
In-process research and development impairments	522.0	340.0
Loss on asset sales and impairments, net	13.1	7.4
Net income impact of other-than-temporary loss on investment in Teva securities	-	1,978.0
Loss on Teva securities	77.7	-
Amortization of inventory step up	-	27.9
Amortization of deferred financing costs	6.3	6.7
Contingent consideration adjustments, including accretion	5.3	30.7
Other, net	6.5	(18.8)
Changes in assets and liabilities (net of effects of acquisitions):		
Decrease / (increase) in accounts receivable, net	259.1	53.2
Decrease / (increase) in inventories	(52.7)	(50.5)
Decrease / (increase) in prepaid expenses and other current assets	0.1	5.7
Increase / (decrease) in accounts payable and accrued expenses	(229.1)	(334.3)
Increase / (decrease) in income and other taxes payable	336.6	123.8
Increase / (decrease) in other assets and liabilities, including receivable / payable with Parents	64.8	(29.7)
Net cash provided by operating activities	1,594.6	755.2
Cash Flows From Investing Activities:		
Additions to property, plant and equipment	(46.4)	(33.2)
Additions to product rights and other intangibles	-	(346.3)
Additions to investments	(1,455.9)	(6,387.9)
Proceeds from the sale of investments and other assets	4,889.5	9,655.3
Payments to settle Teva related matters	(466.0)	-
Proceeds from sales of property, plant and equipment	11.1	0.7
Acquisitions of businesses, net of cash acquired	-	(2,874.4)
Net cash provided by investing activities	2,932.3	14.2
Cash Flows From Financing Activities:		
Proceeds from borrowings of long-term indebtedness, including credit facility	709.0	-
Proceeds from Forward Sale of Teva securities	372.3	-

Payments on debt, including capital lease obligations and credit facility	(4,322.1)	(1,015.9)
Other financing, including contingent consideration	(9.3)	(76.3)
Payments to settle Teva related matters	(234.0)	-
Dividends to Parents	(1,859.5)	(305.8)
Net cash (used in) financing activities	(5,343.6)	(1,398.0)
Effect of currency exchange rate changes on cash and cash equivalents	(5.3)	6.3
Net (decrease) in cash and cash equivalents	(822.0)	(622.3)
Cash and cash equivalents at beginning of period	1,816.3	1,713.2
Cash and cash equivalents at end of period	$994.3	$1,090.9
Schedule of Non-Cash Investing and Financing Activities:		
Non-cash dividends to Parents	$-	$4,203.9

See accompanying Notes to the Consolidated Financial Statements

ALLERGAN PLC AND WARNER CHILCOTT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 — General

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

The accompanying consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 2017 ("Annual Report"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP") have been condensed or omitted from the accompanying consolidated financial statements. The accompanying year end consolidated balance sheet was derived from the audited financial statements included in the Annual Report. The accompanying interim financial statements are unaudited and reflect all adjustments which are in the opinion of management necessary for a fair statement of the Company's consolidated financial position, results of operations, comprehensive (loss) / income and cash flows for the periods presented. Unless otherwise noted, all such adjustments are of a normal, recurring nature. All intercompany transactions and balances have been eliminated in consolidation. The Company's results of operations, comprehensive (loss) and cash flows for the interim periods are not necessarily indicative of the results of operations, comprehensive (loss) and cash flows that it may achieve in future periods.

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

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

Warner Chilcott Limited is an indirect wholly-owned subsidiary of Allergan plc, the ultimate parent of the group, (together with other Warner Chilcott Limited parents, the "Parents"). The results of Warner Chilcott Limited are consolidated into the results of Allergan plc. Due to the deminimis activity between Warner Chilcott Limited and the Parents (including Allergan plc), content throughout this filing relates to both Allergan plc and Warner Chilcott Limited. Warner Chilcott Limited representations relate only to itself and not to any other company. Except where

