

Company: SHIRE PLC

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

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

For the fiscal year ended December 31, 2010

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

Commission file number 0-29630

**SHIRE PLC**

(Exact name of registrant as specified in its charter)

**Jersey (Channel Islands)**

(State or other jurisdiction of incorporation or organization)

**98-0601486**

(I.R.S. Employer Identification No.)

**5 Riverwalk, Citywest Business Campus, Dublin 24, Republic of Ireland**

(Address of principal executive offices and zip code)

**+353 1 429 7700**

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

**Title of each class**

**Name of exchange on which registered**

American Depositary Shares, each representing three  
Ordinary Shares 5 pence par value per share

NASDAQ Global Select Market

**Securities registered pursuant to Section 12(g) of the Act:**

None  
(Title of class)

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act

Yes  No

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.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference to Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer Non-accelerated filer Smaller reporting company

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

Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232,405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

As at June 30, 2010, the last business day of the Registrant's most recently completed second quarter, the aggregate market value of the ordinary shares, £0.05 par value per share of the Registrant held by non-affiliates was approximately \$11,085 million. This was computed using the average bid and asked price at the above date.

As at February 11, 2011, the number of outstanding ordinary shares of the Registrant was 562,225,943.

**THE "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

Statements included herein that are not historical facts are forward-looking statements. Such forward-looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event such risks or uncertainties materialize, the Company's results could be materially adversely affected. The risks and uncertainties include, but are not limited to, risks associated with: the inherent uncertainty of research, development, approval, reimbursement, manufacturing and commercialization of the Company's Specialty Pharmaceutical and Human Genetic Therapies products, as well as the ability to secure new products for commercialization and/or development; government regulation of the Company's products; the Company's ability to manufacture its products in sufficient quantities to meet demand; the impact of competitive therapies on the Company's products; the Company's ability to register, maintain and enforce patents and other intellectual property rights relating to its products; the Company's ability to obtain and maintain government and other third-party reimbursement for its products; and other risks and uncertainties detailed from time to time in the Company's filings with the Securities and Exchange Commission.

**The following are trademarks either owned or licensed by Shire plc or its subsidiaries, which are the subject of trademark registrations in certain territories, or which are owned by third parties as indicated and referred to in this Form 10-K:**

ADDERALL XR® (mixed salts of a single entity amphetamine)  
ADDERALL® (mixed salts of a single entity amphetamine)  
AGRYLIN® (anagrelide hydrochloride)  
APRISO® (trademark of Salix Pharmaceuticals, Ltd. ("Salix"))  
ASACOL® (trademark of Medeva Pharma Suisse AG (used under license by Warner Chilcott Company, LLC ("Warner Chilcott")))  
ATRIPLA® (trademark of Bristol Myers Squibb Company ("BMS") and Gilead Sciences, Inc. ("Gilead"))  
BERINERT P® (trademark of Aventis Behring GmbH)  
CALCICHEW® range (calcium carbonate with or without vitamin D<sub>3</sub>)  
CARBATROL® (carbamazepine extended-release capsules)  
CEREZYME® (trademark of Genzyme Corporation ("Genzyme"))  
CINRYZE® (trademark of Viropharma Biologics, Inc.)  
CLAVERSAL® (trademark of Merckle Recordati)  
COLAZAL® (trademark of Salix Pharmaceuticals, Inc.)  
COMBIVIR® (trademark of GlaxoSmithKline ("GSK"))  
CONCERTA® (trademark of Alza Corporation ("Alza"))  
DAYTRANA® (trademark of Noven Pharmaceutical Inc. ("Noven"))  
DIPENTUM® (trademark of UCB Pharma Ltd ("UCB"))  
DYNEPO® (trademark of Sanofi-Aventis)  
ELAPRASE® (idursulfase)  
EPIVIR® (trademark of GSK)  
EPIVIR-HBV® (trademark of GSK)  
EPZICOM®/KIVEXA (EPZICOM) (trademark of GSK)  
EQUASYM® IR (methylphenidate hydrochloride)  
EQUASYM® XL (methylphenidate hydrochloride)  
FIRAZYR® (icatibant)  
FIVASA™ (trademark of Tillotts Pharma AG)  
FOSRENOL® (lanthanum carbonate)  
FABRAZYME® (trademark of Genzyme)  
FOCALIN XR® (trademark of Novartis Pharmaceuticals Corporation ("Novartis"))  
HEPTOVIR® (trademark of GSK)  
INTUNIV® (guanfacine extended release)  
JUVISTA® (trademark of Renovo Limited ("Renovo"))  
KALBITOR® (trademark of Dyax Corporation)  
KAPVAY® (trademark of Shionogi Pharma, Inc. ("Shionogi"))  
LIALDA® (mesalamine)  
MEDIKINET® (trademark of Medice Arzneimittel Pütter GmbH & Co. KG ("Medice"))  
METAZYM™ (arylsulfatase-A)  
METADATE CD® (trademark of UCB)  
MEZAVANT® (mesalazine)  
MICROTROL® (trademark of Supernus Pharmaceuticals, Inc. ("Supernus"))  
MOVICOL® (trademark of Edra AG, S.A.)  
PENTASA® (trademark of Ferring A/S Corp ("Ferring"))

RAZADYNE® (trademark of Johnson & Johnson ("J&J"))  
RAZADYNE® ER (trademark of J&J)  
REMINYL® (galantamine hydrobromide) (United Kingdom ("UK") and Republic of Ireland) (trademark of J&J, excluding UK and Republic of Ireland)  
REMINYL XL™ (galantamine hydrobromide) (UK and Republic of Ireland) (trademark of J&J, excluding UK and Republic of Ireland)  
REPLAGAL® (agalsidase alfa)  
RESOLOR® (prucalopride)  
RITALIN LA® (trademark of Novartis)  
RUCONEST® (trademark of Pharming Intellectual Property B.V.)  
SALOFALK® (trademark of Dr Falk Pharma)  
SEASONIQUE® (trademark of Barr Laboratories, Inc. ("Barr"))  
SOLARAZE® (trademark of Laboratorios Almirall S.A ("Almirall"))  
STRATTERA® (trademark of Eli Lilly)  
TRIZIVIR® (trademark of GSK)  
TRUVADA® (trademark of Gilead)  
UPSYLO® (trademark of Pfizer, Inc. ("Pfizer"))  
VENVANSE (lisdexamfetamine dimesylate)  
VPRIV™ (velaglucerase alfa)  
VYVANSE® (lisdexamfetamine dimesylate)  
XAGRID® (anagrelide hydrochloride)  
ZAVESCA® (trademark of Actelion Pharmaceuticals, Ltd.)  
ZEFFIX® (trademark of GSK)  
3TC® (trademark of GSK)

## SHIRE PLC

2010 Form 10-K Annual Report  
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## PART I

### ITEM 1: Business

#### General

Shire plc and its subsidiaries (collectively referred to as either “Shire” or the “Company”) is a leading specialty biopharmaceutical company that focuses on meeting the needs of the specialist physician.

Shire plc (formerly known as Shire Limited) was incorporated under the laws of Jersey (Channel Islands) on January 28, 2008 and is a public limited company. Following the implementation of a court sanctioned Scheme of Arrangement, on May 23, 2008 Shire plc (formerly known as Shire Limited) replaced the former Shire plc, which was a public limited company incorporated in England and Wales, as the new holding company for Shire.

The Company has grown through acquisition, completing a series of major mergers or acquisitions that have brought therapeutic, geographic and pipeline growth and diversification. The Company will continue to evaluate companies, products and pipeline opportunities that offer a good strategic fit and enhance shareholder value.

#### Strategy

Shire’s strategic goal is to become the leading specialty biopharmaceutical company that focuses on meeting the needs of the specialist physician. Shire focuses its business on attention deficit and hyperactivity disorder (“ADHD”), human genetic therapies (“HGT”) and gastrointestinal (“GI”) diseases as well as opportunities in other specialty therapeutic areas to the extent they arise through acquisitions. Shire’s in-licensing, merger and acquisition efforts are focused on products in specialist markets with strong intellectual property protection and global rights. Shire believes that a carefully selected and balanced portfolio of products with strategically aligned and relatively small-scale sales forces will deliver strong results.

#### 2010 Highlights

For a full discussion of 2010 Product, pipeline and business highlights, including:

- the United States (“US”) and European Union (“EU”) approvals of VPRIV, for the treatment of Type 1 Gaucher disease, in February and August 2010, respectively;
- becoming the market leader in the treatment of Fabry disease, with REPLAGAL;
- the collaboration with Acceleron Pharma Inc. (“Acceleron”) for the activin receptor class IIB (“ActRIIB”) class of molecules in September 2010;
- the divestment of DAYTRANA, for the treatment of ADHD, to Noven in October 2010;
- the acquisition of Movetis NV (“Movetis”), a European specialty GI company, in October 2010;
- achievement of the primary endpoint in the FAST-3 trial for FIRAZYR in December 2010 to support later submission of an application for US marketing authorization; and
- demonstration of positive proof-of-concept data in two VYVANSE non-ADHD trials, including Major Depressive Disorder (“MDD”) and Excessive Daytime Sleepiness (“EDS”).

See “Currently marketed products” and “Products under development” below.

#### Financial information about operating segments

Substantially all of the Company’s revenues, expenditures and net assets are attributable to the research and development (“R&D”), manufacture, sale and distribution of pharmaceutical products within two reportable segments: Specialty Pharmaceuticals (“SP”) and HGT. The Company also earns royalties (where Shire has out-licensed certain product rights to third parties) which are recorded as revenues. Segment revenues, profits or losses and assets for 2010, 2009 and 2008 are presented in Note 24 to the Company’s consolidated financial statements contained in ITEM 15: Exhibits and Financial Statement Schedules of this Annual Report on Form 10-K.

#### Sales and marketing

At December 31, 2010, the Company employed 1,839 (2009: 1,777) sales and marketing staff to service its operations throughout the world, including its major markets in the US and Europe.

[Table of Contents](#)**Currently marketed products**

The table below lists the Company's material marketed products at December 31, 2010 indicating the owner/licensor, disease area and the key territories in which Shire markets the product.

**SP**

<b><u>Products</u></b>	<b><u>Disease area</u></b>	<b><u>Owner/licensor</u></b>	<b><u>Key territories</u></b>
<b>Treatments for ADHD</b>			
VYVANSE (lisdexamfetamine dimesylate)	ADHD	Shire	US and Canada <sup>(1)</sup>
INTUNIV (extended release guanfacine)	ADHD	Shire	US
EQUASYM (methylphenidate hydrochloride) immediate release (IR) and modified release (XL)	ADHD	Shire	Europe and Latin America <sup>(2)</sup>
ADDERALL XR (mixed salts of a single-entity amphetamine)	ADHD	Shire	US and Canada
<b>Treatments for GI diseases</b>			
LIALDA (mesalamine)/ MEZAVANT (mesalazine)	Ulcerative colitis	Giuliani SpA	US and Europe <sup>(3)</sup>
PENTASA (mesalamine)	Ulcerative colitis	Shire	US
RESOLOR (prucalopride)	Chronic constipation in women	Shire	Europe
<b>Treatments for diseases in other therapeutic areas</b>			
FOSRENOL (lanthanum carbonate)	Hyperphosphatemia in end stage renal disease	Shire	US, Europe and Japan <sup>(2, 4)</sup>
CALCICHEW (calcium carbonate range)	Adjunct in osteoporosis	Nycomed Pharma AS ("Nycomed")	UK and Republic of Ireland
CARBATROL (carbamazepine extended-release capsules)	Epilepsy	Shire	US
REMINYL/REMINYL XL (galantamine hydrobromide)	Alzheimer's disease	Synaptech, Inc. ("Synaptech")	UK and Republic of Ireland <sup>(5)</sup>
XAGRID (anagrelide hydrochloride)	Elevated platelet counts in at risk essential thrombocythemia patients	Shire	Europe <sup>(2)</sup>

[Table of Contents](#)**HGT**

<b>Products</b>	<b>Disease area</b>	<b>Owner/licensor</b>	<b>Key territories</b>
REPLAGAL (agalsidase alfa)	Fabry disease	Shire	Europe, Latin America and Asia Pacific <sup>(6)</sup>
ELAPRASE (idursulfase)	Hunter syndrome (Mucopolysaccharidosis Type II, MPS II)	Shire	US, Europe, Latin America and Asia Pacific <sup>(7)</sup>
FIRAZYR (icatibant)	Hereditary angioedema ("HAE")	Shire	Europe and Latin America
VPRIV (velaglucerase alfa)	Gaucher disease, type 1	Shire	US, Europe, Latin America

<sup>(1)</sup> Approval in Brazil was granted in July 2010; the product will be marketed as VENVANSE in Brazil.

<sup>(2)</sup> Marketed by distributors in certain markets.

<sup>(3)</sup> Marketed in US as LIALDA and Europe as MEZAVANT XL or MEZAVANT.

<sup>(4)</sup> Marketed in Japan under license by Bayer Yakuhin Limited ("Bayer").

<sup>(5)</sup> Marketed in rest of world ("RoW") under license from Shire by Janssen Pharmaceutica N.V. ("Janssen") (part of the J&J group of companies).

<sup>(6)</sup> Marketed in Japan under license from Shire by Dainippon Sumitomo Pharma Co., Ltd. ("DSP").

<sup>(7)</sup> Marketed in Asia Pacific by Genzyme under license from Shire.

**Specialty Pharmaceuticals****Treatments for ADHD**

ADHD is one of the most common psychiatric disorders in children and adolescents (J Am Acad Child Adolesc Psychiatry, 2007). Worldwide prevalence of ADHD is estimated at 5.3% (Am J Psych. 2007). In the US, approximately 9.5 percent of all school-aged children, or about 4.4 million children aged 4 to 17 years, have been diagnosed with ADHD at some point in their lives (CDC, 2010). According to the results from the National Comorbidity Survey Replication (Am J Psychiatry, 2006), the disorder is also estimated to affect 4.4% of US adults aged 18 to 44. When this percentage is extrapolated to the full US population aged 18 and over, Shire estimates that approximately 10.3 million adults in the US have ADHD (based on US Census projected 2010).

According to IMS, a leading global provider of business intelligence for the pharmaceutical and healthcare industries, the US market for ADHD treatments was valued at approximately \$5.8 billion for the twelve months ended September 30, 2010, an increase of 16.1% from the twelve months ended September 30, 2009.

**VYVANSE**

VYVANSE is a new chemical entity ("NCE") and is the first pro-drug stimulant for the treatment of ADHD, where the amino acid l-lysine is linked to d-amphetamine, which is therapeutically inactive until metabolized in the body.

The US Food and Drug Administration ("FDA") approved VYVANSE as a once-daily treatment for children aged 6 to 12 with ADHD in February 2007, for adults in April 2008 and for adolescents aged 13 to 17 in November 2010. VYVANSE is available in the US in six dosage strengths: 20mg, 30mg, 40mg, 50mg, 60mg and 70mg.

Health Canada approved VYVANSE for the treatment of ADHD in pediatric patients aged 6 to 12 years in February 2009 and for adolescents and adults in November 2010. Shire launched VYVANSE in Canada in February 2010.

In October 2009 the FDA affirmed its decision to grant new chemical entity exclusivity to VYVANSE and refused to accept an Abbreviated New Drug Application ("ANDA") submitted by Actavis Elizabeth, LLC in January 2009 for generic lisdexamfetamine dimesylate. In March 2010 the District Court of the District of Columbia (the "District Court") upheld the FDA's decision. In November 2010, following an appeal from Actavis Elizabeth LLC, the U.S. Court of Appeals for the District of Columbia Circuit affirmed the ruling of the District Court and the FDA to grant five-year NCE exclusivity to VYVANSE. VYVANSE has new chemical exclusivity through to February 23, 2012 and is also covered by US patents which remain in effect until June 29, 2023. Generic manufacturers cannot submit an ANDA to the FDA until February 23, 2011 at the earliest.

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In July 2010 ANVISA, the Brazilian health authority, granted marketing authorization approval for lisdexamfetamine dimesylate for the treatment of ADHD in children ages 6-12. The trade name will be VENVANSE.

In the third quarter of 2010, Shire terminated its agreement with GSK for the co-promotion of VYVANSE, which commenced in May 2009 and was aimed at improving recognition and treatment of adult ADHD in the US. The Company does not believe that the termination of the co-promotion agreement will impact the future performance of VYVANSE in the US.

Information regarding litigation proceedings with respect to VYVANSE can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**INTUNIV**

INTUNIV is the first in a new class of approved ADHD medications, a selective alpha-2A receptor agonist indicated for the treatment of ADHD. Alpha-2A-adrenoceptors strengthen working memory networks by inhibiting cAMP-HCN channel signalling in the prefrontal cortex (*Cell*. 2007;129:397-410). INTUNIV is non-scheduled and has no known potential for abuse or dependence.

The FDA approved INTUNIV in September 2009 as a once-daily treatment of ADHD in children and adolescents aged 6 – 17 years. Shire launched INTUNIV in November 2009.

Litigation proceedings relating to the Company's INTUNIV patents are in progress. For further information see ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**EQUASYM**

In March 2009, Shire acquired from UCB the worldwide rights (excluding the US, Canada and Barbados) to EQUASYM (methylphenidate hydrochloride) IR and XL for the treatment of ADHD in children and adolescents aged 6 – 18 years. Due to the inherent advantages of longer acting formulations in meeting the needs of children and adolescent patients, Shire intends to focus exclusively on the XL form. At December 31, 2010 EQUASYM XL was commercially available in 10 countries in 10mg, 20mg and 30mg strengths. EQUASYM XL is marketed in Mexico and South Korea under the trade name METADATE CD.

