Allergan plc
Form 10-Q
October 31, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018

OR

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

| Commission 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<br>Clonshaugh Business and Technology Park<br>Coolock, Dublin, D17 E400, Ireland<br>(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

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

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

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

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

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

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

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

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

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
ALLERGAN PLC

CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except par value)

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

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

See accompanying Notes to the Consolidated Financial Statements.

ALLERGAN PLC

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

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

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

See accompanying Notes to the Consolidated Financial Statements.

ALLERGAN PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

(Unaudited; in millions)

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

See accompanying Notes to the Consolidated Financial Statements.

ALLERGAN PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

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

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

See accompanying Notes to the Consolidated Financial Statements.

WARNER CHILCOTT LIMITED

CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions)

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

See accompanying Notes to the Consolidated Financial Statements.

WARNER CHILCOTT LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions)

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

See accompanying Notes to the Consolidated Financial Statements.

WARNER CHILCOTT LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)

(Unaudited; in millions)

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

See accompanying Notes to the Consolidated Financial Statements.

WARNER CHILCOTT LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

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

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

See accompanying Notes to the Consolidated Financial Statements

ALLERGAN PLC AND WARNER CHILCOTT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 — General

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

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

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

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

Warner Chilcott Limited is an indirect wholly-owned subsidiary of Allergan plc, the ultimate parent of the group (together with other direct or indirect parents of Warner Chilcott Limited, the "Parents"). The results of Warner Chilcott Limited are consolidated into the results of Allergan plc. Due to the 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 disclosures 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 September 30, 2018 | | | As of December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Allergan plc | Warner Chilcott Limited | Difference | Allergan plc | Warner Chilcott Limited | Difference |
| Cash and cash equivalents | $1,187.9 | $1,185.9 | $2.0 | $1,817.2 | $1,816.3 | $0.9 |
| Accounts receivable, net | 2,826.9 | 2,826.7 | 0.2 | 2,899.0 | 2,899.0 | - |
| Prepaid expenses and other current assets | 801.5 | 800.6 | 0.9 | 1,123.9 | 1,123.0 | 0.9 |
| Deferred tax assets | 989.4 | 989.4 | - | 319.1 | 316.0 | 3.1 |
| Accounts payable and accrued liabilities | 4,695.6 | 4,693.2 | 2.4 | 5,541.4 | 5,515.6 | 25.8 |
| Income taxes payable | 184.7 | 185.6 | (0.9) | 74.9 | 74.9 | - |
| Other taxes payables | 1,580.5 | 1,575.1 | 5.4 | 1,573.9 | 1,573.5 | 0.4 |
| Deferred tax liabilities | 5,225.3 | 5,225.4 | (0.1) | 6,352.4 | 6,349.4 | 3.0 |
| Total equity | 70,520.9 | 77,936.9 | (7,416.0) | 73,837.1 | 81,282.2 | (7,445.1) |

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

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

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

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

NOTE 3 — Summary of Significant Accounting Policies

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

Implementation of New Guidance

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

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

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

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

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

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

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

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

Revenue Recognition

General

Topic 606 provides that revenues are recognized when control of the promised goods under a contract is transferred to a customer, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods as specified in the underlying terms with the customer. The Company warrants products against defects and for specific quality standards, permitting the return of products under certain circumstances. Product sales are recorded net of all sales-related deductions including, but not limited to: chargebacks, trade discounts, commercial and government rebates, customer loyalty programs, fee-for-service arrangements with certain distributors, returns, and other allowances which we refer to in the aggregate as sales returns and allowances ("SRA").

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

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

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

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

Significant Payment Terms

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

Determining the Transaction Price

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

Provisions for SRAs

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

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

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

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

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

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

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

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

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

| | 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 | 834.9 | 3,943.8 | 1,320.5 | 237.8 | 6,337.0 |
| Credits and payments | (851.0) | (3,887.9) | (1,269.0) | (243.1) | (6,251.0) |
| Balance at September 30, 2018 | $ 61.1 | $1,855.1 | $ 569.1 | $ 31.2 | $2,516.5 |

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

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

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

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

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

Collectability Assessment

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

Practical Expedients and Exemptions

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

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

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

Goodwill and Intangible Assets with Indefinite Lives

General

The Company tests goodwill and intangible assets with indefinite lives for impairment annually in the second quarter. Additionally, the Company may perform interim tests if an event occurs or circumstances change that could potentially reduce the fair value of a reporting unit or indefinite lived intangible asset below its carrying amount. The carrying value of each reporting unit is determined by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units.