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

	As of March 31, 2018			As of December 31, 2017		
	Allergan plc	Warner Chilcott Limited	Difference	Allergan plc	Warner Chilcott Limited	Difference
Cash and cash equivalents	$994.8	$994.3	$0.5	$1,817.2	$1,816.3	$0.9
Prepaid expenses and other current assets	773.5	772.8	0.7	1,123.9	1,123.0	0.9
Deferred tax assets	893.6	890.5	3.1	319.1	316.0	3.1
Accounts payable and accrued liabilities	5,072.3	4,945.1	127.2	5,541.4	5,515.6	25.8
Other taxes payables	1,555.7	1,555.3	0.4	1,573.9	1,573.5	0.4
Deferred tax liabilities	5,540.4	5,537.4	3.0	6,352.4	6,349.4	3.0
Total equity	72,346.0	79,739.0	(7,393.0)	73,837.1	81,282.2	(7,445.1)

	Three Months Ended March 31, 2018			Three Months Ended March 31, 2017		
	Allergan plc	Warner Chilcott Limited	Difference	Allergan plc	Warner Chilcott Limited	Difference
General and administrative expenses	$295.9	$294.1	$ 1.8	$316.1	$314.3	$ 1.8
Operating (loss)	(654.0)	(652.2)	(1.8)	(906.0)	(904.2)	(1.8)
Interest income	17.3	70.3	(53.0)	25.3	51.4	(26.1)
(Loss) before income taxes and noncontrolling interest	(966.1)	(911.3)	(54.8)	(3,093.2)	(3,065.3)	(27.9)
Net (loss) from continuing operations, net of tax	(283.9)	(229.1)	(54.8)	(2,561.1)	(2,533.2)	(27.9)
Net (loss)	(283.9)	(229.1)	(54.8)	(2,564.2)	(2,536.3)	(27.9)
Dividends on preferred shares	46.4	-	46.4	69.6	-	69.6
Net (loss) attributable to ordinary shareholders/members	(332.5)	(231.3)	(101.2)	(2,634.8)	(2,537.3)	(97.5)

The difference between general and administrative expenses in the three months ended March 31, 2018 and 2017 was due to corporate related expenses incurred at Allergan plc. The difference between accounts payable and accrued liabilities primarily relates to accruals for the Company's share repurchase program and dividends payable which are held by Allergan plc. Movements in equity are due to historical differences in the results of operations of the companies and differences in equity awards.

As of March 31, 2018 and December 31, 2017, Warner Chilcott Limited had $5.7 billion and $5.8 billion in Receivables from Parents, respectively. As of March 31, 2018 and December 31, 2017, Warner Chilcott Limited had $4.0 billion and $4.0 billion in Non-current Receivables from Parents, respectively. These receivables related to intercompany loans between Allergan plc and each of Allergan Capital S.à.r.l. and Forest Finance B.V., subsidiaries of Warner Chilcott Limited. These loans are interest-bearing loans with varying term dates. Total interest income recognized during the three months ended March 31, 2018 and 2017 was $53.0 million and $26.1 million, respectively.

NOTE 3 — Summary of Significant Accounting Policies

The following are interim updates to certain of the policies described in "Note 4" of the notes to the Company's audited consolidated financial statements for the year ended December 31, 2017 included in the Annual Report.

Reclassifications

On January 1, 2018, we adopted Accounting Standards Update (“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 quarter ended March 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 relate to standard bill and ship terms of pharmaceutical products to customers.

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

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

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

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

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

On January 1, 2018, the Company adopted ASU 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments. This standard amends and adjusts how cash receipts and cash payments are presented and classified in the statement of cash flows. As a result of the guidance, the Company will retrospectively apply the standard which will reclassify debt extinguishment costs from cash flows from operating activities to cash flows from financing activities. As a result of the guidance cash flows from operating activities will increase by $205.6 million and cash flows from financing activities will decrease by $205.6 million for the year ended December 31, 2017.

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, sales returns and allowances, commercial and government rebates, customer loyalty programs and fee-for-service arrangements with certain distributors, which we refer to in the aggregate as “SRA” allowances.

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

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

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

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

Significant Payment Terms

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

Determining the Transaction Price

The Company offers discounts and rebates to certain customers who participate in various programs that are referred to as gross-to-net sales adjustments ("Provisions for SRAs") as described further below. Such 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 to sales based on historical experience, agreements in place and an estimate for claims incurred but not yet paid or credited. The Company performs a level of validation each period to assess the adequacy of the liability or contra receivable recorded to reflect actual activity and will adjust the reserve balance accordingly.