**ADDERALL XR**

ADDERALL XR is an extended release treatment for ADHD, which uses MICROTROL drug delivery technology and is designed to provide once-daily dosing. It is available in 5mg, 10mg, 15mg, 20mg, 25mg and 30mg capsules and can be administered either as a capsule or sprinkled on soft food.

The FDA approved ADDERALL XR as a once-daily treatment for children aged 6 to 12 with ADHD in October 2001, for adults in August 2004 and for adolescents aged 13 to 17 in July 2005.

Teva Pharmaceutical Industries, Ltd. ("Teva") and Impax Laboratories, Inc. ("Impax") commenced commercial shipment of their authorized generic versions of ADDERALL XR in April and October 2009, respectively. Shire currently receives royalties from Impax's sales of authorized generic ADDERALL XR.

In October 2005 the Company filed a Citizen Petition with the FDA requesting that the FDA require more rigorous bioequivalence testing for generic or follow-on drug products that reference ADDERALL XR before they can be approved. The Company received correspondence from the FDA in April 2006 stating that, due to the complex issues raised, which require extensive review and analysis by the FDA's officials, a decision cannot yet be reached by the FDA. To date, the FDA has not yet reached a decision on this Citizen Petition and has not provided any guidance as to when that decision may be reached.

Litigation proceedings relating to ADDERALL XR are in progress. For further information see ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**Treatments for GI diseases - Ulcerative Colitis**

Ulcerative Colitis was estimated to affect approximately 1.2 million patients worldwide in 2007 according to Decision Resources, Immune and Inflammatory Disorders Study #4, Ulcerative Colitis (August 2008).

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Ulcerative colitis is a serious chronic inflammatory disease of the colon in which part, or all, of the large intestine becomes inflamed and often ulcerated. Typically, patients go through periods of relapse and remission and can suffer from diarrhea, bleeding and abdominal pain. Once diagnosis is confirmed, patients are usually treated for life. The first line treatment for inflammatory bowel disease is mesalamine (5-aminosalicylic acid ("5-ASA")) based products.

**LIALDA/MEZAVANT**

LIALDA is indicated in the US for the induction of remission in patients with mild to moderately active ulcerative colitis. LIALDA is the first and only FDA-approved once-daily oral formulation of mesalamine for induction of remission. Once-daily LIALDA contains the highest commercially available mesalamine dose per tablet (1.2g), so patients can take as few as two tablets once daily.

LIALDA was approved by the FDA in January 2007 and was launched in the US in March 2007. Following approvals in 2007 in the EU and Canada, at December 31, 2010 LIALDA/MEZAVANT was commercially available in 16 countries.

Litigation proceedings relating to the Company's LIALDA patents are in progress. For further information see ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**PENTASA**

PENTASA controlled release capsules are approved in the US and indicated for the induction of remission and for the treatment of patients with mild to moderately active ulcerative colitis.

PENTASA is an ethylcellulose-coated, controlled release capsule formulation designed to release therapeutic quantities of mesalamine throughout the gastrointestinal tract. PENTASA is available in the US in 250mg and 500mg capsules.

In September 2008 the Company filed a Citizen Petition with the FDA requesting that the FDA require more rigorous bioequivalence testing for generic or follow-on drug products that reference PENTASA before they can be approved. On August 24, 2010 Shire received a ruling from the FDA on the Citizen Petition. The ruling granted Shire's request with regard to the requirement that bioequivalence to PENTASA be shown by dissolution testing and further imposed a requirement for rigorous pharmacokinetic data. The ruling denied the request that studies with clinical endpoints should also be required because the FDA concluded that comparative clinical endpoint studies would be less sensitive, accurate and reproducible than pharmacokinetic studies. In the event that the FDA does approve an ANDA for PENTASA, Shire has an agreement with Prasco, LLC ("Prasco") under which Shire, at its discretion, can authorize Prasco to launch an authorized generic version of PENTASA.

**Treatments for GI diseases - chronic constipation**

Chronic idiopathic constipation is a widespread and often debilitating disorder. The constipated patient population can be split into three distinct groups: (1) patients with primary constipation (without other underlying diseases or not caused by use of medication); (2) patients constipated as a result of regular use of medication such as opioids and (3) patients with severe constipation resulting from neurodegenerative disorders such as multiple sclerosis and Parkinson's disease. Chronic constipation is characterized by infrequent and difficult passage of stool over a prolonged period. Other symptoms include infrequent bowel movements, bloating, straining, abdominal discomfort and pain, incomplete evacuation and unsuccessful attempts of evacuation. The disease has been clearly defined by the widely accepted Rome III criteria based on the type and duration of the symptoms. Chronic constipation is seen as a persistent disease with approximately 70% of patients having more than three symptom episodes per week. It is estimated that 40% of patients with chronic constipation are not satisfied with their current treatment (Alimentary Pharmacology and Therapeutics, 2007).

**RESOLOR**

RESOLOR (prucalopride) is the first of a new generation of selective, high-affinity 5-HT<sub>4</sub> receptor agonists that stimulates gastrointestinal motility and acts primarily on different parts of the lower gastrointestinal tract (enterokinetic).

In October 2009 RESOLOR was approved by the European Medicines Agency ("EMA") throughout the EU as a once daily oral treatment for symptomatic treatment of chronic constipation in women in whom laxatives fail to provide adequate relief. In July 2010, Swissmedic granted RESOLOR marketing authorization in Switzerland for the treatment of idiopathic chronic constipation in adults for whom the currently available treatment options involving dietary measures and laxatives do not provide sufficient effect. At December 31, 2010 RESOLOR was available in the UK, Germany and Belgium. Launches in additional European countries are planned in the second half of 2011. RESOLOR is available in 1mg and 2mg dose strengths, both for once-daily dosing.

[Table of Contents](#)**Treatments for diseases in other therapeutic areas****FOSRENOL**

FOSRENOL is a phosphate binder that is indicated for use in chronic kidney disease patients ("CKD") stage 5 patients receiving dialysis and, from October 2009, is also indicated in the EU for the treatment of adult patients with CKD who are not on dialysis with serum phosphate > 1.78 mmol/L (5.5 mg/dL) in which a low phosphate diet alone is insufficient to control serum phosphate levels. It is estimated that there are approximately 2 million patients worldwide with end-stage renal disease on dialysis (Nephrol Dial Transplant, 2005). In this condition the kidneys are unable to regulate the balance of phosphate in the body. If untreated, the blood phosphate levels can become elevated (hyperphosphatemia). The Kidney Disease Improving Global Outcomes (KDIGO) guidelines recommend that serum phosphate levels in CKD patients should be managed towards normal (Kidney International, 2009). FOSRENOL binds dietary phosphate in the gastrointestinal tract to prevent it from passing through the gut lining and, based upon this mechanism of action, phosphate absorption from the diet is decreased.

Formulated as a chewable tablet, FOSRENOL is available in 500mg, 750mg and 1,000mg dosage strengths. The FDA approved the 500mg dosage strength in 2004 and the 750mg and 1,000 mg dosage strengths were approved in 2005. In March 2009 FOSRENOL was launched in Japan by Shire's licensee Bayer. At December 31, 2010 FOSRENOL was commercially available in 40 countries worldwide.

Litigation proceedings relating to the Company's FOSRENOL patents are in progress. For further information see ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**CALCICHEW range**

The CALCICHEW range of calcium and calcium/vitamin D3 supplements are indicated for the adjunctive treatment of osteoporosis in the UK and Republic of Ireland. Osteoporosis is characterized by a progressive loss of bone mass that renders bone fragile and liable to fracture. Nearly 3 million people in the UK were estimated to suffer from this condition (Bone, 2000).

Shire has licensed from Nycomed the exclusive rights to distribute the CALCICHEW range of products in the UK and Republic of Ireland until December 31, 2012.

**CARBATROL**

CARBATROL is an anti-convulsant for individuals with epilepsy. Approximately 2.7 million people in the US suffer from epilepsy, a disorder that is characterized by a propensity for recurrent seizures and is defined by two or more unprovoked seizures (CDC, 2010; Epilepsy Foundation, 2010).

CARBATROL is an extended release formulation of carbamazepine that uses MICROTRON drug delivery technology. It is available in 100mg, 200mg and 300mg capsules and can be administered either as a capsule or sprinkled on food and delivers consistent blood levels of the drug over 24 hours, when taken twice daily. Carbamazepine is one of the most widely prescribed anti-epileptic drugs.

The FDA approved CARBATROL in September 1997 and it was launched in the US in June 1998. Pursuant to a promotional services agreement, Impax has promoted CARBATROL for the Company in the US since July 2006.

In October 2008 the Company filed a Citizen Petition with the FDA requesting that the FDA require more rigorous bioequivalence testing for generic or follow-on drug products that reference CARBATROL before they can be approved. To date, the FDA has not yet reached a decision on this Citizen Petition and has not provided any guidance as to when that decision may be reached.

**REMINYL and REMINYL XL**

REMINYL and REMINYL XL are indicated for the symptomatic treatment of mild to moderately severe dementia of the Alzheimer type. It is estimated in a report produced by King's College London and the London School of Economics (2007) that approximately 0.4 million people in the UK suffer from Alzheimer's disease, which affects the ability to carry out normal daily activities and affects memory, language and behavior. The disease is progressive, with death usually occurring within eight to ten years following the onset of symptoms.

REMINYL and REMINYL XL are marketed by the Company in the UK and Republic of Ireland under a royalty-bearing license from Synaptech. In the rest of the world, they are marketed by Janssen, an affiliate of J&J, and the Company receives royalties on Janssen's sales. REMINYL XL is a once-daily prolonged release formulation of REMINYL, launched by the Company in the UK and Republic of Ireland in June 2005.

[Table of Contents](#)**XAGRID**

Myeloproliferative disorders ("MPD"), including essential thrombocythemia ("ET"), are a group of diseases in which one or more blood cell types are overproduced. In the case of ET, excess numbers of platelets, which are involved in the blood clotting process, can result in abnormal blood clot formation giving rise to events such as heart attack and stroke. Excessive platelet production can also lead to the formation of abnormal platelets, which may not be as effective in the clotting process. This can lead to events such as gastrointestinal bleeding.

XAGRID (anagrelide hydrochloride) is marketed in Europe for the reduction of elevated platelet counts in at-risk ET patients. It was granted a marketing authorization in the EU in November 2004. XAGRID has been granted orphan drug status in the EU, providing it with up to ten years market exclusivity from November 2004.

In the US, anagrelide hydrochloride is sold by the Company under the trade name AGRYLIN for the treatment of thrombocythemia secondary to a MPD. Generic versions of AGRYLIN have been available in the US market since expiration of marketing exclusivity in 2005.

**Human Genetic Therapies****REPLAGAL**

REPLAGAL is currently the global market leader for the treatment of Fabry disease. Fabry disease is a rare, inherited genetic disorder resulting from a deficiency in the activity of the lysosomal enzyme alpha-galactosidase A, which is involved in the breakdown of fats. Although the signs and symptoms of Fabry disease vary widely from patient to patient, the most common include severe pain of the extremities, impaired kidney function often progressing to full kidney failure, early heart disease, stroke and disabling gastrointestinal symptoms. The disease is estimated to affect 1 in 40,000 males and is less frequent in females (Desnick et al, 2001).

REPLAGAL is a fully human alpha-galactosidase A protein made in human cells that replaces the deficient alpha-galactosidase A with an active enzyme to ameliorate certain clinical manifestations of Fabry disease.

In August 2001, REPLAGAL was granted marketing authorization and co-exclusive orphan drug status in the EU with up to 10 years market exclusivity. At December 31, 2010 REPLAGAL was approved in 45 countries.

Litigation proceedings relating to REPLAGAL are in progress. For further information see ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**ELAPRASE**

ELAPRASE is a treatment for Hunter syndrome (also known as Mucopolysaccharidosis Type II or MPS II). Hunter syndrome is a rare, inherited genetic disorder mainly affecting males that interferes with the body's ability to break down and recycle waste substances called mucopolysaccharides, also known as glycosaminoglycans or GAGs. Hunter syndrome is one of several related lysosomal storage disorder ("LSD"). In patients with Hunter syndrome, cumulative build-up of GAGs in cells throughout the body interferes with the way certain tissues and organs function, leading to severe clinical complications and early mortality. The disease is estimated to affect approximately 1 in 100,000 males (Wraith et al, 2008).

ELAPRASE was approved by the FDA in July 2006 and granted marketing authorization by the EMA in January 2007 for the long term treatment of patients with Hunter syndrome. ELAPRASE has been granted orphan drug exclusivity by both FDA and EMA, providing it with up to seven and ten years market exclusivity in the US and EU, respectively, from the date of the grant of the relevant marketing authorization.

ELAPRASE received approval from the Ministry of Health, Labour and Welfare in Japan in October 2007. As part of an agreement with Genzyme, Genzyme manages the sales and distribution of ELAPRASE in Japan as well as certain other countries in the Asia Pacific region.

At December 31, 2010 ELAPRASE was approved in 45 countries.

**FIRAZYR**

FIRAZYR is a first-in-class peptide-based therapeutic developed for the symptomatic treatment of acute attacks of HAE. HAE is a debilitating and potentially life-threatening genetic disease characterized by unpredictable recurring swelling attacks in the hands, feet, face, larynx, or abdomen. The disease is estimated to affect approximately 1 in 50,000 individuals (Bowen et al, 2008).

In July 2008 the EMA granted marketing authorization throughout the EU for the use of FIRAZYR for the symptomatic treatment of acute attacks of Hereditary angioedema. FIRAZYR has been granted orphan drug exclusivity by both the FDA and the EMA, providing it with up to seven and ten years market exclusivity in the US and EU, respectively.

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FIRAZYR is the first HAE product to receive approval throughout the EU. In January 2011, the Committee for Medicinal Products for Human Use of the EMA issued a positive opinion for a change in the FIRAZYR label in the EU to include self-administered subcutaneous injections for patients who are experiencing acute attacks of HAE. At December 31, 2010 FIRAZYR was approved in 37 countries globally.

**VPRIV**

VPRIV is a treatment for Type 1 Gaucher disease. Gaucher disease is a rare, inherited genetic disorder which results in a deficiency of the lysosomal enzyme beta-glucocerebrosidase. This enzymatic deficiency causes an accumulation of glucocerebroside, primarily in macrophages. In this LSD, clinical features are reflective of the distribution of Gaucher cells in the liver, spleen, bone marrow, and other organs. The accumulation of glucocerebrosidase in Gaucher cells in the liver and spleen leads to organomegaly. Presence of Gaucher cells in the bone marrow and spleen leads to clinically significant anemia and thrombocytopenia. The disease is estimated to affect 1 in 20,000 – 1 in 60,000 individuals, with a higher incidence in the Ashkenazi Jewish population (Meikle et al, 1999, and National Gaucher Foundation).

VPRIV was approved by the FDA in February 2010 for the long-term treatment of patients with Type 1 Gaucher disease. The EMA approved the marketing authorization for the use of VPRIV throughout the EU in August 2010. VPRIV was authorized as an orphan medicine through the Centralised Procedure in Europe. At December 31, 2010 VPRIV was approved in 35 countries.

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## Royalties received from other products

### Antiviral products

The Company receives royalties on antiviral products based on certain of the Company's patents licensed to GSK. These antiviral products are for Human Immunodeficiency Virus ("HIV") and Hepatitis B virus. The table below lists these products, indicating the principal indications, the company responsible for marketing the product and the relevant territory. In 2009, GSK established a partnership with Pfizer called ViiV Healthcare ("ViiV") that brought together the HIV portfolios of GSK and Pfizer. ViiV markets the HIV products licensed to GSK by the Company.

The terms of the Company's license agreement with GSK include royalty rates in the mid teens on sales of products in territories with patent coverage and single digit royalties in territories without patent coverage. The license agreement term runs, and GSK is required to pay royalties, through the term of the last-to-expire patent in each country and in countries where no patent exists, the term runs for 10 years from the first commercial sale in that country. The Company may terminate the agreement in the event GSK fails to pay royalties for two successive quarters. Either party may terminate for material breach or insolvency.

<b>Products</b>	<b>Principal indications</b>	<b>Relevant territory/marketed by</b>
3TC/EPIVIR (lamivudine)	HIV	Canada / Shire & ViiV <sup>(1)</sup> ; RoW / ViiV
COMBIVIR (lamivudine and zidovudine)	HIV	Canada / Shire & ViiV; RoW / ViiV
TRIZIVIR (lamivudine, zidovudine and abacavir)	HIV	Canada / Shire & ViiV; RoW / ViiV
EPZICOM/KIVEXA (lamivudine and abacavir)	HIV	Canada / Shire & ViiV; RoW / ViiV
ZEFFIX/EPIVIR-HBV/ HEPTOVIR <sup>(2)</sup> (lamivudine)	Hepatitis B infection	Canada / Shire & GSK; RoW / GSK

<sup>(1)</sup> In 1996 Shire formed a commercialization partnership with GSK to market 3TC and Zeffix in Canada. In 2009 GSK assigned its interest in the partnership to ViiV.

<sup>(2)</sup> This is not a comprehensive list of trademarks for this product. The product is also marketed under other trademarks in some markets.