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

Goodwill is considered impaired if the carrying amount of the net assets exceeds the fair value of the reporting unit. Impairment, if any, would be recorded in operating income / (loss) and this could result in a material impact to net income / (loss) and income / (loss) per share.

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

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

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

Annual Testing

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

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

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

Earnings Per Share ("EPS")

The Company computes EPS in accordance with Accounting Standards Codification ("ASC") Topic 260, "Earnings Per Share" ("ASC 260") and related guidance, which requires two calculations of EPS to be disclosed: basic and diluted.

Basic EPS is computed by dividing net (loss) by the weighted average ordinary shares outstanding during a period. Diluted EPS is based on the treasury stock method and includes the effect from potential issuance of ordinary shares, such as shares issuable pursuant to the exercise of stock options and restricted stock units. Diluted EPS also includes the impact of ordinary share equivalents issued (or issuable in 2017) upon the mandatory conversion of the Company's preferred shares which occurred on March 1, 2018. Ordinary share equivalents have been excluded where their inclusion would be anti-dilutive to continuing operations.

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

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

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

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

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

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

Recent Accounting Pronouncements

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

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

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

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

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

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

NOTE 4 — Acquisitions and Other Agreements

2018 Transactions

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

Held for Sale

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

BonTi, Inc.

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

Almirall, S.A.

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

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

Elastagen Pty Ltd

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

Repros Therapeutics, Inc.

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

2017 Acquisitions with Purchase Accounting Finalized in 2018

ZELTIQ® Aesthetics, Inc.

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

Assets Acquired and Liabilities Assumed at Fair Value

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

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

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

Inventories

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

Deferred Tax Liabilities

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

NOTE 5 — Discontinued Operations

Global Generics Business

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

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

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

NOTE 6 – Other Income / (Expense)

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

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

Teva Share Activity

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

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

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

* Market price represents average price over the life of the contract. On the January 17, 2018 settlement date, the closing stock price of Teva securities was $21.48.
** Market price represents average price over the life of the contract. On the May 7, 2018 settlement date, the closing stock price of Teva securities was $18.62.

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

| | 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) 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) |
| Other fair value movements during the three months ended June 30, 2017 | 100.3 | 32.09 | 33.22 | 1.9 % | 207.8 | 207.8 | - |
| Teva securities as of and for the six months ended June 30, 2017 | 100.3 | $ 32.09 | $33.22 | 1.9 % | $ 3,268.4 | $ 207.8 | $ (1,978.0) |
| Other-than-temporary impairment recognized at September 30, 2017 | 100.3 | 17.60 | 17.60 | 0.0 % | (1,503.3) | (207.8) | (1,295.5) |
| Teva securities as of and for the nine months ended September 30, 2017 | 100.3 | $ 17.60 | $17.60 | 0.0 % | $ 1,765.1 | $ - | $ (3,273.5) |

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

Sale of Business

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

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

Debt Extinguishment Other

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

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

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

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

Debt Extinguishment Costs as Part of the Debt Tender Offer

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

Dividend Income

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

Naurex Recovery

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

Other-than-temporary impairments

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

NOTE 7 — Share-Based Compensation

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

The Company grants awards with the following features:

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

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

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

Fair Value Assumptions

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

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

Share-Based Compensation Expense

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

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

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

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

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

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

Share Activity

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

| | 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 | 1.4 | 146.71 | | 201.0 |
| Vested | (0.5) | 241.86 | | (133.0) |
| Forfeited | (0.3) | 205.94 | | (56.7) |
| Restricted shares / units outstanding at September 30, 2018 | 2.6 | 191.94 | 1.8 | $ 495.4 |

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

| | 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 | 151.27 | | |
| Exercised | (0.9) | 103.25 | | |
| Cancelled | (0.1) | 244.70 | | |
| Outstanding, vested and expected to vest at September, 2018 | 6.5 | $ 122.82 | 4.6 | $ 436.7 |

NOTE 8 — Reportable Segments

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

The operating segments are organized as follows:

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

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

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

- General and administrative expenses that result from shared infrastructure, including certain expenses located within the United States.
- Total assets including capital expenditures.
- Other select revenues and operating expenses including R&D expenses, amortization, IPR&D impairments and asset sales and impairments, net as not all such information has been accounted for at the segment level, or such information has not been used by all segments.