Provisions for SRAs

As is customary in the pharmaceutical industry, certain customers may receive cash-based incentives or credits, which are variable consideration accounted for as SRAs. The Company estimates these amounts based on the expected amount to be provided to customers, which reduces the revenues recognized. The Company believes that there will not be significant changes to our estimates of variable consideration. The Company uses a variety of methods to assess the adequacy of the SRA reserves to ensure that our financial statements are fairly stated. These provisions are estimated based on historical payment experience, historical relationship of the deductions to gross product revenues, government regulations, estimated utilization or redemption rates, estimated customer inventory levels and current contract sales terms. The estimation process used to determine our SRA provisions has been applied on a consistent basis and no material revenue adjustments have been necessary to increase or decrease our reserves for SRA as a result of a significant change in underlying estimates.

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

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

historical experience of claims submitted by the various states and authorities, contractual terms and government regulations. We monitor legislative changes to determine what impact such legislation may have on our provision.

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

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

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

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

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

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

	Chargebacks	Rebates	Returns and Other Allowances	Cash Discounts	Total
Balance at December 31, 2017	$ 77.2	$1,799.2	$ 517.6	$ 36.5	$2,430.5
Provision related to sales in 2018	278.6	1,237.1	444.9	74.5	2,035.1
Credits and payments	(280.3)	(1,252.4)	(419.6)	(81.3)	(2,033.6)
Balance at March 31, 2018	$ 75.5	$1,783.9	$ 542.9	$ 29.7	$2,432.0
Contra accounts receivable at March 31, 2018	$ 75.5	$71.3	$ 51.9	$ 29.7	$228.4
Accounts payable and accrued expenses at March 31, 2018	$ -	$1,712.6	$ 491.0	$ -	$2,203.6

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

	March 31, 2018	December 31, 2017
Contra accounts receivable	$228.4	$ 250.6
Accounts payable and accrued expenses	2,203.6	2,179.9
Total	$2,432.0	$ 2,430.5

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

	Three Months Ended March 31,	
	2018	2017
Gross product sales	$5,616.1	$5,382.4
Provisions to reduce gross product sales to net product sales	(2,035.1)	(1,892.6)
Net product sales	$3,581.0	$3,489.8

Percentage of SRA provisions to gross sales	36.2	%	35.2	%

Collectability Assessment

At contract inception or at customer account set up, the Company performs a collectability assessment on the creditworthiness of its customers. 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 uncollectible receivables to reflect allowances for doubtful accounts.

Practical Expedients and Exemptions

The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales 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 chose not to elect the remaining practical expedients.

Earnings Per Share ("EPS")

The Company computes EPS in accordance with Accounting Standards Codification ("ASC") Topic 260, "Earnings Per Share" ("ASC 260") and related guidance, which requires two calculations of EPS to be disclosed: basic and diluted. Basic EPS is computed by dividing net (loss) by the weighted average ordinary shares outstanding during a period. Diluted EPS is based on the treasury stock method and includes the effect from potential issuance of ordinary shares, such as shares issuable pursuant to the exercise of stock options and restricted stock units. Diluted EPS also includes the impact of ordinary share equivalents issued upon the mandatory conversion of the Company's preferred shares which occurred on March 1, 2018. Ordinary share equivalents have been excluded where their inclusion would be anti-dilutive to continuing operations.

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

	Three Months Ended March 31,	
	2018	2017
Net (loss):		
Net (loss) attributable to ordinary shareholders excluding income from discontinued operations, net of tax	$(332.5)	$(2,631.7)
(Loss) from discontinued operations, net of tax	-	(3.1)
Net (loss) attributable to ordinary shareholders	$(332.5)	$(2,634.8)
Basic weighted average ordinary shares outstanding	334.6	335.1
Basic EPS:		
Continuing operations	$(0.99)	$(7.85)
Discontinued operations	$-	$(0.01)
Net (loss) per share	$(0.99)	$(7.86)
Dividends per ordinary share	$0.72	$0.70
Diluted weighted average ordinary shares outstanding	334.6	335.1
Diluted EPS:		
Continuing operations	$(0.99)	$(7.85)
Discontinued operations	$-	$(0.01)
Net (loss) per share	$(0.99)	$(7.86)