### HIV/AIDS

HIV is a retrovirus that has been recognized as the causative agent of Acquired Immunodeficiency Syndrome ("AIDS"). There are many strains of HIV throughout the world, although they all exhibit the same disease mechanism.

Shire has licensed to GSK the worldwide rights, with the exception of Canada, to develop, manufacture and sell lamivudine- and/or zidovudine-containing anti-retroviral products (ARVs) (3TC/EPIVIR, COMBIVIR, TRIZIVIR and EPZICOM/KIVEXA). These products are now marketed by ViiV. In Canada lamivudine is sold by Shire in partnership with ViiV.

In an effort to combat the AIDS epidemic in sub-Saharan Africa and reduce the cost of medicines used to treat AIDS in that region, Shire agreed in 2003 to permit GSK to enter into voluntary sub-licences in sub-Saharan Africa with generic manufacturers to make and sell the ARVs and also agreed to waive the majority of its royalty entitlements on sales of products by GSK's/ ViiV's sub-licensees in that region. In July 2009 these sub-licenses were made royalty-free. In July 2010, Shire agreed with ViiV to extend the scope of the royalty-free voluntary licences to cover a range of the world's least-developed and low income countries, in addition to sub-Saharan Africa (69 countries in total). In support of Canada's Access to Medicines Regime, Shire has also enabled a Canadian company, Apotex Corp., to manufacture a generic fixed-dose triple combination ARV that contains lamivudine for the treatment of HIV/AIDS in Rwanda.

In 2007, generic drug companies filed ANDAs seeking approval for COMBIVIR in the US. GSK and ViiV filed lawsuits against both Teva and Lupin Ltd. ("Lupin"), each of whom have filed ANDAs and Paragraph IV certifications for generic versions of COMBIVIR. Teva and ViiV settled their lawsuit for undisclosed terms in May 2010. The lawsuit against Lupin has been stayed. Neither Teva nor Lupin have challenged the patents licensed by Shire to GSK.

### 3TC/EPIVIR

EPIVIR is indicated in combination with other anti-retrovirals for the treatment of HIV-1 infection and was approved in the US in November 1995. It was approved in Canada in December 1995 and in the EU in August 1996. In combination with other anti-retrovirals 3TC is used in triple and quadruple combination therapies with other nucleoside analog, protease inhibitors ("PIs") and non-nucleoside reverse transcriptase inhibitors ("NNRTI").

[Table of Contents](#)**COMBIVIR**

In September 1997, the FDA authorized the marketing of COMBIVIR in the US in combination with other antiretrovirals in the treatment of HIV-1 infection. COMBIVIR was approved in Europe in March 1998 and in Canada in December 1998.

**TRIZIVIR**

In November 2000, the FDA authorized the marketing of TRIZIVIR in the US in combination with other antiretrovirals or alone in the treatment of HIV-1 infection. TRIZIVIR was approved for use in the EU in December 2000 and in Canada in October 2001.

**EPZICOM/KIVEXA**

The FDA approved EPZICOM in the US for use in combination with other antiretroviral agents, for the treatment of HIV-1 infection in adults in August 2004. KIVEXA was approved for use in for adults and adolescents in the EU in December 2004 and in Canada in July 2005.

**Hepatitis B infection**

Hepatitis B virus ("HBV") is the causative agent of both acute and chronic forms of Hepatitis B, a liver disease that is a major cause of death and disease throughout the world.

**ZEFFIX/EPIVIR-HBV/HEPTOVIR**

ZEFFIX is an oral available treatment for chronic HBV infection associated with evidence of HBV viral replication and active liver inflammation. Use of lamivudine in HBV was approved in Canada in November 1998, followed by US approval in December 1998 and EU approval in July 1999.

The Company has licensed to GSK the worldwide rights, with the exception of Canada, to develop manufacture and sell ZEFFIX, EPIVIR-HBV and HEPTOVIR. In Canada HEPTOVIR is sold by the Company in partnership with GSK.

**ADHD****ADDERALL XR**

Shire receives royalties from Impax's sales of authorized generic ADDERALL XR.

**Dementia****REMINYL and REMINYL XL**

REMINYL and REMINYL XL are indicated for the symptomatic treatment of mild to moderately severe dementia of the Alzheimer type and are sold by Shire in the UK and Republic of Ireland. In the rest of the world, they are marketed by Janssen (under the name RAZADYNE and RAZADYNE ER in the US). The Company receives royalties on Janssen's sales. REMINYL XL is a once-daily prolonged release formulation of REMINYL. Following patent litigation in the US in respect of RAZADYNE and RAZADYNE ER, generic versions of both drugs were permitted to enter the US market in 2008.

Generic versions have also launched in Argentina, Colombia, and South Korea and generic versions were approved in European countries where data exclusivity has expired and patent protection has expired or did not exist. There is current ongoing litigation against generic competitors in Greece, Spain, Germany and the UK.

**FOSRENOL**

The Company licensed the rights to FOSRENOL in Japan to Bayer in December 2003. Bayer launched FOSRENOL in Japan in March 2009. Shire receives royalties from Bayer's sales of FOSRENOL in Japan.

[Table of Contents](#)**Products under development**

The Company focuses its development resources on projects within its core therapeutic areas of ADHD, GI, and HGT, as well as early development projects in additional therapeutic areas. Total R&D expenditures of \$661.5 million, \$638.3 million and \$494.3 million were incurred in the years to December 31, 2010, 2009 and 2008 respectively.

The table below lists the Company's products in clinical development as of December 31, 2010 by disease areas indicating the most advanced development status reached in key markets and the Company's territorial rights in respect of each product.

<b>Product</b>	<b>Disease area</b>	<b>Development status at December 31, 2010</b>	<b>The Company's territorial rights</b>
<b>SP</b>			
<b>Treatments for ADHD</b>			
INTUNIV (extended release guanfacine)	For use in combination with other ADHD treatments	Registration in US	Global
VYVANSE (lisdexamfetamine dimesylate)	ADHD	Phase 3 in EU	Global
INTUNIV	ADHD	Phase 3 in EU	Global
SPD 547	ADHD	Phase 1	Global
<b>Treatments for GI diseases</b>			
LIALDA (mesalamine)	Maintenance of remission in ulcerative colitis	Registration in US and Canada	Global (excluding Italy and Latin America) <sup>(1)</sup>
LIALDA (mesalamine)/MEZAVANT (mesalazine)	Diverticulitis	Phase 3 globally	Global (excluding Italy and Latin America) <sup>(1)</sup>
RESOLOR (prucalopride)	Chronic Constipation (Males)	Phase 3 in EU	Europe
SPD 556(M0002)	Ascites	Phase 2	Global
SPD 557(M0003)	Refractory gastroesophageal reflux disease ("GERD")	Phase 2	EU and North America
<b>Treatments for diseases in other therapeutic areas</b>			
FOSRENOL (lanthanum carbonate)	CKD in pre-dialysis patients	Pre-registration in the US	Global
XAGRID	Essential thrombocythaemia	Phase 3 in Japan	Global
JUVISTA	Improvement of scar appearance	Phase 2 <sup>(2)</sup>	US, Canada and Mexico

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VYVANSE (lisdexamfetamine dimesylate)	For EDS	Phase 2	Global
VYVANSE (lisdexamfetamine dimesylate)	Adjunctive therapy in MDD	Phase 2	Global
VYVANSE (lisdexamfetamine dimesylate)	Other non ADHD indications in adults	Phase 2	Global
SPD 535	Arteriovenous grafts in hemodialysis patients	Phase 1	Global

**HGT****Treatment for Angioedema**

FIRAZYR (icatibant)	Acute HAE	Registration in the US	Global
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**Treatment for Duchenne muscular dystrophy (“DMD”)**

HGT-4510	DMD	Phase 2a	Global (Excluding North America) <sup>(3)</sup>
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**Enzyme Replacement Therapies (“ERT”)**

HGT-2310	Hunter Syndrome with central nervous system (“CNS”) symptoms, idursulfase-IT	Phase 1/2	Global <sup>(4)</sup>
HGT-1410	Sanfilippo Syndrome (Mucopolysaccharidosis IIIA)	Phase 1/2	Global
HGT-1110	Metachromatic Leukodystrophy (“MLD”)	Pre-clinical	Global

(1) Mochida Pharmaceutical Co., Ltd has rights to develop and sell LIALDA in Japan under license with Shire.

(2) Phase 3 studies being conducted by Renovo in Europe.

(3) As a result of a license and collaboration agreement with Acceleron.

(4) Genzyme has rights to manage marketing and distribution in Japan and certain other Asia Pacific countries under a license with Shire.

**SPECIALTY PHARMACEUTICALS****Treatments for ADHD****INTUNIV for use in combination with other ADHD treatments**

On April 28, 2010 Shire submitted a supplemental New Drug application (“sNDA”) to support the efficacy and safety of INTUNIV when used in combination with other approved ADHD treatments.

**VYVANSE for ADHD in the EU**

VYVANSE for the treatment of ADHD in children aged 6 to 17 in the EU is in Phase 3 development. Shire anticipates submission of the filing of a Marketing Authorization Approval (“MAA”) for VYVANSE in certain countries in Europe in 2011.

**INTUNIV for ADHD in the EU**

INTUNIV for the treatment of ADHD in children aged 6 to 17 in the EU is in Phase 3 development. Shire anticipates submission of the filing of an MAA for INTUNIV in certain countries in Europe in 2013.

[Table of Contents](#)**SPD 547 (Guanfacine Carrier Wave, ("GCW")) for the treatment of ADHD**

SPD 547 is in early-stage development for the treatment of ADHD. The Phase 1 program is ongoing with results expected throughout 2011. GCW could potentially improve on the current guanfacine profile to minimize known food, GI and sedation effects.

***Treatments for GI diseases*****LIALDA for the maintenance of remission in ulcerative colitis in the US and Canada**

On June 14, 2010 Shire submitted a sNDA and supplemental New Drug Submission to the FDA and Health Canada, respectively, to seek approval for LIALDA for the maintenance of remission of ulcerative colitis. The product was indicated for the maintenance of remission in patients who have ulcerative colitis on approval in the EU.

**LIALDA/MEZAVANT for the treatment of diverticulitis**

Phase 3 worldwide clinical trials investigating the use of LIALDA/MEZAVANT to prevent recurrent attacks of diverticulitis were initiated in 2007 and are ongoing.

**RESOLOR for the treatment of chronic constipation in males**

A Phase 3 European clinical trial to further assess the efficacy of RESOLOR for the treatment of chronic constipation in males was initiated in 2010 and is ongoing.

**SPD 556 for the treatment of ascites**

SPD 556 (M0002) is a selective Vasopressin V2 receptor antagonist for the treatment of ascites. This compound is ready for Phase 2 clinical trials.

**SPD 557 for the treatment of refractory GERD**

SPD 557 (M0003) is selective 5-HT4 receptor agonist. An exploratory Phase 2 program to investigate the effect of the product on reflux episodes in patients currently treated with proton pump inhibitors was initiated in the fourth quarter 2010.

***Treatments for diseases in other therapeutic areas*****FOSRENOL for the treatment of pre-dialysis CKD**

Shire is continuing to explore the regulatory pathway required to secure a label extension in the US for FOSRENOL to treat hyperphosphataemia in pre-dialysis CKD.

**XAGRID for the treatment of essential thrombocythaemia in Japan**

A Phase 3 clinical program has been initiated to assess the safety and efficacy of XAGRID in adult essential thrombocythaemia patients treated with cytoreductive therapy who have become intolerant to their current therapy or whose platelet counts have not been reduced to an acceptable level.

**JUVISTA for the improvement of scar appearance**

Renovo initiated its first pivotal European Phase 3 trial in scar revision in the fourth quarter of 2008 to support the filing of a European regulatory dossier. On February 11, 2011, Renovo announced its EU Phase 3 trial for JUVISTA in scar revision surgery did not meet its primary or secondary endpoints. Shire is currently considering the trial data and whether to exercise its rights to terminate the license agreement.

**VYVANSE for the treatment of EDS**

On January 10, 2011 Shire announced results from a study of VYVANSE (lisdexamfetamine dimesylate (or SPD489)) assessing its effect in a model for EDS. In this investigational, single dose, single-site, randomized, placebo- and active-controlled study, VYVANSE was found to be statistically superior to placebo on both objective and subjective sleep measures. Statistical superiority to the active comparator 250 mg armodafinil was also found at higher VYVANSE doses. Shire plans to review potential development pathways with health authorities for VYVANSE as a possible EDS treatment option.

**VYVANSE for the treatment of inadequate response in MDD**

A Phase 3 program to assess the efficacy and safety of VYVANSE as adjunctive therapy in patients with MDD is expected to be initiated in mid 2011, following health authority meetings to establish the development program parameters.

[Table of Contents](#)**VYVANSE for the treatment of other non ADHD indications in adults**

Shire is conducting Phase 2 pilot clinical trials to assess the efficacy and safety of VYVANSE for the treatment of negative symptoms and cognitive impairment in schizophrenia and for the treatment of cognitive impairment in depression.

**SPD 535 for the treatment of arteriovenous grafts in hemodialysis patients**

SPD 535 is in development as a novel molecule with platelet lowering ability and without phosphodiesterase type III inhibition. Phase 1 development was initiated in the third quarter of 2009 and is ongoing. Data from Phase 1 clinical trials demonstrating positive proof-of-principle have been completed. The initial proof-of-concept program will target prevention of thrombotic complications associated with arteriovenous grafts in hemodialysis patients. Additional Phase 2 proof-of-concept clinical trials will also be initiated to assess opportunities in potential alternative indications.

**Projects in pre-clinical development**

A number of additional projects are underway in various stages of pre-clinical development for the SP area, including programs using CarrierWave technology, which are primarily focused in the area of pain management. More data on these programs is expected throughout 2011.

**HUMAN GENETIC THERAPIES****Treatments for Angioedema****FIRAZYR in HAE in the US**

Prior to its acquisition by Shire, Jerini AG ("Jerini") received a not approvable letter for FIRAZYR for use in the US from the FDA in April 2008. Shire agreed with the FDA that an additional clinical study would be required before approval could be considered and that a complete response to the not approvable letter would be filed after completion of this study. Shire has now completed a Phase 3 study in patients with acute attacks of HAE, known as the FAST-3 trial, and anticipates submitting a complete response to the FDA in early 2011.

**Treatment for DMD****HGT-4510 for DMD**

HGT-4510 (also referred to as ACE-031) was added to the Shire HGT portfolio in 2010 through an exclusive license in markets outside of North America for the ActRIIB class of molecules being developed by Acceleron. The lead ActRIIB drug candidate, HGT-4510 is in development for the treatment of patients with DMD. The Phase 2a trial is on hold and clinical safety is under review. This product has been granted orphan designation in the US and the EU.

**ERT****HGT-2310 for the treatment of Hunter syndrome with CNS symptoms, idursulfase-IT (intrathecal delivery)**

HGT-2310 is in development as an ERT delivered intrathecally for Hunter syndrome patients with CNS symptoms. The Company initiated a Phase 1/2 clinical trial in the first quarter of 2010. This trial is ongoing. This product has been granted orphan designation in the US.

**HGT-1410 for Sanfilippo A Syndrome (Mucopolysaccharidosis IIIA)**

HGT-1410 is in development as an ERT delivered intrathecally for the treatment of Sanfilippo A Syndrome (Mucopolysaccharidosis IIIA), a LSD. The product has been granted orphan drug designation in the US and in the EU. The Company initiated a Phase 1/2 clinical trial in August 2010. This trial is ongoing.

**HGT-1110 - for the treatment of MLD**

Pre-clinical development of a formulation of HGT-1110, expressed from Shire's human cell platform and suitable for direct delivery to the CNS, is ongoing. The Company anticipates submission of an Investigational New Drug application in late 2011. This product has been granted orphan drug designation in the US and the EU.

**Early Research Products**

A number of additional early stage research projects are underway for the HGT business area.

[Table of Contents](#)***Development projects discontinued during 2010***

During 2010 the Company discontinued the following development project, which was included within “Products under development” in the Company’s previous Annual Report on Form 10-K:

**HGT-2610 for the treatment of Globoid cell leukodystrophy (“GLD”)**

HGT-2610 was in early development as an ERT for the treatment of GLD, an LSD. This program has been suspended, due to the lower observed incidence of infantile-onset GLD coupled with the rapidly progressive nature of the disease, which challenged the feasibility of clinical development.

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## **Manufacturing and distribution**

### *Active pharmaceutical ingredient ("API") sourcing*

The Company sources API from third party suppliers for its SP products and its HGT product FIRAZYR. Shire has manufacturing capability for agalsidase alfa, idursulfase and velaglucerase alfa at its protein manufacturing plant in Cambridge, Massachusetts, US for its HGT products, REPLAGAL, ELAPRASE and VPRIV.

The Company currently has a dual source of API for VYVANSE, ADDERALL XR and PENTASA and is developing dual sources for LIALDA and INTUNIV. The Company manages the risks associated with reliance on single sources of API by carrying additional inventories or developing second sources of supply.

In order to support the rapid growth of VPRIV and REPLAGAL, as well as to support clinical development, additional manufacturing capacity has been added in Lexington, Massachusetts, US. Validation runs for REPLAGAL have been completed and submissions to support approval of the new facility will occur in the first half of 2011. VPRIV validation runs will be completed in 2011 with submission in late 2011.

### *Finished Product Manufacturing*

The Company sources most of its SP products from third party contract manufacturers. HGT finished products are manufactured by contract manufacturers specializing in aseptic fill-finish operations.