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

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

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

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

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

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

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

| | Nine Months Ended September 30, 2018 | | | |
|---|---|---|---|---|
| | US Specialized Therapeutics | US General Medicine | International | Total |
| Net revenues | $5,111.5 | $ 3,925.0 | $ 2,634.5 | $11,671.0 |
| | | | | |
| Operating expenses: | | | | |
| Cost of sales[1] | 425.9 | 604.0 | 391.0 | 1,420.9 |
| Selling and marketing | 970.2 | 713.5 | 697.9 | 2,381.6 |
| General and administrative | 145.6 | 111.3 | 100.4 | 357.3 |
| Segment contribution | $3,569.8 | $ 2,496.2 | $ 1,445.2 | $7,511.2 |
| Contribution margin | 69.8 % | 63.6 % | 54.9 % | 64.4 % |
| Corporate[2] | | | | 733.1 |
| Research and development | | | | 1,588.1 |
| Amortization | | | | 4,983.2 |
| In-process research and development impairments | | | | 798.0 |
| Asset sales and impairments, net | | | | 272.3 |
| Operating (loss) | | | | $(863.5) |
| Operating margin | | | | (7.4)% |

[1] Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.
[2] Corporate includes net revenues of $36.7 million.

| | Three Months Ended September 30, 2017 | | | |
|---|---|---|---|---|
| | US Specialized Therapeutics | US General Medicine | International | Total |
| Net revenues | $1,724.8 | $ 1,497.4 | $ 807.8 | $4,030.0 |
| | | | | |
| Operating expenses: | | | | |
| Cost of sales[1] | 131.4 | 225.5 | 116.3 | 473.2 |
| Selling and marketing | 353.5 | 247.7 | 224.8 | 826.0 |
| General and administrative | 54.8 | 47.7 | 28.3 | 130.8 |
| Segment contribution | $1,185.1 | $ 976.5 | $ 438.4 | $2,600.0 |
| Contribution margin | 68.7 % | 65.2 % | 54.3 % | 64.5 % |
| Corporate[2] | | | | 321.9 |
| Research and development | | | | 442.6 |
| Amortization | | | | 1,781.0 |
| In-process research and development impairments | | | | 202.0 |
| Asset sales and impairments, net | | | | 3,874.8 |
| Operating (loss) | | | | $(4,022.3) |
| Operating margin | | | | (99.8)% |

[1] Excludes amortization and impairment of acquired intangibles including product rights, as well as indirect cost of sales not attributable to segment results.
[2] Corporate includes net revenues of $4.3 million.

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| | Nine Months Ended September 30, 2017 | | | |
|---|---|---|---|---|
| | US Specialized Therapeutics | US General Medicine | International | Total |
| Net revenues | $4,921.8 | $ 4,270.9 | $ 2,403.6 | $11,596.3 |
| | | | | |
| Operating expenses: | | | | |
| Cost of sales[1] | 349.4 | 623.2 | 341.6 | 1,314.2 |
| Selling and marketing | 1,040.7 | 838.3 | 673.2 | 2,552.2 |
| General and administrative | 149.4 | 129.7 | 86.5 | 365.6 |
| Segment contribution | $3,382.3 | $ 2,679.7 | $ 1,302.3 | $7,364.3 |
| Contribution margin | 68.7 % | 62.7 % | 54.2 % | 63.5 % |
| Corporate[2] | | | | 1,086.7 |
| Research and development | | | | 1,691.9 |
| Amortization | | | | 5,274.9 |
| In-process research and development impairments | | | | 1,245.3 |
| Asset sales and impairments, net | | | | 3,896.2 |
| Operating (loss) | | | | $(5,830.7 ) |
| Operating margin | | | | (50.3 )% |

[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 $18.3 million.