Stock awards to purchase 2.4 million and 4.6 million ordinary shares for the three months ended March 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 weighted average impact of ordinary share equivalents of 11.7 million and 17.6 million for the three months ended March 31, 2018 and 2017, respectively, which would result from the mandatory conversion of the Company's preferred shares at the beginning of the period were not included in the calculation of diluted EPS as their impact would be anti-dilutive. The weighted average impact of the mandatory conversion of the Company's preferred shares into ordinary shares was 6.2 million in the three months ended March 31, 2018. The impact of the 9.6 million shares repurchased in the three months ended March 31, 2018 on basic EPS was 2.0 million weighted average shares. Refer to "NOTE 15 –Shareholders' Equity" for further discussion on the Company's Share Repurchase Program.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, which states that a lessee should recognize the assets and liabilities that arise from leases. This update is effective for fiscal years beginning after December 15,

2018, including interim periods within those fiscal years. While the Company has not yet completed its assessment, the adoption of the guidance may have a material impact on the Company's financial position.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU requires the measurement of all expected credit losses for financial assets including trade receivables held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is evaluating the impact, if any, that this pronouncement will have on our financial position and results of operations.

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

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

NOTE 4 — Acquisitions and Other Agreements

2018 Transactions

The following are the significant transactions that were completed in the three months ended March 31, 2018.

Repros Therapeutics, Inc.

On January 31, 2018, the Company completed the acquisition of Repros Therapeutics, Inc., which was accounted for as an asset acquisition and a net charge of $33.2 million was expensed as a component of research and development ("R&D") during the first quarter of 2018.

2017 Acquisitions with Purchase Accounting Finalized in 2018

ZELTIQ® Aesthetics, Inc.

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

Assets Acquired and Liabilities Assumed at Fair Value

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

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

	Final Valuation as of March 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

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.

NOTE 5 — Discontinued Operations

Global Generics Business

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

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

On January 31, 2018, Allergan plc and Teva entered into a Settlement Agreement and Mutual Releases (the “Agreement”) pursuant to which the Company made a one-time payment of $700.0 million to Teva; the Company and Teva jointly dismissed their working capital dispute arbitration, and the Company and Teva released all actual or potential indemnification and other claims under

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

NOTE 6 – Other (Expense) / Income

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

	Three Months Ended March 31,	
	2018	2017
Teva Share Activity	$(77.7)	$(1,978.0)
Dividend income	-	34.1
Naurex recovery	-	20.0
Other (expense) / income, net	(1.1)	1.1
Other (expense) / income, net	$(78.8)	$(1,922.8)

Teva Share Activity

During the three months ended March 31, 2018, the Company recorded the following movements in its investment in Teva securities (defined herein as “Teva Share Activity”) ($ in millions except per share information):

	Shares	Carrying 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
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	-	-	-	-	-	(129.3)	-	-	129.3
Settlement of initial accelerated share repurchase ("ASR")	(25.0)	18.95	16.53 *	413.3	(473.8)	-	2.5	62.9	-
Forward sale entered into during the three months ended March 31,2018	**	n.a.	n.a.	372.3	n.a.	-	19.0	(353.3)	-
Open market sales	(11.5)	n.a.	19.95	229.9	(218.5)	-	11.5	-	-
Other fair value movements during the three months ended March 31, 2018	-	n.a.	n.a.	n.a.	(110.7)	-	(110.7)	-	-
Teva securities as of	59.4	$ 17.09	$ 17.09	$ 1,015.5	$ 1,014.7	$ -	$ (77.7)	$ (353.3)	$ 129.3

	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	Gain / (Loss) Recognized in Other Income/ (Expense), Net
and for the three months ended March 31, 2018							

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

** On February 13, 2018, the Company entered into a forward sale transaction under which we delivered 25.0 million Teva shares to the transaction counterparty and received proceeds of $372.3 million in exchange for the shares. The forward sale transaction is expected to settle during the second quarter of 2018; the final settlement value of the shares will be based on the volume weighted average price of the Teva shares plus a premium. As a result of the transaction, and in accordance with ASC Topic 860 - Transfers and Servicing, the marketable securities continue to be reported on the Company's books until the contract settles. The Company recorded the cash proceeds as a secured liability as well as a $19.0 million marked-to-market value of the bifurcated derivative component of the agreement in prepaid expenses and other current assets.