The Company currently has dual sources for VYVANSE, ELAPRASE and REPLAGAL and is developing a second source for the manufacturing of LIALDA. The Company sources ADDERALL XR, FOSRENOL, FIRAZYR, INTUNIV, CARBATROL, PENTASA, VPRIV, RESOLOR and XAGRID from a single contract manufacturer for each product. The Company manages the risks associated with reliance on single sources of production by carrying additional inventories.

During 2009, following a comprehensive evaluation of its operations and strategic focus, Shire decided to phase out operations at its SP manufacturing facility at Owings Mills, Maryland. Over 2011, all products currently manufactured by Shire at this site will transition to a contract manufacturer and operations and employee numbers will wind down over this period.

### *Distribution*

The Company's US distribution center for SP products, which includes a large vault to house US Drug Enforcement Administration ("DEA") regulated Schedule II products, is located in Kentucky. From there, the Company primarily distributes its products through the three major wholesalers who have hub or distribution centers that stock Schedule II drugs in the US, providing access to nearly all pharmacies in the US.

The distribution and warehousing of HGT products for the US market is contracted out to specialist third party contractors.

Outside of the US, physical distribution of SP and HGT products is either contracted out to third parties (where the Company has local operations) or facilitated via distribution agreements (where the Company does not have local operations).

### *Material customers*

The Company's two largest trade customers are Cardinal Health, Inc. and McKesson Corp., both of which are in the US. In 2010, these wholesale customers accounted for approximately 25% and 19% of product sales, respectively.

[Table of Contents](#)**Intellectual Property**

An important part of the Company's business strategy is to protect its products and technologies through the use of patents and trademarks, to the extent available. The Company also relies on trade secrets, unpatented know-how, technological innovations and contractual arrangements with third parties to maintain and enhance its competitive position where it is unable to obtain patent protection or where marketed products are not covered by specific patents. The Company's commercial success will depend, in part, upon its ability to obtain and enforce strong patents, to maintain trade secret protection, to operate without infringing the proprietary rights of others and to comply with the terms of licenses granted to it. The Company's policy is to seek patent protection for proprietary technology whenever possible in the US, Canada, major European countries and Japan. Where practicable, the Company seeks patent protection in other countries on a selective basis. In all cases the Company endeavors to either obtain patent protection itself or support patent applications by its licensors. The markets for some of the potential products for rare genetic diseases caused by protein deficiencies are small, and, where possible, the Company has sought orphan drug designation for products directed to these markets. See "Government Regulation" below.

In the regular course of business, the Company's patents may be challenged by third parties. The Company is a party to litigation or other proceedings relating to intellectual property rights. Details of ongoing litigation are provided in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements.

The degree of patent protection afforded to pharmaceutical inventions around the world is uncertain. If patents are granted to other parties that contain claims having a scope that is interpreted by the relevant authorities to cover any of the Company's products or technologies, there can be no guarantee that the Company will be able to obtain licenses to such patents or make other arrangements at reasonable cost, if at all.

The existence, scope and duration of patent protection varies among the Company's products and among the different countries where the Company's products may be sold. They may also change over the course of time as patents are granted or expire, or become extended, modified or revoked. The following non-exhaustive list sets forth details of the granted US and EU patents pertaining to certain of the Company's products and certain products from which the Company receives a royalty, which are owned by or licensed to the Company and that are material to an understanding of the Company's business taken as a whole. The Company also holds patents in other jurisdictions, such as Canada and Japan and has patent applications pending in such jurisdictions, as well as in the US and the EU.

	<b>Granted US and EP Patents</b>	<b>Expiration Date<sup>(1)</sup></b>
ADDERALL XR	US 6,322,819	October 21, 2018
	US RE 41148	October 21, 2018
	US 6,913,768	January 29, 2023
	EP 1123087	October 21, 2019
CARBATROL	US 5,326,570	July 23, 2011
	US 5,912,013	June 15, 2016
	EP 0660705	July 23, 2012
ELAPRASE	US 5,728,381	March 17, 2015
	US 5,798,239	August 25, 2015
	US 5,932,211	September 3, 2019
	US 6,153,188	November 12, 2011
	US 6,541,254	November 12, 2011
FIRAZYR	US 5,648,333	July 15, 2014
	EP 370453	November 14, 2009 <sup>(2)</sup>
FOSRENOL	US 5,968,976	October 26, 2018
	US 7,381,428	August 26, 2024
	US 7,465,465	August 26, 2024
	EP 0817639	March 19, 2016

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INTUNIV	US 5,854,290	September 21, 2015
	US 6,287,599	December 20, 2020
	US 6,811,794	July 4, 2022
LIALDA/MEZAVANT	US 6,773,720	June 8, 2020
	EP 1198226	June 8, 2020
	EP 1183014	June 9, 2020
	EP 1287822	June 8, 2020
REPLAGAL	US 6,537,542	November 5, 2011
	US 5,641,670	June 24, 2014
	US 5,733,761	March 31, 2015
	US 6,270,989	November 5, 2011
	US 6,565,844	November 5, 2011
	US 6,083,725	September 12, 2017
	US 6,395,884	September 12, 2017
	US 6,458,574	September 12, 2017
	EP 0750044	November 5, 2012
	EP 0935651	September 12, 2017
RESOLOR	EP 807110	November 16, 2015 <sup>(2)</sup>
VYVANSE	US 7,105,486	June 29, 2023
	US 7,223,735	June 29, 2023
VPRIV	US 6,565,844	November 5, 2011
	US 6,537,542	November 5, 2011
	US 5,641,670	June 24, 2014
	US 5,733,761	June 24, 2014
	US 6,270,989	June 24, 2014
	US 6,566,099	September 12, 2017
	US 7,138,262	August 18, 2020
	US 7,833,766	February 6, 2027
	EP 0672160	December 2, 2013
EPZICOM	US 5,693,787	December 2, 2014
	US 5,663,320	September 2, 2014
	US 5,696,254	December 9, 2014
	US 6,180,639	July 30, 2018
	EP 565 549	January 3, 2012
	EP 515 157	May 20, 2012

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LAMIVUDINE: EPIVIR/EPIVIR-ZEFFIX/3TC	US 5,693,787	December 2, 2014
	US 5,663,320	September 2, 2014
	US 5,696,254	December 9, 2014
	US 6,180,639	July 30, 2018
	RE 39155	January 2, 2014
	EP 565 549	January 3, 2012
	EP 515 157	May 20, 2012
TRIZIVIR	US 5,693,787	December 2, 2014
	US 5,663,320	September 2, 2014
	US 5,696,254	December 9, 2014
	US 6,180,639	July 30, 2018
	EP 382 526	February 8, 2010 <sup>(2)</sup>
	EP 565 549	January 3, 2012
	EP 515 157	May 20, 2012

**Note:**

1. The EP patents listed above do not necessarily have a corresponding national patent registered in each EU member state. In some cases, national patents were obtained in only a limited number of EU member states. The rights granted to an EP patent are enforceable in any EU member state where the EP patent has been registered as a national patent.
2. The EP patents listed above do not reflect term extensions afforded by supplementary protection certificates (SPCs) which are available in many EU member states.

The loss of patent protection following a legal challenge may result in third parties commencing commercial sales of their own versions of the Company's products before the expiry of the patents. The Company's sales of such product(s) may decrease in consequence. In many cases, however, the Company's products have more than one patent pertaining to them. In such cases, or where the Company enjoys trade secrets, manufacturing expertise, patient preference or regulatory exclusivity, the Company may continue to market its own products without its commercial sales of those products being adversely affected by the loss of any given patent.

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## Competition

Shire believes that competition in its markets is based on, among other things, product safety, efficacy, convenience of dosing, reliability, availability and price. Companies with more resources and larger R&D expenditures than Shire have a greater ability to fund the research and clinical trials necessary for regulatory applications, and consequently may have a better chance of obtaining approval of drugs that would then compete with Shire's products. Other products now in use or being developed by others may be more effective or have fewer side effects than the Company's current or future products. The market share data provided below is sourced from IMS Health.

### **ADHD market**

Competition in the US ADHD market has increased with the launch of competing products in recent years, including the launch of authorized generic versions of ADDERALL XR by Teva and Impax in 2009. This genericization has resulted in a decline in sales of ADDERALL XR and in December 2010 authorized generic versions of ADDERALL XR had a 12.4% share of the US ADHD market. In late 2010, KAPVAY (clonidine extended release) was approved by the FDA for the treatment of ADHD and is being launched in the US by Shionogi & Co., Ltd in early 2011. Shire's share of the US ADHD market in December 2010 was 24.6% (compared to 22% in December 2009, excluding DAYTRANA which the Company divested to Noven in October 2010).

Shire's key ADHD market is the US having three products for the treatment of ADHD. Shire also has ADHD products in Canadian and selected EU markets and further geographic expansion plans are underway.

- VYVANSE, a long-acting pro-drug stimulant designed to provide once daily dosing, approved for the treatment of ADHD in children, adolescents, and adults, and launched in 2007 in the US and for children in Canada in 2010. Launches in Brazil and selected EU markets are planned for 2011 and beginning in 2012, respectively, subject to receiving the requisite governmental or regulatory approvals;
- INTUNIV, a long-acting non-stimulant, non-scheduled treatment for ADHD in children and adolescents, launched in November 2009 and planned for selected EU markets beginning in 2014, subject to receiving the requisite governmental or regulatory approvals;
- ADDERALL XR, an extended release stimulant, launched in the US and Canada in 2001 and 2004, respectively;
- EQUASYM XL, a long-acting stimulant, methylphenidate capsules acquired from UCB in 2009 and launched in selected EU markets.

Many products which compete with the Company's ADHD products in the US contain methylphenidate, including the following once-daily formulations: CONCERTA, launched in 2000 by J&J (in conjunction with Alza); METADATE CD, launched in 2001 by UCB; RITALIN LA, launched by Novartis in 2002; DAYTRANA launched in 2006 by Shire (and subsequently divested to Noven in October 2010), and FOCALIN XR, launched by Novartis (in conjunction with Celgene Corporation) in 2005. In December, 2010, CONCERTA, METADATE CD, RITALIN LA, DAYTRANA, and FOCALIN XR had a 16.4%, 1.6%, 1.1%, 1.0% and 5.8% share of the US ADHD market, respectively. In 2003, Eli Lilly launched STRATTERA, a non-stimulant, non-scheduled treatment for ADHD. In December 2010, STRATTERA had a 5.3% share of the US ADHD market.

Key competitors in the European ADHD market are CONCERTA (Janssen-Cilag), RITALIN LA (Novartis), MEDIKINET (Medice) and STRATTERA (Eli Lilly), depending upon the country.

The Company is also aware of clinical development efforts by AstraZeneca plc (in collaboration with Targacept, Inc.), Eli Lilly and Company Limited, J&J, Merck & Co., Inc., Otsuka Pharmaceutical Co., Ltd., NextWave Pharmaceuticals, Inc., PsychoGenics, Inc., and Supernus to develop additional treatment options for ADHD.

## GI

### **Ulcerative Colitis market**

Ulcerative colitis is a type of Inflammatory Bowel Disease. The primary treatments for patients with ulcerative colitis are formulations containing mesalamine (also known as 5-ASA). More than 88% of all ulcerative colitis patients receive treatment with 5-ASA. In 2009, Salix launched APRISO and Proctor and Gamble launched ASACOL HD. Proctor and Gamble subsequently sold the ASACOL franchise to Warner Chilcott. At December 31, 2010 APRISO and ASACOL HD had 5.7% and 9.1% market share, respectively. Shire defines the 5-ASA competitive set as the non-sulfasalazine, oral mesalamine and mesalamine pro-drug products. In December 2010, Shire's share of the US ulcerative colitis market was 34.3% (compared to 32% in December 2009).

The US oral 5-ASA market is led by Warner-Chilcott's ASACOL. In December 2010, ASACOL had a 42.4% share of the oral 5-ASA market, declining from 52.3% in December 2009. In December 2010 Salix's COLAZAL had a 0.9% market share, while Alaven Pharmaceutical LLC's DIPENTUM had a 0.6% market share.

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The EU oral 5-ASA market is somewhat more fragmented. All market shares stated in this paragraph are as at November 2010. Major competitors in the UK include Warner Chilcott's ASACOL which had a 56% share of the UK oral 5-ASA market and Ferring's PENTASA, which had a 25% share of the same market. The German oral 5-ASA market is led by Dr Falk's SALOFALK, with 56% market share, followed by Shire's MEZAVANT with 17% share. Merkle Recordati GmbH's CLAVERSAL has 15% share. CLAVERSAL and Ferring's PENTASA are the leaders in the oral 5-ASA market in Spain with 41% and 46% market shares respectively. Ferring's PENTASA is the market leader in France with 78% market share of the oral 5-ASA market. Norgine B.V.'s FIV-ASA had a 19% share of the French oral 5-ASA market. Overall, ASACOL had a 21% share of the EU G5 oral 5-ASA market (UK, Germany, Spain, Italy, and France). In 2010, Ferring launched a new key competitor, PENTASA 1gm tablet in the Netherlands, Denmark, Norway and Slovakia and we expect future EU launches in 2011.

Mesalamine and balsalazide (mesalamine pro-drug) products are generally protected by formulation patents only. In December 2007, the FDA denied Salix's Citizen Petition for COLAZAL and Salix subsequently announced the launch of an authorized generic version by Watson Laboratories. This was followed by the introduction of three other generic versions of COLAZAL. Generic versions of COLAZAL had a 6.9% share of the US oral 5-ASA market in December 2010.

The Company is aware of other 5-ASA and non-ASA biologic treatments in development for GI disorders by UCB, Abbott Laboratories and Centocor Ortho Biotech Inc.

**Chronic constipation market**

In Europe over the counter and prescription laxatives are current first line therapy for chronic constipation. The highest value laxative (by revenue) is MOVICOL, a polyethylene glycol (PEG) 3350, sold by Norgine. In Europe, RESOLOR is indicated for symptomatic treatment of chronic constipation in women in whom laxatives fail to provide adequate relief. Currently, there are no other products available to treat chronic constipation in patients that do not adequately respond to laxative treatment.

The Company is aware of other therapies for the treatment of chronic constipation being developed by Ironwood Pharmaceuticals, Inc./ Forest Laboratories, Inc./Almirall, Synergy Pharmaceuticals, Inc., ARYx Therapeutics, Theravance, Inc., Sucampo Pharmaceuticals, Inc., and Albireo.

**Markets for the treatment of rare genetic diseases**

Competitors for LSDs include Actelion Ltd., Protalix BioTherapeutics Inc ("Protalix"), and Genzyme. For example, REPLAGAL competes with Genzyme's FABRAZYME, and VPRIV competes with Genzyme's CEREZYME, Actelion's ZAVESCA and will compete with the Protalix compound UPLYSO (worldwide rights outside of Israel licensed to Pfizer) if approved. Shire is aware of two companies (Korea Green Cross Corporation and JCR Pharmaceuticals Co. Ltd) that are developing ERTs for the treatment of Hunter syndrome.

FIRAZYR competes in Europe with CSL Behring's BERINERT P, a human plasma-derived C1-esterase inhibitor (C1-INH) product, and with Pharming Group N.V.'s RUCONEST (a recombinant version of C1-INH), which has recently received EMA approval and will be launched in Europe by Swedish Orphan Biovitrum. If approved in the US, FIRAZYR will compete with BERINERT and with Dyax Corporation's KALBITOR, a plasma kallikrein inhibitor. FIRAZYR will also compete indirectly with Viropharma, Inc.'s CINRYZE, a plasma-derived C1-INH product approved in the US for prophylaxis of HAE attacks.

For more information on orphan drug designation, see "Government regulation" below.

**HIV Market**

The HIV competitive landscape is becoming more crowded and complicated as treatment trends evolve. The Company's 3TC/lamivudine/EPIVIR products (all licensed to GSK) are part of the Nucleoside/Nucleotide Reverse Transcriptase Inhibitors ("NRTI") market. TRIZIVIR, COMBIVIR and EPZICOM/KIVEXA are part of the combined NRTI market. TRUVADA (tenofovir/emtricitabine), sold by Gilead, is the market leader in combination NRTI. In addition to the two NRTI HIV markets in which lamivudine is sold, there is competition from NRTIs, PIs and entry inhibitors.

TRUVADA and ATRIPLA (efavirenz/emtricitabine/tenofovir), a cross-class fixed dose combination also sold by Gilead, both represent the most direct competition to lamivudine.

Several generic drug companies have filed ANDAs seeking approval for EPIVIR, COMBIVIR, ZEFFIX and EPZICOM in the US and several tentative approvals of generic lamivudine have been issued by the FDA (see further information within "Royalties received from other products" above).

## Government regulation

The clinical development, manufacturing and marketing of Shire's products are subject to governmental regulation in the US, the EU and other territories. The Federal Food, Drug, and Cosmetic Act, the Prescription Drug Marketing Act and the Public Health Service Act in the US, and numerous directives and guidelines in the EU, govern the testing, manufacture, safety, efficacy, labeling, storage, record keeping, approval, advertising and promotion of the Company's products. Product development and approval within these regulatory frameworks take a number of years and involves the expenditure of substantial resources.