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

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

* Includes royalty and other revenue

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

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

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

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| | Nine Months Ended September 30, 2018 | | | |
|---|---|---|---|---|
| | US Specialized Therapeutics | US General Medicine | International | Total |
| Botox® | $1,854.4 | $ - | $ 777.1 | $2,631.5 |
| Restasis® | 872.0 | - | 47.9 | 919.9 |
| Juvederm® Collection | 389.8 | - | 440.8 | 830.6 |
| Linzess®/Constella® | - | 555.9 | 17.7 | 573.6 |
| Lumigan®/Ganfort® | 217.8 | - | 295.7 | 513.5 |
| Bystolic® / Byvalson® | - | 432.1 | 1.6 | 433.7 |
| Alphagan®/Combigan® | 277.7 | - | 129.3 | 407.0 |
| Lo Loestrin® | - | 383.9 | - | 383.9 |
| Eye Drops | 154.8 | - | 208.0 | 362.8 |
| Vraylar™ | - | 336.6 | - | 336.6 |
| Alloderm ® | 312.4 | - | 5.5 | 317.9 |
| Breast Implants | 194.8 | - | 119.6 | 314.4 |
| Viibryd®/Fetzima® | - | 246.9 | 4.9 | 251.8 |
| Ozurdex ® | 81.7 | - | 158.1 | 239.8 |
| Coolsculpting ® Consumables | 180.8 | - | 40.8 | 221.6 |
| Zenpep® | - | 170.5 | - | 170.5 |
| Carafate ® / Sulcrate ® | - | 163.7 | 2.1 | 165.8 |
| Armour Thyroid | - | 145.4 | - | 145.4 |
| Canasa®/Salofalk® | - | 130.4 | 13.1 | 143.5 |
| Asacol®/Delzicol® | - | 102.9 | 35.0 | 137.9 |
| Viberzi® | - | 127.6 | 0.7 | 128.3 |
| Coolsculpting ® Systems & Add On Applicators | 99.5 | - | 21.8 | 121.3 |
| Saphris® | - | 102.9 | - | 102.9 |
| Teflaro® | - | 98.0 | 0.6 | 98.6 |
| Namzaric® | - | 93.2 | - | 93.2 |
| Avycaz® | - | 70.0 | - | 70.0 |
| Rapaflo® | 63.0 | - | 4.6 | 67.6 |
| SkinMedica® | 58.8 | - | 5.3 | 64.1 |
| Savella® | - | 61.4 | - | 61.4 |
| Namenda XR® | - | 60.1 | - | 60.1 |
| Aczone® | 54.5 | - | 0.3 | 54.8 |
| Latisse® | 39.6 | - | 6.3 | 45.9 |
| Lexapro® | - | 44.8 | - | 44.8 |
| Dalvance® | - | 38.8 | 1.3 | 40.1 |
| Liletta® | - | 36.3 | - | 36.3 |
| Estrace® Cream | - | 34.3 | - | 34.3 |
| Kybella® / Belkyra® | 24.6 | - | 5.3 | 29.9 |
| Tazorac® | 25.1 | - | 0.6 | 25.7 |
| Minastrin® 24 | - | 6.6 | - | 6.6 |
| Other | 210.2 | 482.7 | 290.5 | 983.4 |
| Total segment revenues | $5,111.5 | $ 3,925.0 | $ 2,634.5 | $11,671.0 |
| Corporate revenues | | | | 36.7 |
| Total net revenues | | | | $11,707.7 |