During the three months ended March 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	Gain / (Loss) Recognized in Other Income/ (Expense), Net
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)
Teva securities as of and for the three months ended March 31, 2017	100.3	$ 32.09	$ 32.09	4.9 %	$ 3,060.6	$ -	$ (1,978.0)

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

The Company will continue to sell shares of Teva on the open market from time to time.

Dividend income

During the three months ended March 31, 2017, the Company received dividend income of $34.1 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 "Naurex Transaction"). The Company received a purchase price reduction of $20.0 million in the three months ended March 31, 2017 based on the settlement of an open contract dispute.

NOTE 7 — Share-Based Compensation

The Company recognizes compensation expense for all share-based compensation awards made to employees and directors based on the fair value of the awards on the date of grant.

The Company grants awards with the following features:

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

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

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

Fair Value Assumptions

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

	2018 Grants	2017 Grants
Dividend yield	1.9%	1.2%
Expected volatility	27.0%	27.0%
Risk-free interest rate	2.7 - 2.8%	2.0 - 2.3%
Expected term (years)	7.0	7.0

Share-Based Compensation Expense

Share-based compensation expense recognized in the Company's results of operations for the three months ended March 31, 2018 and 2017 was as follows ($ in millions):

	Three Months Ended March 31,	
	2018	2017
Equity-based compensation awards	$72.5	$62.7
Total share-based compensation expense	$72.5	$62.7

Included in the share-based compensation awards for the three months ended March 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, Allergan, Inc. ("Legacy Allergan"), and Forest Laboratories, Inc. ("Forest") acquisitions as follows ($ in millions):

	Three Months Ended March 31,	
	2018	2017
Zeltiq acquisition	$4.1	$-
Allergan acquisition	5.7	17.4
Forest acquisition	-	4.6
Total	$9.8	$22.0

Unrecognized future share-based compensation expense was $286.8 million as of March 31, 2018, including $21.5 million from the Zeltiq acquisition and $17.1 million from the Allergan acquisition. This amount will be recognized as an expense over a remaining weighted average period of 2.0 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 March 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
Restricted shares / units outstanding at December 31, 2017	2.0	$237.72	1.8	$ 484.1
Granted	1.3	147.08		185.5
Vested	(0.4)	(242.38)		(105.2)
Forfeited	(0.1)	(215.37)		(25.9)
Restricted shares / units outstanding at March 31, 2018	2.8	$196.29	2.2	$ 538.5

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

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2017	7.3	$ 120.94	5.2	$ 312.7
Granted	0.2	150.69		
Exercised	(0.3)	99.23		
Cancelled	(0.1)	242.00		
Outstanding, vested and expected to vest at March 31, 2018	7.1	$ 122.02	5.0	$ 330.3

NOTE 8 — Reportable Segments

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

The operating segments are organized as follows:

- The US Specialized Therapeutics segment includes sales and expenses relating to branded products within the U.S., including Medical Aesthetics, Medical Dermatology, 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, acquisition and other shared costs.
- General and administrative expenses that result from shared infrastructure, including certain expenses located within the United States.
- Total assets including capital expenditures.
- Other select revenues and operating expenses including R&D expenses, amortization, In-process Research and Development ("IPR&D") impairments and asset sales and impairments, net as not all such information has been accounted for at the segment level, or such information has not been used by all segments.

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

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

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

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

Segment net revenues, segment operating expenses and segment contribution information consisted of the following for the three months ended March 31, 2018 and 2017 ($ in millions):

	Three Months Ended March 31, 2018			
	US Specialized Therapeutics	US General Medicine	International	Total
Net revenues	$1,578.6	$ 1,223.7	$ 864.0	$3,666.3
Operating expenses:				
Cost of sales[1]	134.2	182.6	120.9	437.7
Selling and marketing	313.2	225.5	245.7	784.4
General and administrative	50.2	38.9	31.4	120.5
Segment contribution	$1,081.0	$ 776.7	$ 466.0	$2,323.7
Contribution margin	68.5 %	63.5 %	53.9 %	63.4 %
Corporate[2]				270.3
Research and development				474.7
Amortization				1,697.6
In-process research and development impairments				522.0
Asset sales and impairments, net				13.1
Operating (loss)				$(654.0)
Operating margin				(17.8)%

(1) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.
(2) Corporate includes net revenues of $5.8 million.