In general, for a new chemical entity, the product needs to undergo rigorous preclinical testing. Clinical trials for new products are typically conducted in three sequential phases that may overlap. In Phase 1, the initial introduction of the pharmaceutical compound into healthy human volunteers, the emphasis is on testing for safety (adverse effects), dosage tolerance, metabolism, distribution, excretion and clinical pharmacology. Phase 2 involves studies in a limited patient population to determine the initial efficacy of the pharmaceutical compound for specific targeted indications, to determine dosage tolerance and optimal dosage and to identify possible adverse side effects and safety risks. Once a compound is found to be effective and to have an acceptable safety profile in Phase 2 evaluations, Phase 3 trials are undertaken with a larger number of patients to provide enough data to statistically evaluate the efficacy and safety of the product and to evaluate more fully clinical outcomes. The failure to demonstrate adequately the quality, safety and efficacy of a therapeutic drug under development can delay or prevent regulatory approval of the product.

In order to gain marketing approval the Company must submit to the relevant regulatory authority for review information on the quality (chemistry, manufacturing and pharmaceutical) aspects of the product as well as the non-clinical and clinical data. The FDA undertakes this review for the US. In the EU the review may be undertaken by the following: (i) members of the EMA's Committee for Medicinal Products for Human Use as part of a centralized procedure; (ii) an individual country's regulatory agency, followed by "mutual recognition" of this review by a number of other countries' agencies, depending on the process applicable to the drug in question; or (iii) a competent member state's regulatory agency through a decentralized procedure, an alternative authorization procedure to the "mutual recognition" procedure.

Approval can take several months to several years, or be denied. The approval process can be affected by a number of factors - for example additional studies or clinical trials may be requested during the review and may delay marketing approval and involve unbudgeted costs. As a condition of approval, the regulatory agency will require post-marketing surveillance to monitor for adverse effects, and may require other additional studies as it deems appropriate. After approval for the initial indication, further clinical studies are usually necessary to gain approval for any additional indications. The terms of any approval, including labeling content, may be more restrictive than expected and could affect the marketability of a product.

As a condition of approval, the regulatory agency will require that the product continues to meet regulatory requirements as to quality, safety and efficacy and will require strict procedures to monitor and report any adverse effects. Where adverse effects occur or may occur, the regulatory agency may require additional studies or changes to the labeling. Compelling new "adverse" data may result in a product approval being withdrawn at any stage following review by an agency and discussion with the Company.

Some jurisdictions, including the EU and the US, may designate drugs for relatively small patient populations as "orphan drugs". Generally, if a product that has an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, the product is entitled to orphan drug exclusivity. Orphan drug exclusivity means that applications to market the same drug for the same indication may not be approved, except in limited circumstances, for a period of up to ten years in the EU and for up to seven years in the US. These laws are particularly pertinent to Shire's HGT business unit.

In the US, the Drug Price Competition and Patent Restoration Term Act of 1984, known as the US Hatch-Waxman Act, established a period of marketing exclusivity for brand-name drugs as well as abbreviated application procedures for generic versions of those drugs. Approval to manufacture these drugs is sought by filing an ANDA. As a substitute for conducting full-scale pre-clinical and clinical studies, the FDA can accept data establishing that the drug formulation, which is the subject of an abbreviated application, is bio-equivalent and has the same therapeutic effect as the previously approved drug, among other requirements. EU legislation also contains data exclusivity provisions. All products will be subject to an "8+2+1" exclusivity regime. A generic company may file a marketing authorization application for that product with the health authorities referencing the innovator's data eight years after the innovator has received its first community authorization for a medicinal product. The generic company may not commercialize the product until after either 10 (8+2) or 11 years (8+2+1) have elapsed from the date of grant of the initial marketing authorization. The one-year extension is available if the innovator obtains an additional indication during the first eight years of the marketing authorization that is of significant advancement in clinical benefit.

In the US, the DEA also regulates the national production and distribution of scheduled drugs (i.e. those drugs containing controlled substances) by allocating production quotas based, in part, upon the DEA's view of national demand. As scheduled drugs, the production and distribution of Shire's ADHD products are strictly controlled.

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The branch of the FDA responsible for drug marketing oversight routinely reviews company marketing practices and also may impose pre-clearance requirements on materials intended for use in marketing of approved products. Shire is also subject to various US federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback and false claims laws. Similar review and regulation of advertising and marketing practices exists in the other geographic areas where the company operates.

### **Regulatory Developments**

In the US various legislative proposals at the federal and state levels could bring about major changes in the affected health care systems. Some states have passed such legislation, and further federal and state proposals are possible. Such proposals and legislation include, and future proposals could include, price controls, patient access constraints to medicines and increases in required rebates or discounts. Similar issues exist in the EU. The Company cannot predict the outcome of such initiatives, but will work to maintain patient access to its products and to oppose price constraints. Additionally, legislation is being debated at the federal level in the US that could allow patient access to drugs approved in other countries – most notably Canada. This is generally referred to as drug re-importation. Although there is substantial opposition to this potential legislation within areas of the federal government, including the FDA, the Company cannot predict the outcome of such legislative activities.

In September 2007 the Food and Drug Administration Amendments Act of 2007 was signed into law. It contains a wide range of changes affecting the pharmaceutical industry covering issues relating to fees associated with application approval, drug safety and risk management, direct to consumer advertising, clinical trial and clinical trial result disclosure.

In March 2010 the Affordable Care Act of 2010 was signed into law and in August 2010, the FAA Air Transportation Modernization and Safety Improvement Act was also signed into law. These laws also contain a wide range of changes affecting the pharmaceutical industry, covering issues relating to: (i) increases in Medicaid and Managed Medicaid rebates; (ii) increases in price discounts to Medicare Part D recipients; (iii) changes to Medicaid and Medicare reimbursement rates; (iv) increases in Medicaid and commercial covered lives; (v) an emphasis on integrated and bundled payments rather than separately billable drugs; (vi) Medicare incentives to providers for integrated care, quality care and accountable care organizations; (vii) comparative effectiveness research; (viii) a non-deductible industry fee on drug manufacturers totaling \$2.5 billion in 2011, increasing to \$4.2 billion in 2018, reducing to \$2.8 billion in 2019 and subsequent years; (ix) expansion of the Public Health Service program; and (x) changes to how states and Centers for Medicare and Medicaid Services ("CMS") share rebates.

Similar regulatory and legislative issues are encountered in Europe and other international markets where governments regulate pharmaceutical prices and patient reimbursement levels. The differing approach to price regulation has led to some parallel trade within the EU where Shire's products are imported into markets with higher prices from markets with lower prices. Exploitation of price differences between countries in this way can adversely impact domestic sales in those markets with higher prices.

### **Third party reimbursement and pricing**

The Company's revenue depends, in part, upon the price third parties, such as health care providers and governmental organizations are willing to pay on behalf of patients and physicians for the cost of the Company's products or similar products and related treatments from the Company's competitors. These third party payers are increasingly challenging the pricing of pharmaceutical products and/or seeking pharmaco-economic data to justify their negotiated reimbursement prices.

In the US, several factors outside Shire's control could significantly influence the sale price of pharmaceutical products as well as the operating costs of the business. It is difficult to predict the overall increases in Medicaid and Managed Medicaid business and cost. Drug usage could increase as Medicaid covered lives increase under the new eligibility requirements, but increases in usage could be offset by increases in Medicaid and Managed Medicaid rebates, as states decide to stop or continue use of Managed Medicaid and aggressively pursue increases in state supplemental rebates to offset the federal clawback of rebates.

The Affordable Care Act mandates that drug manufacturers provide new coverage gap discounts for Medicare Part D recipients. It is difficult to predict the long-term impact of this expansion of Medicare access and cost on pharmaceutical companies. Usage of pharmaceutical products may increase as the result of expanded access to medications afforded by the coverage gap discount to patients. However, such potential sales increases may be offset by the discounts and the increased pricing pressures due to enhanced purchasing power of the private sector that will negotiate on behalf of Medicare beneficiaries. Government payers' emphasis on bundling reimbursement of certain drugs into the cost of medical procedures; which drugs become the focus for the most effective cost-cutting measures; and what quality indicators are applied, are also outside of Shire's control.

The reaction of Managed Care entities to the Affordable Care Act is also out of Shire's control. Drug usage could increase due to expansion of healthcare exchanges and mandatory coverage. However, increases in usage could be

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offset by increases in rebates demanded by Managed Care entities, to offset their increased costs from having to cover members with pre-existing conditions and children up to the age of 26. The cost of manufacturers' rebates to Managed Medicaid plans will also depend on how much control each state exerts over the formulary and preferred positioning of drugs for these plans' members.

Also outside of Shire's control are the outcomes of multiple lawsuits being filed by State Attorneys General against the constitutionality of the Affordable Care Act, whose outcome could alter some or all aspects of the legislation. Follow-up legislation, funding of the agencies implementing the legislation and interpretation / guidance from the affected agencies are also outside of Shire's control and could greatly affect how programs are implemented, since Congress left much of the interpretation in the hands of the agencies. Depending on how stringent or streamlined agencies make the requirements for approving biosimilars, this could also affect Shire's orphan drug business.

Similar developments may take place in the EU markets, where the emphasis will likely be on national price controls and non-reimbursement for new and highly priced medicines for which the economic as well as the therapeutic rationales are not yet established. Significant uncertainty exists about the reimbursement status of newly approved pharmaceutical products in the EU. In Germany, for example, the upper house of parliament recently approved the Act for the Restructuring of the Pharmaceutical Market in Statutory Health Insurance. This law maintains free pricing in the first year of the product launch but imposes a benefit assessment of new drugs within three months of commercialization in order to set a price as of the thirteenth month of commercialization. Prices of drugs bringing an added-value will qualify for price negotiation with the statutory health insurance funds while those deemed as of no added value will be automatically included in Germany's reference pricing system. Criteria required to prove a benefit of a drug, as part of the early benefit assessment include "additional patient-related outcomes", such as an improvement of health conditions, a shortening of the duration of the disease, an improvement in overall survival, a reduction in side effects and an improved quality of life.

Limits on reimbursement available from third party payers may reduce the demand for the Company's products. Price applications in Europe must be conducted on a country-by-country basis. The slow pace of the process in some countries have delayed launches of products otherwise approved for up to two years and, in occasional situations, prevented launch. Additionally in some countries sub-national, regional authorities with budgetary autonomy are increasingly seeking to place constraints on pharmaceutical prices and uptake. As a consequence the Company's estimated dates for product launches may be subject to change. The relative novelty of ADHD and other behavioral based drugs in the EU and other markets will require a strong education and promotion effort in order to gain acceptance and will need to be conducted on a country by country basis.

**Responsibility**

The Company continues to develop its approach to corporate responsibility ("Responsibility"). The Shire Responsibility Co-ordination Team (the "Team") comprises representatives from, among other departments, Legal, R&D, Human Resources, Environment Health & Safety, Compliance & Risk Management, Facilities, Marketing and Corporate Communications. The Chairperson of the Team is Shire's General Counsel, Tatjana May. The Team determines the Company's overall Responsibility strategy, which is approved by the Company's Board of Directors, and works with the businesses and functions to embed Responsibility practices within all operations. The Team sets and monitors Responsibility objectives which support delivery of Shire's overall strategy, and meets at least three times a year to discuss and monitor progress. Shire communicates widely about its approach to Responsibility and has a section on its website dedicated to information and ongoing updates on Shire's work, initiatives and achievements that illustrate how committed Shire is to being responsible.

**Employees**

In the pharmaceutical industry, the Company's employees are vital to its success. At December 31, 2010 the Company had 4,183 employees (2009: 3,875 employees).

**Available information**

The Company maintains a global internet site at [www.shire.com](http://www.shire.com). The Company makes available on its website its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Shire's reports filed with, or furnished to, the SEC are also available on the SEC's website at [www.sec.gov](http://www.sec.gov) in a document, and for Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, in a XBRL (Extensible Business Reporting Language) format. XBRL is an electronic coding language to create an interactive financial statement data over the internet. The information on the Company's website is neither part of nor incorporated by reference in this Annual Report on Form 10-K.

[Table of Contents](#)**ITEM 1A: Risk Factors**

The Company has adopted a risk management strategy designed to identify, assess and manage the significant risks that it faces. While the Company aims to identify and manage such risks, no risk management strategy can provide absolute assurance against loss.

Set out below are the key risk factors, associated with the business, that have been identified through the Company's approach to risk management. Some of these risk factors are specific to the Company, and others are more generally applicable to the pharmaceutical industry in which the Company operates. The Company considers that these risk factors apply equally and therefore all should be carefully considered before any investment is made in Shire.

***RISK FACTORS RELATED TO THE COMPANY'S BUSINESS******The Company's key products may not be a commercial success***

The commercial success of the Company's key products - ELAPRASE, VYVANSE, LIALDA/MEZAVANT, PENTASA, FOSRENOL, REPLAGAL, INTUNIV, VPRIV, FIRAZYR and RESOLOR as well as other new products that the Company may launch in the future, will depend on their approval and acceptance by physicians, patients and other key decision-makers, as well as the timing of the receipt of additional marketing approvals, the scope of marketing approvals as reflected in the product's label, the countries in which such approvals are obtained, the authorization of price and reimbursement in those countries where price and reimbursement is negotiated, and safety, efficacy, convenience and cost-effectiveness of the product as compared to competitive products.

The Company may not be able to grow its product revenues as quickly as anticipated if any or all of the following occur:

- if competitive products are genericized or if the prices of competitor products are otherwise reduced significantly, and the prescribing of treatments for the indications that the Company's products treat is adversely affected;
- if there are unanticipated adverse events experienced with the Company's products not seen in clinical trials that impact the physician's willingness to prescribe the Company's products;
- if issues arise from clinical trials being conducted for post marketing purposes or for registration in another country or if regulatory agencies in one country act in a way that raises concerns for regulatory agencies or for prescribers or patients in another country;
- if patients, payors or physicians favor other treatments over the Company's products;
- if government regulation is stricter for the Company's products than for other treatments;
- loss of patent protection or ability of competitors to challenge or circumvent patents (See ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K for details of current patent litigation);
- if planned geographical expansion into emerging markets is not successful;
- if the size of the patient populations for the Company's products are less than expected or the Company fails to identify new patients for its products; or
- product liability claims.

If the Company is unable to commercialize any of its key products successfully, there may be a material adverse effect on the Company's revenues, financial condition and results of operations.

In addition, the Company derives significant revenues and earnings from mature portfolio products (whether or not promoted) including CARBATROL, CALCICHEW, REMINYL and XAGRID. Sales of these products could decrease as a result of any or all of the following:

- if competitive products are genericized or if the prices of competitor products are otherwise reduced significantly, and the prescribing of treatments for the indications that the Company's products treat is adversely affected;
- if there are unanticipated adverse events experienced with the Company's products not seen in clinical trials that impact the physician's willingness to prescribe the Company's products;
- if patients, payers or physicians favor other treatments over the Company's products; or
- if the Company's products suffer a loss of patent protection or competitors successfully challenge or circumvent the Company's patents or regulatory exclusivity (See ITEM 3 Legal Proceedings and Note 19, "Commitments and

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Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K for details of current patent litigation).

***Unanticipated decreases in revenues from ADDERALL XR could significantly reduce the Company's revenues and earnings***

In the year to December 31, 2010 sales of ADDERALL XR declined 42% to \$360.8 million, representing approximately 10% of the Company's total revenues, (sales of ADDERALL XR in the years to December 31, 2009 and 2008 were \$626.5 million and \$1,101.7 million respectively). This decline resulted directly from the launch by Teva and Impax of authorized generic versions of ADDERALL XR in April and October 2009, respectively. The Company sells the authorized generic version of ADDERALL XR to Teva and Impax and currently receives royalties from Impax on the sale of its authorized generic. Shire continues to sell the branded version of ADDERALL XR.

Factors that could negatively impact total revenue from ADDERALL XR include, but are not limited to:

- faster than anticipated erosion of ADDERALL XR sales and elimination of the Impax royalty as a result of FDA approval of additional generic competitors;
- issues impacting the production of ADDERALL XR or the supply of amphetamine salts including, but not limited to, the ability to get sufficient quota from the US DEA;
- changes in reimbursement policies of third-party payers; and
- changes to the level of sales deductions for ADDERALL XR for private or public payers.

In addition, in respect of the period prior to October 1, 2010, when certain provisions of the 2010 Affordable Care Act became effective and provided further clarity, there were potentially different interpretations as to how shipments of authorized generic ADDERALL XR to Teva and Impax should be included in the Medicaid rebate calculation. The CMS may disagree with the Company's interpretation as to how shipments of authorized generic ADDERALL XR should be included in the Medicaid rebate calculation, and require the Company to apply an alternative interpretation of the Medicaid rebate legislation and pay an additional amount in excess of the liability recorded by the Company. For further details, see ITEM 7: Management's discussion and analysis of financial condition and results of operations.

***Any decrease in royalties derived from the sales of 3TC and ZEFFIX could significantly reduce earnings***

The Company receives royalties from GSK on the worldwide sales of 3TC and ZEFFIX. In 2010, the Company's royalty income relating to 3TC and ZEFFIX sales was \$154.0 million (2009: \$164.0 million; 2008: \$180.5 million). Any factors that decrease sales of 3TC and ZEFFIX by GSK could significantly reduce the Company's royalty revenue, and negatively affect results of operations. These include, but are not limited to:

- loss of patent protection or ability of competitors to challenge or circumvent patents (See ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K for details of current patent litigation);
- reduction in the production of 3TC and ZEFFIX;
- technological advances;
- government action/intervention;
- public opinion towards AIDS treatments; and
- product liability claims.