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| | Three Months Ended September 30, 2017 | | | |
|---|---|---|---|---|
| | US Specialized Therapeutics | US General Medicine | International | Total |
| Botox® | $558.6 | $ - | $ 215.9 | $774.5 |
| Restasis® | 366.8 | - | 15.5 | 382.3 |
| Juvederm® Collection | 115.6 | - | 126.5 | 242.1 |
| Linzess®/Constella® | - | 190.9 | 5.7 | 196.6 |
| Lumigan®/Ganfort® | 83.3 | - | 91.5 | 174.8 |
| Bystolic® / Byvalson® | - | 164.2 | 0.5 | 164.7 |
| Alphagan®/Combigan® | 92.7 | - | 43.4 | 136.1 |
| Eye Drops | 53.7 | - | 71.2 | 124.9 |
| Lo Loestrin® | - | 120.0 | - | 120.0 |
| Namenda XR® | - | 114.3 | - | 114.3 |
| Estrace® Cream | - | 101.6 | - | 101.6 |
| Breast Implants | 58.0 | - | 38.1 | 96.1 |
| Viibryd®/Fetzima® | - | 86.5 | 1.0 | 87.5 |
| Alloderm ® | 84.6 | - | 1.5 | 86.1 |
| Vraylar™ | - | 80.2 | - | 80.2 |
| Ozurdex ® | 24.6 | - | 50.2 | 74.8 |
| Coolsculpting ® Consumables | 50.3 | - | 13.8 | 64.1 |
| Asacol®/Delzicol® | - | 49.5 | 11.9 | 61.4 |
| Carafate ® / Sulcrate ® | - | 58.7 | 0.7 | 59.4 |
| Zenpep® | - | 56.8 | - | 56.8 |
| Aczone® | 46.7 | - | 0.2 | 46.9 |
| Canasa®/Salofalk® | - | 39.0 | 4.6 | 43.6 |
| Coolsculpting ® Systems & Add On Applicators | 33.1 | - | 10.2 | 43.3 |
| Viberzi® | - | 40.9 | 0.2 | 41.1 |
| Armour Thyroid | - | 38.5 | - | 38.5 |
| Saphris® | - | 37.2 | - | 37.2 |
| Namzaric® | - | 37.0 | - | 37.0 |
| Rapaflo® | 28.3 | - | 1.8 | 30.1 |
| Teflaro® | - | 29.1 | - | 29.1 |
| Savella® | - | 24.0 | - | 24.0 |
| SkinMedica® | 18.7 | - | 1.4 | 20.1 |
| Avycaz® | - | 16.9 | - | 16.9 |
| Dalvance® | - | 16.1 | - | 16.1 |
| Latisse® | 13.6 | - | 1.9 | 15.5 |
| Tazorac® | 15.1 | - | 0.1 | 15.2 |
| Lexapro® | - | 12.9 | - | 12.9 |
| Kybella® / Belkyra® | 9.6 | - | 1.6 | 11.2 |
| Liletta® | - | 9.3 | - | 9.3 |
| Minastrin® 24 | - | 3.6 | - | 3.6 |
| Other | 71.5 | 170.2 | 98.4 | 340.1 |
| Total segment revenues | $1,724.8 | $ 1,497.4 | $ 807.8 | $4,030.0 |
| Corporate revenues | | | | 4.3 |
| Total net revenues | | | | $4,034.3 |

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| | Nine Months Ended September 30, 2017 | | | |
|---|---|---|---|---|
| | US Specialized Therapeutics | US General Medicine | International | Total |
| Botox® | $1,642.0 | $ - | $ 662.6 | $2,304.6 |
| Restasis® | 1,012.0 | - | 46.7 | 1,058.7 |
| Juvederm® Collection | 361.6 | - | 386.0 | 747.6 |
| Linzess®/Constella® | - | 506.3 | 16.1 | 522.4 |
| Lumigan®/Ganfort® | 236.6 | - | 271.8 | 508.4 |
| Bystolic® / Byvalson® | - | 454.7 | 1.5 | 456.2 |
| Alphagan®/Combigan® | 275.5 | - | 128.4 | 403.9 |
| Eye Drops | 152.2 | - | 207.2 | 359.4 |
| Namenda XR® | - | 355.0 | - | 355.0 |
| Lo Loestrin® | - | 332.8 | - | 332.8 |
| Breast Implants | 173.6 | - | 116.8 | 290.4 |
| Estrace® Cream | - | 265.1 | - | 265.1 |
| Viibryd®/Fetzima® | - | 244.2 | 2.1 | 246.3 |
| Alloderm ® | 223.3 | - | 5.0 | 228.3 |
| Ozurdex ® | 72.0 | - | 152.5 | 224.5 |
| Vraylar™ | - | 200.1 | - | 200.1 |
| Asacol®/Delzicol® | - | 152.7 | 36.8 | 189.5 |
| Carafate ® / Sulcrate ® | - | 176.6 | 2.1 | 178.7 |
| Zenpep® | - | 153.8 | - | 153.8 |
| Canasa®/Salofalk® | - | 115.7 | 13.3 | 129.0 |
| Aczone® | 128.3 | - | 0.3 | 128.6 |
| Coolsculpting ® Consumables | 98.2 | - | 26.3 | 124.5 |
| Armour Thyroid | - | 117.8 | - | 117.8 |
| Saphris® | - | 117.5 | - | 117.5 |
| Viberzi® | - | 113.7 | 0.3 | 114.0 |
| Namzaric® | - | 94.0 | - | 94.0 |
| Teflaro® | - | 92.7 | - | 92.7 |
| Rapaflo® | 79.9 | - | 5.5 | 85.4 |
| Coolsculpting ® Systems & Add On Applicators | 64.1 | - | 20.4 | 84.5 |
| Savella® | - | 74.3 | - | 74.3 |
| SkinMedica® | 72.1 | - | 1.4 | 73.5 |
| Minastrin® 24 | - | 56.1 | - | 56.1 |
| Tazorac® | 51.3 | - | 0.5 | 51.8 |
| Latisse® | 40.5 | - | 6.2 | 46.7 |
| Avycaz® | - | 42.7 | - | 42.7 |
| Kybella® / Belkyra® | 37.4 | - | 5.1 | 42.5 |
| Dalvance® | - | 40.9 | 1.2 | 42.1 |
| Lexapro® | - | 39.4 | - | 39.4 |
| Liletta® | - | 23.1 | - | 23.1 |
| Other | 201.2 | 501.7 | 287.5 | 990.4 |
| Total segment revenues | $4,921.8 | $ 4,270.9 | $ 2,403.6 | $11,596.3 |
| Corporate revenues | | | | 18.3 |
| Total net revenues | | | | $11,614.6 |