	Three Months Ended March 31, 2017			
	US Specialized Therapeutics	US General Medicine	International	Total
Net revenues	$1,482.0	$ 1,345.8	$ 737.3	$3,565.1
Operating expenses:				
Cost of sales[1]	89.2	194.5	100.3	384.0
Selling and marketing	330.4	302.5	209.5	842.4
General and administrative	44.8	40.7	29.9	115.4
Segment contribution	$1,017.6	$ 808.1	$ 397.6	$2,223.3
Contribution margin	68.7 %	60.0 %	53.9 %	62.4 %
Corporate[2]				286.0
Research and development				759.9
Amortization				1,736.0
In-process research and development impairments				340.0
Asset sales and impairments, net				7.4
Operating (loss)				$(906.0)
Operating margin				(25.4)%

(1) Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.
(2) Corporate includes net revenues of $7.8 million.

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

	Three Months Ended March 31,	
	2018	2017
Europe	$398.4	$326.6
Asia Pacific, Middle East and Africa	240.8	212.1
Latin America and Canada	212.1	182.8
Other*	12.7	15.8
Total International	$864.0	$737.3

*Includes royalty and other revenue

The following tables present global net revenues for the top products of the Company as well as a reconciliation of segment revenues to total net revenues for the three months ended March 31, 2018 and 2017 ($ in millions):

	Three Months Ended March 31, 2018			
	US Specialized Therapeutics	US General Medicine	International	Total
Botox®	$572.5	$ -	$ 244.8	$817.3
Restasis®	255.8	-	18.3	274.1
Juvederm® Collection	122.8	-	146.1	268.9
Lumigan®/Ganfort®	66.8	-	100.4	167.2
Linzess®/Constella®	-	159.3	5.6	164.9
Bystolic® / Byvalson®	-	132.8	0.5	133.3
Alphagan®/Combigan®	84.2	-	44.2	128.4
Eye Drops	46.2	-	68.8	115.0
Lo Loestrin®	-	114.6	-	114.6
Breast Implants	60.7	-	44.1	104.8
Alloderm ®	99.5	-	2.2	101.7
Ozurdex ®	25.5	-	64.4	89.9
Vraylar™	-	84.4	-	84.4
Viibryd®/Fetzima®	-	71.7	1.5	73.2
Coolsculpting ® Consumables	53.4	-	8.1	61.5
Carafate ® / Sulcrate ®	-	56.0	0.7	56.7
Zenpep®	-	52.9	-	52.9
Asacol®/Delzicol®	-	38.2	11.7	49.9
Armour Thyroid	-	48.2	-	48.2
Canasa®/Salofalk®	-	38.6	4.2	42.8
Namenda XR®	-	40.5	-	40.5
Viberzi®	-	35.9	0.1	36.0
Coolsculpting ® Systems & Add On Applicators	33.7	-	1.1	34.8
Namzaric®	-	33.4	-	33.4
Saphris®	-	32.7	-	32.7
Teflaro®	-	32.2	-	32.2
Rapaflo®	22.8	-	1.2	24.0
Avycaz®	-	21.8	-	21.8
Savella®	-	19.9	-	19.9
SkinMedica®	18.1	-	1.6	19.7
Aczone®	16.0	-	0.1	16.1
Latisse®	13.8	-	2.2	16.0
Lexapro®	-	14.7	-	14.7
Dalvance®	-	11.9	-	11.9
Tazorac®	9.4	-	0.2	9.6
Kybella® / Belkyra®	8.2	-	1.4	9.6
Liletta®	-	8.1	-	8.1
Estrace® Cream	-	6.4	-	6.4
Minastrin® 24	-	5.2	-	5.2
Enablex®	-	0.8	-	0.8

Namenda® IR	-	0.1	-	0.1
Other	69.2	163.4	90.5	323.1
Total segment revenues	$1,578.6	$ 1,223.7	$ 864.0	$3,666.3
Corporate revenues				5.8
Total net revenues				$3,672.1