***The failure to obtain and maintain reimbursement, or an adequate level of reimbursement, by third-party payers in a timely manner for the Company's products may impact future revenues and earnings***

The Company's revenues are partly dependent on the level of reimbursement provided to the Company by governmental reimbursement schemes for pharmaceutical products. Changes to governmental policy or practices could adversely affect the Company's revenues, financial condition and results of operations. In addition, the reimbursement of treatment established by health care providers, private health insurers and other organizations, such as health maintenance organizations and managed care organizations are under downward pressure and this, in turn, could impact on the prices at which the Company can sell its products.

The market for pharmaceutical products could be significantly influenced by the following, which could result in lower prices for the Company's products and/or a reduced demand for the Company's products:

- the ongoing trend toward managed health care, particularly in the US;

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- legislative proposals to reform health care and government insurance programs in many of the Company's markets; and
- price controls and non-reimbursement of new and highly priced medicines for which the economic and therapeutic rationales are not established.

The prices for certain of the Company's products when commercialized, in particular products for the treatment of rare genetic diseases such as REPLAGAL, ELAPRASE and VPRIV, may be high compared to other pharmaceutical products. The Company may encounter particular difficulty in obtaining satisfactory pricing and reimbursement for its products, particularly those with a high cost of treatment. The failure to obtain and maintain pricing and reimbursement at satisfactory levels for such products may adversely affect the Company's revenues, financial condition and results of operations.

***A disruption to the product supply chain may result in the Company being unable to continue marketing or developing a product or may result in the Company being unable to do so on a commercially viable basis***

The Company sources its products from third party contract manufacturers, and for certain products has its own manufacturing capability. In the event of either the Company's failure or the failure of any third party contract manufacturer to comply with mandatory manufacturing standards (often referred to as 'Current Good Manufacturing Standards' or cGMP) in the countries in which the Company sells or intends to sell or have its products sold or suffering another form of disruption to the supply chain, the Company may experience a delay in supply or be unable to market or develop its products.

The Company dual-sources certain key products and/or active ingredients. However, the Company currently relies on a single source for production of the final drug product for each of ADDERALL XR, FOSRENOL, FIRAZYR, INTUNIV, CARBATROL, PENTASA, VPRIV, RESOLOR and XAGRID and relies on a single active ingredient source for each of ELAPRASE, FIRAZYR, FOSRENOL, REMINYL, REPLAGAL, VPRIV, RESOLOR and XAGRID.

In the event of financial failure of a third party contract manufacturer or the failure of the third party manufacturer to comply with its contractual obligations, the Company may experience a delay in supply or be unable to market or develop its products. This could have a material adverse affect on the Company's financial condition and results of operations.

***There is no assurance that suppliers will continue to supply on commercially viable terms, or be able to supply components that meet regulatory requirements. The Company is also subject to the risk that suppliers will not be able to meet the quantities needed to meet market requirements which may result in the shortage of product supplies in the market***

The development and approval of the Company's products depends on the ability to procure active ingredients and special packaging materials from sources approved by regulatory authorities. As the marketing approval process requires manufacturers to specify their own proposed suppliers of active ingredients and special packaging materials in their applications, regulatory approval of a new supplier would be required if active ingredients or such packaging materials were no longer available from the supplier specified in the marketing approval. The need to qualify a new supplier could delay the Company's development and commercialization efforts.

The Company uses bovine-derived serum sourced from New Zealand and North America in the manufacturing process for ELAPRASE. The discovery of additional cattle in North America or the discovery of cattle in New Zealand with bovine spongiform encephalopathy, or mad cow disease, could cause the regulatory agencies in some countries to impose restrictions on these products, or prohibit the Company from using these products at all in such countries.

***The actions of certain customers can affect the Company's ability to sell or market products profitably, as well as impact net sales and growth comparisons***

A small number of large wholesale distributors control a significant share of the US and certain European markets. In 2010, for example, 44% of the Company's product sales were attributable to two customers in the US; McKesson Corp. and Cardinal Health, Inc. In the event of financial failure of any of these customers, the Company may suffer financial loss and a decline in revenues and earnings. In addition, the number of independent drug stores and small chains has decreased as retail pharmacy consolidation has occurred. Consolidation or financial difficulties could cause customers to reduce their inventory levels, or otherwise reduce purchases of the Company's products. Such actions could have an adverse effect on the Company's revenues, financial condition and results of operations. A significant portion of the Company's SP product sales are made to major pharmaceutical wholesale distributors as well as to large pharmacies in both the US and Europe. Consequently, product sales and growth comparisons may be affected by fluctuations in the buying patterns of major distributors and other trade buyers. These fluctuations may result from seasonality, pricing, wholesaler buying decisions, or other factors.

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In addition, a significant portion of the Company's revenues for certain products for treatment of rare genetic diseases are concentrated with a small number of customers. Changes in the buying patterns of those customers may have an adverse effect on the Company's revenues, financial condition and results of operations.

***Investigations or enforcement action by regulatory authorities or law enforcement agencies relating to the Company's activities in the highly regulated markets in which it operates may result in the distraction of senior management, significant legal costs and the payment of substantial compensation or fines***

The Company engages in various marketing, promotional and educational activities pertaining to, as well as the sale of, pharmaceutical products in a number of jurisdictions around the world. The promotion, marketing and sale of pharmaceutical products is highly regulated and the operations of market participants, such as the Company, are closely supervised by regulatory authorities and law enforcement agencies, including the US Department of Health and Human Services ("HHS"), the FDA, the US Department of Justice and the DEA in the US. Any inquiries or investigations into the operations of, or enforcement or other regulatory action against, the Company by such regulatory authorities could result in the distraction of senior management for prolonged periods of time, significant defence costs, substantial monetary penalties and require extensive government monitoring of Company activities in the future. As an example, on September 23, 2009 the Company received a subpoena from the HHS Office of Inspector General in coordination with the US Attorney for the Eastern District of Pennsylvania, seeking production of documents related to the sales and marketing of ADDERALL XR, VYVANSE and DAYTRANA. Shire is cooperating and responding to this subpoena.

***The outsourcing of services can create a significant dependency on third parties, the failure of whom can affect the ability to operate the Company's business and to develop and market products***

The Company has entered into many agreements with third parties for the provision of services to enable it to operate its business. If the third party can no longer provide the service on the agreed basis, the Company may not be able to continue the development or commercialization of its products as planned or on a commercial basis. Additionally, it may not be able to establish or maintain good relationships with the suppliers.

The Company has also entered into licensing and co-development agreements with a number of parties. There is a risk that, upon expiration or termination of a third party agreement, the Company may not be able to renew or extend the agreement with the third party as commercial interests may no longer coincide. In such circumstances, the Company may be unable to continue to develop or market its products as planned and could be required to abandon or divest a product line.

#### **RISK FACTORS RELATED TO THE PHARMACEUTICAL INDUSTRY IN GENERAL**

***The actions of governments, industry regulators and the economic environments in which the Company operates may adversely affect its ability to develop and market its products profitably***

Changes to laws or regulations impacting the pharmaceutical industry, in any country in which the Company conducts its business, may adversely impact the Company's revenues, financial condition and results of operations. In particular, changes to the regulations relating to orphan drug status may affect the exclusivity granted to products with such designation.

***The introduction of new products by competitors may impact future revenues***

The manufacture and sale of pharmaceuticals is highly competitive. Many of the Company's competitors are large, well-known pharmaceutical, biotechnology, chemical and healthcare companies with considerable resources. Companies with more resources and larger R&D expenditures have a greater ability to fund clinical trials and other development work necessary for regulatory applications. They may also be more successful than the Company in acquiring or licensing new products for development and commercialization. If any product that competes with one of the Company's principal drugs is approved, the Company's sales of that drug could fall.

The pharmaceutical and biotechnology industries are also characterized by continuous product development and technological change. The Company's products could, therefore, be rendered obsolete or uneconomical, through the development of new products, technological advances in manufacturing or production by its competitors.

***The successful development of pharmaceutical products is highly uncertain and requires significant expenditures and time***

Products that appear promising in research or development may be delayed or fail to reach later stages of development or the market for several reasons, including:

- preclinical or clinical tests may show the product to lack safety or efficacy;
- delays may be caused by slow enrollment in clinical studies; additional clinical supplies requirements; extended length of time to achieve study endpoints; additional time requirements for data analysis or dossier preparation; discussions with regulatory agencies, including regulatory agency requests for additional preclinical or clinical data; delays at regulatory agencies due to staffing or resource limitations; analysis of or changes to study design; unexpected safety, efficacy, or manufacturing issues. Delays may arise from shared control with collaborative partners in the planning and execution of the product development, scaling of the manufacturing process, or getting approval for manufacturing;
- manufacturing issues, pricing, reimbursement issues, or other factors may render the product economically unviable;
- the proprietary rights of others and their competing products and technologies may prevent the product from being developed or commercialized; and
- failure to receive necessary regulatory approvals.

Success in preclinical and early clinical trials does not ensure that large-scale clinical trials will be successful. Clinical results are frequently susceptible to varying interpretations that may delay, limit, or prevent regulatory approvals. The length of time necessary to complete clinical trials and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly and may be difficult to predict. If the Company's large-scale or late state clinical trials for a product are not successful, the Company will not recover its substantial investments in that product.

In addition, even if the products receive regulatory approval, they remain subject to ongoing regulatory requirements, including, for example, obligations to conduct additional clinical trials or other non-clinical testing, changes to the product label, new or revised requirements for manufacturing, written notifications to physicians, or product recalls or withdrawals. Further, a number of the Company's products that treat ADHD contain controlled substances and are subject to regulation by the US DEA and equivalent agencies in other countries.

***The failure of a strategic partner to develop and commercialize products could result in delays in approval or loss of revenue***

The Company enters into strategic partnerships with other companies in areas such as product development and sales and marketing. In these partnerships, the Company is sometimes dependent on its partner to deliver results. While these partnerships are supported by contracts, the Company may not exercise direct control. If a partner fails to perform or experiences financial difficulties, the Company may suffer a delay in the development, a delay in the approval or a reduction in sales or royalties of a product.

***The failure to secure new products or compounds for development, either through in-licensing, acquisition or internal research and development efforts, may have an adverse impact on the Company's future results***

The Company's future results will depend, to a significant extent, upon its ability to in-license, acquire or develop new products or compounds. The Company also expends significant resources on research and development. The failure to in-license or acquire new products or compounds, on a commercially viable basis, could have a material adverse effect on the Company's revenues, financial condition and results of operations. The failure of these efforts to result in the development of products appropriate for testing in human clinical trials could have a material adverse effect on the Company's revenues, financial condition and results of operations.

***The Company may fail to obtain, maintain, enforce or defend the intellectual property rights required to conduct its business***

The Company's success depends upon its ability and the ability of its partners and licensors to protect their intellectual property rights. Where possible, the Company's strategy is to register intellectual property rights, such as patents and trademarks. The Company also relies variously on trade secrets, unpatented know-how and technological innovations and contractual arrangements with third parties to maintain its competitive position.

Patents and patent applications covering a number of the technologies and processes owned or licensed to the Company have been granted, or are pending in various countries, including the US, Canada, major European countries and Japan.

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The Company intends to enforce vigorously its patent rights and believes that its partners intend to enforce vigorously patent rights they have licensed to the Company. However, patent rights may not prevent other entities from developing, using or commercializing products that are similar or functionally equivalent to the Company's products or technologies. The Company's patent rights may be successfully challenged in the future or laws providing such rights may be changed or withdrawn. The Company cannot assure investors that its patents and patent applications or those of its third party manufacturers will provide valid patent protection sufficiently broad to protect the Company's products and technology or that such patents will not be challenged, revoked, invalidated, infringed or circumvented by third parties. In the regular course of business, the Company is party to litigation or other proceedings relating to intellectual property rights. (See ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K for details of current patent litigation).

Additionally, the Company's products, or the technologies or processes used to formulate or manufacture those products may now, or in the future, infringe the patent rights of third parties. It is also possible that third parties will obtain patent or other proprietary rights that might be necessary or useful for the development, manufacture or sale of the Company's products. If third parties are the first to invent a particular product or technology, it is possible that those parties will obtain patent rights that will be sufficiently broad to prevent the Company or its strategic partners from developing, manufacturing or selling its products. The Company may need to obtain licenses for intellectual property rights from others to develop, manufacture and market commercially viable products and may not be able to obtain these licenses on commercially reasonable terms, if at all. In addition, any licensed patents or proprietary rights may not be valid and enforceable.

The Company also relies on trade secrets and other un-patented proprietary information, which it generally seeks to protect by confidentiality and nondisclosure agreements with its employees, consultants, advisors and partners. These agreements may not effectively prevent disclosure of confidential information and may not provide the Company with an adequate remedy in the event of unauthorized disclosure of such information. If the Company's employees, scientific consultants or partners develop inventions or processes that may be applicable to the Company's products under development, such inventions and processes will not necessarily become the Company's property, but may remain the property of those persons or their employers. Protracted and costly litigation could be necessary to enforce and determine the scope of the Company's proprietary rights. The failure to obtain or maintain patent and trade secret protection, for any reason, could allow other companies to make competing products and reduce the Company's product sales.

The Company has filed applications to register various trademarks for use in connection with its products in various countries including the US and countries in Europe and Latin America and intends to trademark new product names as new products are developed. In addition, with respect to certain products, the Company relies on the trademarks of third parties. These trademarks may not afford adequate protection or the Company or the third parties may not have the financial resources to enforce any rights under any of these trademarks. The Company's inability or the inability of these third parties to protect their trademarks because of successful third party claims to those trademarks could allow others to use the Company's trademarks and dilute their value.

***If a marketed product fails to work effectively or causes adverse side effects, this could result in damage to the Company's reputation, the withdrawal of the product and legal action against the Company***

Unanticipated side effects or unfavorable publicity from complaints concerning any of the Company's products, or those of its competitors, could have an adverse effect on the Company's ability to obtain or maintain regulatory approvals or successfully market its products. The testing, manufacturing, marketing and sales of pharmaceutical products entails a risk of product liability claims, product recalls, litigation and associated adverse publicity. The cost of defending against such claims is expensive even when the claims are not merited. A successful product liability claim against the Company could require the Company to pay a substantial monetary award. If, in the absence of adequate insurance coverage, the Company does not have sufficient financial resources to satisfy a liability resulting from such a claim or to fund the legal defense of such a claim, it could become insolvent. Product liability insurance coverage is expensive, difficult to obtain and may not be available in the future on acceptable terms. Although the Company carries product liability insurance when available, this coverage may not be adequate. In addition, it cannot be certain that insurance coverage for present or future products will be available. Moreover, an adverse judgment in a product liability suit, even if insured or eventually overturned on appeal, could generate substantial negative publicity about the Company's products and business and inhibit or prevent commercialization of other products.

***Loss of highly qualified management and scientific personnel could cause the Company subsequent financial loss***

The Company faces competition for highly qualified management and scientific personnel from other companies, academic institutions, government entities and other organizations. It may not be able to successfully attract and retain such personnel. The Company has agreements with a number of its key scientific and management personnel for periods of one year or less. The loss of such personnel, or the inability to attract and retain the additional, highly skilled employees required for its activities could have an adverse effect on the Company's business.

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**ITEM 1B: Unresolved Staff Comments**

None.

[Table of Contents](#)**ITEM 2: Properties**

The following are the principal premises of the Company, as at December 31, 2010:

<b>Location</b>	<b>Use</b>	<b>Approximate Square Footage</b>	<b>Owned or Leased</b>
Dublin, Ireland	Office accommodation	16,000	Leased
Basingstoke, UK	Office accommodation	127,000	Owned
Wayne, Pennsylvania, US	Office accommodation	382,000	Leased
Florence, Kentucky, US	Warehousing and distribution facility	96,000	Leased
Owings Mills, Maryland, US	Manufacturing facility and technology center	175,000	Owned
Lexington, Massachusetts, US	Office accommodation, laboratories and manufacturing, warehousing and distribution facility	442,000	Owned <sup>(1)</sup>
Lexington, Massachusetts, US	Manufacturing facility and office accommodation	200,000	Owned
Cambridge, Massachusetts, US	Office accommodation and laboratories	181,000	Leased
Cambridge, Massachusetts, US	Laboratories and manufacturing facility	29,000	Leased
Cambridge, Massachusetts, US	Office accommodation	34,000	Leased
North Reading, Massachusetts, US	Warehousing facility	92,000	Leased
Belmont, Massachusetts, US	Warehousing facility	16,000	Leased
Sao Paulo, Brazil	Office accommodation	14,000	Leased
Ville St Laurent, Quebec, Canada	Office accommodation	35,000	Leased
Berlin, Germany	Office accommodation	22,000	Leased
Nyon, Switzerland	Office accommodation	40,365	Leased

(1) On June 30, 2010 the Company completed the purchase of certain properties on the Lexington Technology Park campus ("LTP") in Lexington, Massachusetts, some of which the Company had previously leased.

The Company also has other smaller locations in some of the countries listed above and in several other countries around the world. At December 31, 2010 all the above sites were utilized by the Company with the exception of part of the Company's site at Lexington, Massachusetts, which is undergoing significant alterations and construction of additional facilities. In addition, Shire has properties at Newport, Kentucky, Rockville, Maryland and Randolph, Massachusetts which are not fully utilized.

[Table of Contents](#)**ITEM 3: Legal Proceedings**

The information required by this Item is incorporated herein by reference to Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements listed under ITEM 15: Exhibits and Financial Statement Schedules in this Annual report on Form 10-K.