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

NOTE 9 — Inventories

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

Inventories consisted of the following ($ in millions):

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Raw materials | $ 325.2 | $ 326.9 |
| Work-in-process | 148.3 | 158.1 |
| Finished goods | 534.8 | 527.8 |
| | 1,008.3 | 1,012.8 |
| Less: inventory reserves | 113.7 | 108.3 |
| Total Inventories | $ 894.6 | $ 904.5 |

NOTE 10 — Accounts Payable and Accrued Expenses

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

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

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

NOTE 11 — Goodwill, Product Rights and Other Intangible Assets

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

| | US Specialized 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) |
| Foreign exchange and other adjustments | - | - | (222.5) | (222.5) |
| Balance as of September 30, 2018 | $ 20,675.6 | $ 21,399.7 | $ 7,381.1 | $ 49,456.4 |

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

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

| Cost Basis | Balance as of December 31, 2017 | Additions | Impairments | Divested / Held for Sale | Foreign Currency Translation | Balance as of September 30, 2018 |
|---|---|---|---|---|---|---|
| Intangibles with definite lives: | | | | | | |
| Product rights and other intangibles | $ 73,892.5 | $ 25.0 | $ - | $(1,530.0) | $ (238.4) | $ 72,149.1 |
| Trade name | 690.0 | - | - | - | - | 690.0 |
| Total definite lived intangible assets | $ 74,582.5 | $ 25.0 | $ - | $(1,530.0) | $ (238.4) | $ 72,839.1 |
| 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 | $ 25.0 | $ (798.0) | $(1,558.0) | $ (238.4) | $ 77,887.2 |

| Accumulated Amortization | Balance as of December 31, 2017 | Amortization | Impairments | Divested / Held for Sale | Foreign Currency Translation | Balance as of September 30, 2018 |
|---|---|---|---|---|---|---|
| Intangibles with definite lives: | | | | | | |
| Product rights and other intangibles | $ (25,593.6) | $ (4,924.7) | $ (258.8) | $1,223.9 | $ 66.6 | $ (29,486.6) |
| Trade name | (214.7) | (58.5) | - | - | - | (273.2) |
| Total definite lived intangible assets | $ (25,808.3) | $ (4,983.2) | $ (258.8) | $1,223.9 | $ 66.6 | $ (29,759.8) |
| Total product rights and other intangibles | $ (25,808.3) | $ (4,983.2) | $ (258.8) | $1,223.9 | $ 66.6 | $ (29,759.8) |
| Net Product Rights and Other | $ 54,648.3 | | | | | $ 48,127.4 |

Intangibles

Nine Months Ended September 30, 2018

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

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

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

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

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

Nine Months Ended September 30, 2017

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

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

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