	Three Months Ended March 31, 2017			
	US Specialized Therapeutics	US General Medicine	International	Total
Botox®	$509.4	$ -	$ 204.6	$714.0
Restasis®	308.8	-	13.9	322.7
Juvederm® Collection	119.8	-	122.2	242.0
Lumigan®/Ganfort®	74.3	-	85.9	160.2
Linzess®/Constella®	-	147.6	4.9	152.5
Bystolic® / Byvalson®	-	139.8	0.5	140.3
Alphagan®/Combigan®	86.4	-	42.3	128.7
Namenda XR®	-	122.0	-	122.0
Eye Drops	47.8	-	65.3	113.1
Lo Loestrin®	-	99.8	-	99.8
Breast Implants	54.3	-	37.6	91.9
Ozurdex ®	22.5	-	51.1	73.6
Estrace® Cream	-	73.4	-	73.4
Viibryd®/Fetzima®	-	72.5	0.4	72.9
Asacol®/Delzicol®	-	57.6	12.1	69.7
Carafate ® / Sulcrate ®	-	58.7	0.7	59.4
Alloderm ®	54.1	-	1.2	55.3
Vraylar™	-	53.6	-	53.6
Zenpep®	-	46.5	-	46.5
Canasa®/Salofalk®	-	38.3	4.4	42.7
Minastrin® 24	-	41.1	-	41.1
Aczone®	40.6	-	-	40.6
Armour Thyroid	-	37.3	-	37.3
Saphris®	-	37.3	-	37.3
Viberzi®	-	31.5	-	31.5
Teflaro®	-	30.6	-	30.6
SkinMedica®	28.0	-	-	28.0
Rapaflo®	25.9	-	2.0	27.9
Savella®	-	24.3	-	24.3
Namzaric®	-	23.6	-	23.6
Tazorac®	23.4	-	0.2	23.6
Kybella® / Belkyra®	15.1	-	1.5	16.6
Latisse®	13.6	-	1.9	15.5
Lexapro®	-	13.4	-	13.4
Avycaz®	-	11.3	-	11.3
Dalvance®	-	9.6	-	9.6
Liletta®	-	7.2	-	7.2
Enablex®	-	0.9	-	0.9
Namenda® IR	-	0.1	-	0.1
Other	58.0	167.8	84.6	310.4
Total segment revenues	$1,482.0	$ 1,345.8	$ 737.3	$3,565.1
Corporate revenues				7.8
Total net revenues				$3,572.9

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

NOTE 9 — Inventories

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

Inventories consisted of the following ($ in millions):

	March 31, 2018	December 31, 2017
Raw materials	$ 341.5	$ 326.9
Work-in-process	167.7	158.1
Finished goods	545.6	527.8
	1,054.8	1,012.8
Less: inventory reserves	106.4	108.3
Total Inventories	$ 948.4	$ 904.5

NOTE 10 — Accounts Payable and Accrued Expenses

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

	March 31, 2018	December 31, 2017
Accrued expenses:		
Accrued third-party rebates	$ 1,810.2	$ 1,804.1
Accrued payroll and related benefits	419.2	635.6
Accrued returns	393.4	375.8
Teva forward sale agreement	372.3	-
Accrued R&D expenditures	228.0	165.9
Accrued pharmaceutical fees	191.5	186.4
Royalties payable	155.5	189.2
Interest payable	149.1	245.9
Accrued severance, retention and other shutdown costs	131.1	132.8
Accrued share repurchases	124.7	-
Litigation-related reserves and legal fees	112.1	78.3
Accrued non-provision taxes	75.5	76.5
Accrued selling and marketing expenditures	71.8	53.0

Current portion of contingent consideration obligations	58.2	56.2
Contractual commitments (including amounts due to Teva)	5.2	705.4
Dividends payable	1.4	24.6
Other accrued expenses	468.7	487.2
Total accrued expenses	$ 4,767.9	$ 5,216.9
Accounts payable	304.4	324.5
Total accounts payable and accrued expenses	$ 5,072.3	$ 5,541.4

NOTE 11 — Goodwill, Product Rights and Other Intangible Assets

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

	US Specialized Therapeutics	US General Medicine	International	Total
Balance as of December 31, 2017	$ 20,859.6	$ 21,399.7	$ 7,603.6	$ 49,862.9
Foreign exchange and other adjustments	-	-	196.6	196.6
Balance as of March 31, 2018	$ 20,859.6	$ 21,399.7	$ 7,800.2	$ 50,059.5

As of March 31, 2018 and December 31, 2017, the gross balance of goodwill, pre-impairments, was $50,076.8 million and $49,880.2 million, respectively.