In addition, information on legal proceedings relating to products from which the Company receives royalties (to which, the Company is not party) is included within ITEM 1: Business of this Form 10-K.

**ITEM 4: [RESERVED]**

[Table of Contents](#)**PART II****ITEM 5: Market for Registrant's common equity, related stockholder matters and issuer purchases of equity securities****Ordinary shares**

The Company's ordinary shares are traded on the London Stock Exchange ("LSE").

The following table presents the high and low closing mid-market quotation per ordinary share of Shire as quoted in the Daily Official List of the LSE for the periods indicated.

	<u>High £ per ordinary share</u>	<u>Low £ per ordinary share</u>
Year to December 31, 2010		
1 <sup>st</sup> Quarter	15.16	12.20
2 <sup>nd</sup> Quarter	14.83	13.21
3 <sup>rd</sup> Quarter	15.21	13.41
4 <sup>th</sup> Quarter	15.67	14.05
Year to December 31, 2009		
1 <sup>st</sup> Quarter	10.65	7.80
2 <sup>nd</sup> Quarter	9.19	8.03
3 <sup>rd</sup> Quarter	10.93	8.23
4 <sup>th</sup> Quarter	12.16	10.01

The total number of record holders of ordinary shares of Shire on February 11, 2011 was 4,928. Since certain of the ordinary shares are held by broker nominees, the number of record holders may not be representative of the number of beneficial owners.

**American Depositary Shares**

American Depositary Shares ("ADSs") each represent three ordinary shares of Shire. An ADS is evidenced by an American Depositary Receipt ("ADR") issued by JPMorgan Chase Bank, N.A. as depositary, and is listed on the NASDAQ Global Select Market. On February 11, 2011 the proportion of ordinary shares represented by ADRs was 27.44 % of the outstanding ordinary shares.

The following table presents the high and low market quotations for ADSs quoted on the NASDAQ Global Select Market for the periods indicated.

	<u>High \$ per ADS</u>	<u>Low \$ per ADS</u>
Year to December 31, 2010		
1 <sup>st</sup> Quarter	67.31	57.64
2 <sup>nd</sup> Quarter	68.05	57.94
3 <sup>rd</sup> Quarter	71.18	60.93
4 <sup>th</sup> Quarter	74.12	66.79
Year to December 31, 2009		
1 <sup>st</sup> Quarter	47.53	32.02
2 <sup>nd</sup> Quarter	42.91	36.04
3 <sup>rd</sup> Quarter	53.24	40.25
4 <sup>th</sup> Quarter	59.80	48.89

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The number of record holders of ADSs on February 11, 2011 was 1,173. Since certain of the ADSs are held by broker nominees, the number of record holders may not be representative of the number of beneficial owners.

**Dividend policy**

A first interim dividend for the first half of 2010 of 2.25 US cents (1.41 pence) per ordinary share, equivalent to 6.75 US cents per ADS, was paid in October 2010. The Board of Directors (the "Board") has resolved to pay a second interim dividend of 10.85 US cents (6.73 pence) per ordinary share equivalent to 32.55 US cents per ADS for the six months to December 31, 2010.

A first interim dividend for the first half of 2009 of 2.147 US cents (1.302 pence) per ordinary share, equivalent to 6.441 US cents per ADS, was paid in October 2009. A second interim dividend for the second half of 2009 of 9.250 US cents (5.910 pence) per ordinary share equivalent to 27.750 US cents per ADS was paid in April 2010.

This is consistent with Shire's stated policy of paying a dividend semi-annually, set in US cents per ordinary share. Typically, the first interim payment each year will be the higher of the previous year's first interim USD dividend and the USD equivalent of the previous year's first interim GBP dividend. Dividend growth for the full year will be reviewed by the Board when the second interim dividend is determined. Any dividend growth will come through increasing the second interim dividend in a financial year.

**Income Access Share Arrangements**

Pursuant to the Scheme of Arrangement (the "Scheme") that became effective on May 23, 2008 Shire plc became the holding company of the former holding company of the Shire group, Shire Biopharmaceuticals Holdings ("Old Shire"). As a result of the Scheme, Shire has put into place income access arrangements which enable Shire ordinary shareholders, other than Shire ADS holders, to choose whether they receive their dividends from Shire a company resident for tax purposes in the Republic of Ireland or from Old Shire, a Shire group company resident for tax purposes in the UK.

Old Shire has issued one income access share to the Income Access Trust (the "IAS Trust") which is held by the trustee of the IAS Trust (the "Trustee"). The mechanics of the arrangements are as follows:

- i) If a dividend is announced or declared by Shire plc on its ordinary shares, an amount is paid by Old Shire by way of a dividend on the income access share to the Trustee, and such amount is paid by the Trustee to ordinary shareholders who have elected (or are deemed to have elected) to receive dividends under these arrangements. The dividend which would otherwise be payable by Shire plc to its ordinary shareholders will be reduced by an amount equal to the amount paid to its ordinary shareholders by the Trustee.
- ii) If the dividend paid on the income access share and on-paid by the Trustee to ordinary shareholders is less than the total amount of the dividend announced or declared by Shire plc on its ordinary shares, Shire plc will be obliged to pay a dividend on the relevant ordinary shares equivalent to the amount of the shortfall. In such a case, any dividend paid on the ordinary shares will generally be subject to Irish withholding tax at the rate of 20% or such lower rate as may be applicable under exemptions from withholding tax contained in Irish law.
- iii) An ordinary shareholder is entitled to make an income access share election such that she/he will receive his/her dividends (which would otherwise be payable by Shire plc) under these arrangements from Old Shire.
- iv) An ordinary shareholder who holds 25,000 or fewer ordinary shares at the first record date after s/he first becomes an ordinary shareholder, and who does not make a contrary election, will be deemed to have made an election (pursuant to the Shire plc articles of association) such that she/he will receive his/her dividends under these arrangements from Old Shire.

The ADS Depository has made an election on behalf of all holders of ADSs such that they will receive dividends from Old Shire under the income access share arrangements. Dividends paid by Old Shire under the income access share arrangements will not, under current legislation, be subject to any UK or Irish withholding taxes. If a holder of ADSs does not wish to receive dividends from Old Shire under the income access share arrangements, she/he must withdraw his/her ordinary shares from the ADS program prior to the dividend record date set by the Depository and request delivery of the Shire plc ordinary shares. This will enable him/her to receive dividends from Shire plc (if necessary, by making an election to that effect).

It is the expectation, although there can be no certainty, that Old Shire will distribute dividends on the income access share to the Trustee for the benefit of all ordinary shareholders who make (or are deemed to make) an income access share election in an amount equal to what would have been such ordinary shareholders' entitlement to dividends from Shire plc in the absence of the income access share election. If any dividend paid on the income access share and or paid to the ordinary shareholders is less than such ordinary shareholders' entitlement to dividends from Shire plc in the absence of the income access share election, the dividend on the income access share will be allocated pro rata among the ordinary shareholders and Shire plc will pay the balance to these ordinary shareholders by way of dividend. In such circumstances, there will be no grossing up by Shire plc in respect of, and Old Shire and Shire plc will not compensate those ordinary shareholders for, any adverse consequences including any Irish withholding tax consequences.

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Shire will be able to suspend or terminate these arrangements at any time, in which case the full Shire plc dividend will be paid directly by Shire plc to those ordinary shareholders (including the Depositary) who have made (or are deemed to have made) an income access share election. In such circumstances, there will be no grossing up by Shire plc in respect of, and Old Shire and Shire plc will not compensate those ordinary shareholders for, any adverse consequences including any Irish withholding tax consequences.

In the year ended December 31, 2010 Old Shire paid dividends totaling \$58.3 million (2009: \$45.9 million; 2008: \$7.2 million) on the income access share to the Trustee in an amount equal to the dividend ordinary shareholders would have received from Shire plc.

**Distributable Reserves**

The payment of dividends by Shire plc is governed by Jersey law. Under Jersey law, Shire plc is entitled to make payments of dividends from its accumulated profits and other distributable reserves. Prior to making any dividend payment, the Directors of Shire plc who authorize the payment of the dividend must make a solvency statement to the effect that Shire plc will be able to continue to carry on its business and discharge its debts as they fall due immediately after the payment is made and for the twelve month period following the making of the payment. Shire's future dividend policy will be dependent upon the amount of its distributable reserves, its financial condition, the terms of its then existing debt facilities and other relevant factors existing at the time.

For dividends paid by Old Shire on the income access share to the Trustee, the ability of Old Shire to pay dividends is determined under English law. As a matter of English law Old Shire can only pay dividends out of its distributable profits, which are the accumulated realized profits of Old Shire and not the consolidated group, so far as not previously utilized by distribution or capitalization, less accumulated realized losses, so far as not previously written off in a reduction or reorganization of capital.

**Equity Compensation Plan Information**

Equity compensation plan information is incorporated herein by reference to ITEM 12: Security Ownership of Certain Beneficial Owners and Management and Related Stock Holder Matters of this Form 10-K.

**Performance Graph**

For a graph comparing the cumulative total return to our stockholders during the five years ending December 31, 2010 to that of the London Stock Exchange 100 Index (excluding financial institutions), please refer to ITEM 11: Executive Compensation – Directors' Remuneration Report.

[Table of Contents](#)**ITEM 6: Selected financial data**

The selected consolidated financial data presented below as at December 31, 2010 and 2009 and for the years to December 31, 2010, 2009 and 2008 were derived from the audited consolidated financial statements of the Company, included herein.

The selected consolidated financial data presented below as at December 31, 2008, 2007 and 2006 and for the years to December 31, 2007 and 2006 were derived from the audited consolidated financial statements of the Company, which are not included herein.

The selected consolidated financial data should be read in conjunction with ITEM 7: Management's Discussion and Analysis of Financial Condition and Results of Operations and with the consolidated financial statements and related notes appearing elsewhere in this report.

Year to December 31,	2010 \$'M	2009 \$'M	2008 \$'M	2007 \$'M	2006 \$'M
<b>Statements of Operations:</b>					
Total revenues	3,471.1	3,007.7	3,022.2	2,436.3	1,796.5
In-process R&D	-	(1.6)	(263.1)	(1,866.4)	-
Gain on sale of product rights	16.5	6.3	20.7	127.8	63.0
Other operating expenses <sup>(1)</sup>	(2,693.5)	(2,392.2)	(2,367.8)	(2,076.8)	(1,576.3)
Operating income/(loss)	794.1	620.2	412.0	(1,379.1)	283.2
Total other (expense)/income, net <sup>(2)</sup>	(24.8)	22.8	(146.4)	(19.0)	33.6
Income/(loss) from continuing operations before income taxes and equity in earnings/(losses) of equity method investees	769.3	643.0	265.6	(1,398.1)	316.8
Income taxes	(182.7)	(138.5)	(98.0)	(55.5)	(84.9)
Equity in earnings/(losses) of equity method investees, net of taxes	1.4	(0.7)	2.4	1.8	5.7
Income/(loss) from continuing operations, net of taxes	588.0	503.8	170.0	(1,451.8)	237.6
(Loss)/gain from discontinued operations, net of tax	-	(12.4)	(17.6)	-	40.6
Net income/(loss)	588.0	491.4	152.4	(1,451.8)	278.2
Add: net loss attributable to the noncontrolling interest in subsidiaries	-	0.2	3.6	-	-
Net income/(loss) attributable to Shire plc	588.0	491.6	156.0	(1,451.8)	278.2
<b>Earnings/(loss) per share – basic</b>					
Income/(loss) from continuing operations	107.7c	93.2c	32.1c	(268.7c)	47.2c
(Loss)/gain from discontinued operations	-	(2.3c)	(3.3c)	-	8.1c
Earnings/(loss) per ordinary share - basic	107.7c	90.9c	28.8c	(268.7c)	55.3c
<b>Earnings/(loss) per share – diluted</b>					
Income/(loss) from continuing operations	105.3c	91.9c	31.8c	(268.7c)	46.6c
(Loss)/gain from discontinued operations	-	(2.2c)	(3.2c)	-	8.0c
Earnings/(loss) per ordinary share - diluted	105.3c	89.7c	28.6c	(268.7c)	54.6c

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(1) The following items are included within Other operating expenses:

- Up-front and milestone payments for in-licensed development projects, expensed to R&D, of \$45.0 million, \$43.4 million, \$nil, \$155.9 million, and \$80.5 million in the years ended December 31, 2010, 2009, 2008, 2007 and 2006 respectively;
- Costs of \$62.9 million associated with the termination of the Women's Health development agreement with Duramed Pharmaceuticals, Inc. ("Duramed") in the year to December 31, 2009; and
- Impairment loss of \$42.7 million following the decision to divest DAYTRANA to Noven in the year to December 31, 2010 and costs of \$149.9 million on the cessation of commercialization of DYNEPO in the year to December 31, 2008.

(2) The following items are included within Total other (expense)/ income, net:

- Gains on sale of non-current investments of \$11.1 million, \$55.2 million, \$9.4 million, \$0.1 million and \$nil in the years ended December 31, 2010, 2009, 2008, 2007 and 2006 respectively;
- Other than temporary impairment charges for available-for-sale investments of \$1.5 million, \$0.8 million, \$58.0 million, \$3.0 million and \$0.3 million in the years ended December 31, 2010, 2009, 2008, 2007 and 2006 respectively; and
- Interest expense in respect of the Transkaryotic Therapies, Inc. ("TKT") appraisal rights litigation of \$nil, \$nil, \$87.3 million, \$28.0 million and \$24.6 million in the years ended December 31, 2010, 2009, 2008, 2007 and 2006 respectively.

For further information, see ITEM 7: Management's Discussion and Analysis of Financial Condition and Results of Operations and ITEM 15: Exhibits and Financial Statement Schedules.

**Weighted average number of shares (millions):**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Basic	546.2	540.7	541.6	540.3	503.4
Diluted	590.3	548.0	545.4	540.3	509.3
Cash dividends declared and paid per ordinary share	<u>11.500<sup>c</sup></u>	<u>9.908<sup>c</sup></u>	<u>8.616<sup>c</sup></u>	<u>7.3925<sup>c</sup></u>	<u>6.3536<sup>c</sup></u>

**December 31,**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>\$'M</u>	<u>\$'M</u>	<u>\$'M</u>	<u>\$'M</u>	<u>\$'M</u>
Balance sheets:					
Total current assets	1,880.3	1,570.2	1,044.4	1,696.8	1,810.3
Total assets	5,387.6	4,617.5	3,933.7	4,330.1	3,355.4
Total current liabilities	1,293.3	1,020.0	823.8	1,262.2	1,332.0
Total liabilities	2,936.2	2,705.0	2,606.2	3,074.1	1,384.1
Total equity	<u>2,451.4</u>	<u>1,912.5</u>	<u>1,327.5</u>	<u>1,256.0</u>	<u>1,971.3</u>

**ITEM 7: Management's discussion and analysis of financial condition and results of operations**

The following discussion should be read in conjunction with the Company's consolidated financial statements contained in Part IV in this Annual Report on Form 10-K.

**Overview**

Shire's strategic goal is to be the leading specialty biopharmaceutical company in the world that focuses on meeting the needs of the specialist physician. Shire focuses its business on ADHD, HGT and GI diseases, as well as opportunities in other specialty therapeutic areas to the extent they arise through acquisitions. Shire's in-licensing, merger and acquisition efforts are focused on products in specialist markets with strong intellectual property protection and global rights. Shire believes that a carefully selected and balanced portfolio of products with strategically aligned and relatively small-scale sales forces will deliver strong results.

Substantially all of the Company's revenues, expenditures and net assets are attributable to the R&D, manufacture, sale and distribution of pharmaceutical products within two reportable segments: SP and HGT. The Company also earns royalties (where Shire has out-licensed products to third parties) which are recorded as revenues.

Revenues are derived primarily from two sources - sales of the Company's own products and royalties:

- 90% (2009: 90%) of total revenues are derived from product sales, of which 71% (2009: 79%) are within SP and 29% (2009: 21%) are within HGT; and
- 9% of total revenues are derived from royalties (2009: 9%).

Shire's strategic objectives are set using a balanced scorecard approach. Strategic and operational objectives are set at the corporate level and cascaded to the segment (SP/HGT), therapeutic area and functional levels so that these objectives are aligned with the corporate objectives. The Company therefore takes a fully integrated approach to strategic management and uses key performance indicators ("KPIs") to measure the achievement of these objectives. For 2010, Shire's corporate KPIs included certain financial and non financial measures.

The markets in which the Company conducts its business are highly competitive and highly regulated. The health care industry is experiencing:

- pressure from governments and healthcare providers to keep prices low while increasing access to drugs;
- increased R&D costs, because development programs are typically larger and take longer to get approval from regulators;
- challenges to existing patents from generic manufacturers;
- governments and healthcare systems favoring earlier entry of low cost generic drugs; and
- higher marketing costs, due to increased competition for market share.

Shire's strategy to become the leading specialty biopharmaceutical company has been developed to address these industry-wide competitive pressures. This strategy has resulted in a series of initiatives in the following areas:

**Markets**

Historically, Shire's portfolio of approved products has been heavily weighted towards the North American market. The acquisition in 2005 of TKT and the consequent establishment of our HGT business, together with the acquisitions of Jerini in 2008 (which brought the HAE product FIRAZYR), EQUASYM in 2009 (which facilitated Shire's immediate access to the European ADHD market) and Movetis in 2010 (which brought EU rights to RESOLOR and further developed our GI pipeline), provided Shire with the platforms to increase its presence in Europe and the RoW, thereby working towards diversifying the risk associated with reliance on one geographic market.