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

Cost Basis	Balance as of December 31, 2017	Impairments	Foreign Currency Translation	Balance as of March 31, 2018
Intangibles with definite lives:				
Product rights and other intangibles	$ 73,892.5	$ -	$ 174.9	$ 74,067.4
Trade name	690.0	-	-	690.0
Total definite-lived intangible assets	$ 74,582.5	$ -	$ 174.9	$ 74,757.4
Intangibles with indefinite lives:				
IPR&D	$ 5,874.1	$ (522.0)	$ -	$ 5,352.1
Total indefinite- lived intangible assets	$ 5,874.1	$ (522.0)	$ -	$ 5,352.1
Total product rights and other intangibles	$ 80,456.6	$ (522.0)	$ 174.9	$ 80,109.5

Accumulated Amortization	Balance as of December 31, 2017	Amortization	Foreign Currency Translation	Balance as of March 31, 2018
Intangibles with definite lives:				
Product rights and other intangibles	$ (25,593.6)	$ (1,678.1)	$ (37.1)	$ (27,308.8)
Trade name	(214.7)	(19.5)	-	(234.2)
Total definite-lived intangible assets	$ (25,808.3)	$ (1,697.6)	$ (37.1)	$ (27,543.0)
Total product rights and	$ (25,808.3)	$ (1,697.6)	$ (37.1)	$ (27,543.0)

other intangibles		
Net Product Rights and Other Intangibles	$ 54,648.3	$52,566.5

In the three months ended March 31, 2018, the Company impaired its RORyt IPR&D project obtained as part of the Vitae acquisition by $522.0 million as a result of negative clinical data related to the oral Psoriasis indication received in March 2018.

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

	Amortization Expense
2018 remaining	$ 4,784.6
2019	$ 6,087.2
2020	$ 5,767.5
2021	$ 4,830.1
2022	$ 4,461.8
2023	$ 4,039.1

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

NOTE 12 — Long-Term Debt and Capital Leases

Debt consisted of the following ($ in millions):

	Issuance Date / Acquisition Date	Interest Payments	Balance As of		Fair Market Value As of	
			March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Senior Notes:						
Floating Rate Notes						
$500.0 million floating rate notes due March 12, 2018 [1]	March 4, 2015	Quarterly	$-	$ 500.0	$-	$ 500.6
$500.0 million floating rate notes due March 12, 2020 [2]	March 4, 2015	Quarterly	500.0	500.0	505.3	508.1
			500.0	1,000.0	505.3	1,008.7
Fixed Rate Notes						
$3,000.0 million 2.350% notes due March 12, 2018	March 4, 2015	Semi-annually	-	3,000.0	-	3,001.9
$250.0 million 1.350% notes due March 15, 2018	March 17, 2015	Semi-annually	-	250.0	-	249.7
$500.0 million 2.450% notes due June 15, 2019	June 10, 2014	Semi-annually	500.0	500.0	496.4	499.7
$3,500.0 million 3.000% notes due March 12, 2020	March 4, 2015	Semi-annually	3,500.0	3,500.0	3,481.1	3,528.4
$650.0 million 3.375% notes due September 15, 2020	March 17, 2015	Semi-annually	650.0	650.0	649.6	661.3
$750.0 million 4.875% notes due February 15, 2021	July 1, 2014	Semi-annually	450.0	450.0	465.3	474.3
$1,200.0 million 5.000% notes due December 15, 2021	July 1, 2014	Semi-annually	1,200.0	1,200.0	1,252.9	1,282.6
$3,000.0 million 3.450% notes due March 15, 2022	March 4, 2015	Semi-annually	3,000.0	3,000.0	2,971.2	3,044.5
$1,700.0 million 3.250% notes due October 1, 2022	October 2, 2012	Semi-annually	1,700.0	1,700.0	1,660.7	