In 2010 the SP and HGT businesses derived more than 17% and 81%, respectively, of their product sales from outside of the US. Shire has made significant progress on a path to geographic diversification with additional development and commercialization activities in 2010, including:

- continued roll-out of MEZAVANT, FOSRENOL and FIRAZYR in Europe; and
- the acquisition of Movetis, which has added the approved product RESOLOR to the Company's European GI portfolio.

Shire's long-term mission is to increase the value of product sales from outside of the US and outside of US, UK, Germany, France, Italy, Spain and Canada. Shire has ongoing late-stage development activities, which are expected to further supplement the diversification of revenues in the future, and include the following:

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- VYVANSE launches in Latin American countries and the registration program for approval in the EU;
- INTUNIV registration program for approval in the EU;
- the continued roll-out of VPRIV in certain EU and Latin American countries;
- the continued roll-out of FIRAZYR in certain European and Latin American countries;
- the LIALDA/MEZAVANT diverticulitis registration program; and
- the continued roll-out of FOSRENOL, EQUASYM and RESOLOR in EU and RoW countries.

**R&D**

Over the last five years Shire has focused its R&D efforts on products in its core therapeutic areas and concentrated its resources on obtaining regulatory approval for later-stage pipeline products within these core therapeutic areas. In addition to continued efforts in its late stage pipeline in core ADHD, GI and HGT therapeutic areas, Shire has also progressed work on an earlier stage pipeline.

Evidence of the successful progression of the late stage pipeline can be seen from the granting of approval and associated launches of the Company's products over the last six years. Since January 2005, several products have received regulatory approval: in the US, ELAPRASE in 2006, LIALDA and VYVANSE in 2007, INTUNIV in 2009, and VPRIV in 2010; in the EU, FOSRENOL in 2005, ELAPRASE and MEZAVANT in 2007, and VPRIV in 2010; in Canada, VYVANSE in 2010.

Shire's strategy is focused on the development of product candidates that have a lower risk profile. As Shire further expanded its earlier phase pipeline, R&D costs in 2010 included expenditure on several pre-clinical to Phase 3 studies for products in development as well as Phase 3(b) and Phase 4 studies to support recently launched products in the SP and HGT businesses, together with the development of new projects in both the SP and HGT businesses. For a discussion of the Company's current development projects see ITEM 1: Business.

**Patents and Market Exclusivity**

The loss or expiration of patent protection or regulatory exclusivity with respect to any of the Company's major products could have a material adverse effect on the Company's revenues, financial condition and results of operations, as generic manufacturers may enter the market. Generic manufacturers often do not need to complete extensive clinical studies when they seek registration of a copy product and accordingly, they are generally able to sell the Company's drugs at a much lower price.

As expected, in 2009 Teva and Impax commenced commercial shipments of their authorized generic versions of ADDERALL XR, leading to declines in sales of branded ADDERALL XR in both 2009 and 2010. As discussed in ITEM 1: Business, the FDA has not yet reached a decision on the Citizen Petition for ADDERALL XR which was filed in October 2005. An FDA decision which does not require generic follow-on products to require bio-equivalence or additional clinical testing could lead to additional generic competition for ADDERALL XR.

Shire is engaged in various legal proceedings with generic manufacturers with respect to its VYVANSE, INTUNIV REPLAGAL, FOSRENOL, LIALDA and ADDERALL XR patents. For more detail of current patent litigation, see ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**Business Development**

As a result of the issues associated with the loss or expiry of patent protection or loss of data exclusivity, Shire seeks to focus its business development activity on the acquisition and in-licensing of products and projects which have the benefit of long-term patent protection and/or data exclusivity.

For example, through the acquisition of Movetis in 2010, Shire obtained recently launched RESOLOR, a promising GI pipeline and world-class R&D talent. In 2010 Shire also acquired an exclusive license in markets outside of North America for the ActRIIB class of molecules being developed by Acceleron. The collaboration with Acceleron will initially focus on further developing HGT-4510 (also called ACE-031) for the treatment of patients with DMD.

In 2009, Shire acquired the worldwide rights (excluding the US, Canada and Barbados) to EQUASYM IR and XL from UCB and entered into a research collaboration with Santaris Pharma A/S ("Santaris") for the development of its LNA drug platform technology.

**Organization and Structure**

During 2010, to support the Company's mission to increase the proportion of product sales generated outside of the US, Shire established an international commercial hub in Switzerland.

## Results of operations for the years to December 31, 2010 and 2009

The Company's management analyzes product sales growth for certain products sold in markets outside of the US on a constant exchange rate ("CER") basis, so that product sales growth can be considered excluding movements in foreign exchange rates. Product sales growth on a CER basis is a Non-GAAP financial measure ("Non-GAAP CER"), computed by comparing 2010 product sales restated using 2009 average foreign exchange rates to 2009 actual product sales. This Non-GAAP financial measure is used by Shire's management, and is considered to provide useful information to investors about the Company's results of operations, because it facilitates an evaluation of the Company's year on year performance on a comparable basis. Average key exchange rates for year to December 31, 2010 were \$1.55:£1.00 and \$1.33:€1.00 (2009: \$1.57:£1.00 and \$1.39:€1.00).

Financial highlights for the year to December 31, 2010 are as follows:

- Product sales were up 16% to \$3,128 million (2009: \$2,694 million). Product sales excluding ADDERALL XR ("Core Products sales") grew strongly through 2010 (up 34% to \$2,767 million), more than offsetting the decline in ADDERALL XR product sales (down 42% to \$361 million) following loss of market exclusivity in April 2009. On a Non-GAAP CER basis, Core Product sales were up 35%.
- The 34% growth in Core Products sales to \$2,767 million was driven by VYVANSE (up 26% to \$634 million), REPLAGAL (up 81% to \$351 million), LIALDA/MESAVANT (up 24% to \$293 million), and recently launched INTUNIV(\$166 million) and VPRIV (\$143 million).
- Total revenues were up 15% (Non-GAAP CER: up 16%) to \$3,471 million (2009: \$3,008 million) due to the growth in product sales and higher royalties (up 12% to \$328 million).
- Operating income increased by \$174 million, or 28%, to \$794 million (2009: \$620 million), due to higher revenues and continued operating leverage, allowing us to absorb the effects of increased investment in our targeted R&D programs and an increase in selling, general and administrative ("SG&A") activities to support our recent and future growth.
- Net income attributable to Shire increased by \$96 million to \$588 million (2009: \$492 million) and diluted earnings per ordinary share increased by 17% to 105.3c (2009: 89.7c).

### Total revenues

The following table provides an analysis of the Company's total revenues by source:

Year to December 31,	2010 \$'M	2009 \$'M	Change %
Product sales	3,128.2	2,693.7	+16%
Royalties	328.1	292.5	+12%
Other revenues	14.8	21.5	-31%
Total	3,471.1	3,007.7	+15%

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	Year to December 31, 2010 \$'M	Year to December 31, 2009 \$'M	Product sales growth %	Non-GAAP CER growth %	US prescription growth <sup>1</sup> %	Exit market share <sup>1</sup> %
<b>SP</b>						
<b>ADHD</b>						
VYVANSE	634.2	504.7	+26	+26	+28	15
ADDERALL XR	360.8	626.5	-42	-43	-32	7
INTUNIV	165.9	5.4	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a <sup>4</sup>	3
DAYTRANA	49.4	71.0	-30	-30	n/a	n/a <sup>5</sup>
EQUASYM	22.0	22.8	-4	+1	n/a	n/a <sup>2</sup>
<b>GI</b>						
LIALDA / MEZAVANT	293.4	235.9	+24	+24	+18	20
PENTASA	235.9	214.8	+10	+10	-5	15
RESOLOR	0.3	-	n/a	n/a	n/a <sup>3</sup>	n/a <sup>3</sup>
<b>General Products</b>						
FOSRENOL	182.1	184.4	-1	<1	-16	6
XAGRID	87.3	84.8	+3	+7	n/a	n/a <sup>2</sup>
CARBATROL	82.3	82.4	<1	<1	-7	57
REMINYL/REMINYL XL	42.9	42.4	+1	+2	n/a	n/a <sup>2</sup>
CALCICHEW	38.9	43.7	-11	-10	n/a	n/a <sup>2</sup>
Other product sales	23.8	19.4	+23	+17	n/a	n/a
	<u>2,219.2</u>	<u>2,138.2</u>	<u>+4</u>			
<b>HGT</b>						
ELAPRASE	403.6	353.1	+14	+16	n/a <sup>2</sup>	n/a <sup>2</sup>
REPLAGAL	351.3	193.8	+81	+87	n/a <sup>3</sup>	n/a <sup>3</sup>
VPRIV	143.0	2.5	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a	n/a <sup>2</sup>
FIRAZYR	11.1	6.1	+82	+91	n/a <sup>3</sup>	n/a <sup>3</sup>
	<u>909.0</u>	<u>555.5</u>	<u>+64</u>			
<b>Total product sales</b>	<u>3,128.2</u>	<u>2,693.7</u>	<u>+16</u>			

- (1) Data provided by IMS Health National Prescription Audit ("IMS NPA"). Exit market share represents the average monthly US market share in the month ended December 31, 2010.  
(2) IMS NPA Data not available.  
(3) Not sold in the US in the year to December 31, 2010.  
(4) INTUNIV was launched in the US in the fourth quarter of 2009. In 2009 VPRIV generated sales from early access programs, prior to obtaining US and EU approval in 2010.  
(5) The Company divested DAYTRANA to Noven effective October 1, 2010.

**Specialty Pharmaceuticals****VYVANSE – ADHD**

The increase in VYVANSE product sales was driven by both an increase in VYVANSE's market share and US ADHD market growth (12%) as well as the effect of price increases taken since the fourth quarter of 2009. These factors offset the effect of higher sales deductions in 2010 due to the impact of increased Medicaid rebates principally as a result of US Healthcare Reforms.

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Information regarding litigation proceedings with respect to VYVANSE can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

#### **ADDERALL XR – ADHD**

ADDERALL XR product sales decreased due to lower US prescription demand (following the launch of authorized generic versions in 2009, which more than offset US ADHD market growth) and higher sales deductions in 2010 (65% of branded gross sales in 2010 compared to 47% in 2009). These factors more than offset the effects of stocking in 2010 compared to destocking in 2009.

There are potentially different interpretations as to how shipments of authorized generic ADDERALL XR to Teva and Impax should be included in the Medicaid rebate calculation pursuant to Medicaid rebate legislation, including the Deficit Reduction Act of 2005 (the "Medicaid rebate legislation"). As a result, more than one unit rebate amount ("URA") is calculable for the purposes of determining the Company's Medicaid rebate liability to the States after authorized generic launch. In the years to December 31, 2010 and 2009, the Company has recorded its accrual for Medicaid rebates based on its best estimate of the rebate payable. This best estimate is consistent with (i) the Company's interpretation of the Medicaid rebate legislation, as amended in 2010 by the relevant provisions of the 2010 Affordable Care Act, (ii) the Company's repeated and consistent submission of price reporting to the CMS using the Company's interpretation of the Medicaid rebate legislation, (iii) CMS calculating the URA based on that interpretation, (iv) States submitting Medicaid rebate invoices using this URA, and (v) Shire paying these invoices.

Shire believes that its interpretation of the Medicaid rebate legislation is reasonable and correct. In addition, the 2010 Affordable Care Act contained a provision, effective as of October 1, 2010, that provided further clarity, in a manner consistent with the Company's interpretation, as to how shipments of authorized generics should be included in Medicaid rebate calculations from October 1, 2010 forward. CMS has explicitly referred manufacturers with authorized generics to this new provision in making their branded rebate calculations, further supporting the Company's interpretation.

However, CMS could disagree with the Company's interpretation for determining Medicaid rebates payable for the period prior to October 1, 2010, require Shire to apply an alternative interpretation of the Medicaid rebate legislation and pay up to \$210 million above the recorded liability. For rebates in respect of 2009 prescriptions ("2009 rebates") this would represent a URA substantially in excess of the unit sales price of ADDERALL XR and accordingly in excess of the approximate amount of the full cost to the States of reimbursement for Medicaid prescriptions of ADDERALL XR. For rebates in respect of 2010 prescriptions, as a result of provisions in the 2010 Affordable Care Act, the URA would be limited to an amount approximating the unit sales price of ADDERALL XR.

Should CMS require Shire to apply an alternative interpretation of the Medicaid rebate legislation for the period prior to October 1, 2010, Shire could seek to limit any additional payment for 2009 rebates to a level approximating the full, un-rebated cost to the States of ADDERALL XR, or \$130 million above the recorded liability. Further, Shire believes it has a strong legal basis supporting its interpretation of the Medicaid rebate legislation, and that there would be a strong basis to initiate litigation to recover any amount paid in excess of the recorded liability. The result of any such litigation cannot be predicted and could result in additional rebate liability above Shire's current best estimate.

Litigation proceedings regarding ADDERALL XR are ongoing. Further information about this litigation can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

#### **INTUNIV – ADHD**

US prescription demand for INTUNIV continued to increase throughout 2010. INTUNIV was launched in the US in November 2009, and product sales in 2010 included both shipments made in 2010 and the recognition into revenue of launch stocks which had been deferred in 2009 in accordance with Shire's accounting policies.

Litigation proceedings relating to the Company's INTUNIV patents are in progress. For further information see ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

#### **LIALDA/MEZAVANT – Ulcerative colitis**

Product sales for LIALDA/MEZAVANT continued to grow in 2010, driven by an increase in US market share and price increases taken since the fourth quarter of 2009. These factors were partially offset by higher sales deductions compared to the same period in 2009 due in part to US Healthcare Reforms.

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Litigation proceedings regarding LIALDA/MEZAVANT are ongoing. Further information about this litigation can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**PENTASA – Ulcerative colitis**

Product sales of PENTASA continued to grow despite lower US prescription demand due to the impact of price increases taken during 2010.

**RESOLOR – Chronic Constipation**

RESOLOR has generated revenues of \$0.3 million since acquisition in October 2010 and sales are expected to be higher in 2011 as the product is launched in additional countries and captures a full year of revenue in existing markets.

**FOSRENOL – Hyperphosphatemia**

Product sales of FOSRENOL outside the US increased by 6% primarily because of higher prescription demand partially offset by mandatory price reductions that were imposed in 2010. Product sales of FOSRENOL in the US decreased by 7% due to lower US prescription demand and higher sales deductions compared to 2009, which more than offset the effect of price increases taken since the fourth quarter of 2009.

Litigation proceedings regarding Shire's FOSRENOL patents are ongoing. Further information about this litigation can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**Human Genetic Therapies****ELAPRASE – Hunter syndrome**

The growth in sales of ELAPRASE was driven by new patients commencing therapy across North America, Latin America and Europe, Middle East and Asia. On a Non-GAAP CER basis sales grew by 16%.

**REPLAGAL – Fabry disease**

The 81% growth (87% on a Non-GAAP CER basis) in REPLAGAL product sales was driven by a significant increase in demand in 2010 in all countries where REPLAGAL is sold as new patients commenced therapy and existing patients switched to REPLAGAL from a competitor product. This was attributable in part to supply shortages of that competitor product.

Litigation proceedings regarding REPLAGAL are ongoing. Further information about this litigation can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**VPRIV – Gaucher disease**

Following the grant of a marketing authorization from the European Commission on August 26, 2010, VPRIV is now being reimbursed on an approved basis in several countries in the EU as well as in the US. VPRIV was approved by the FDA on February 26, 2010. Reimbursement on a pre-approval basis continues in other EU countries.

**FIRAZYR - HAE**

Product sales grew in line with increased volumes across markets in Europe. FIRAZYR is the first new product for HAE in Europe in 30 years and has orphan exclusivity for acute attacks of HAE in adults in the EU until 2018.

**Royalties**

Royalty revenue increased by 12% to \$328.1 million for the year to December 31, 2010 (2009: \$292.5 million). The following table provides an analysis of Shire's royalty income:

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	Year to December 31, 2010 \$'M	Year to December 31, 2009 \$'M	Change %
3TC and ZEFFIX	154.0	164.0	-6%
ADDERALL XR	100.3	68.0	+48%
Other	73.8	60.5	+22%
Total	<u>328.1</u>	<u>292.5</u>	<u>+12%</u>

The increase in royalty revenue in 2010 was primarily due to higher royalties received on sales of authorized generic versions of ADDERALL XR (ADDERALL XR royalties have been received from Impax since October 2009, and were received from Teva, at a lower rate, between April and September 2009). Royalties received for 3TC and Zeffix from GSK were lower in 2010 compared to 2009 as 3TC based treatments continue to be adversely impacted by increased competition from other products.

#### Cost of product sales

Cost of product sales increased to \$463.4 million for the year to December 31, 2010 (15% of product sales), up from \$388.0 million in the corresponding period in 2009 (14% of product sales). Cost of product sales as a percentage of product sales increased by one percentage point compared to 2009 as lower gross margins on ADDERALL XR in 2010 and higher costs incurred in 2010 on the transfer of manufacturing from the Company's Owings Mills facility to a third party offset the positive effect on gross margins of recently launched, higher margin products and higher gross margins from existing Core Products.

For the year to December 31, 2010 cost of product sales included depreciation of \$38.1 million (2009: \$21.8 million). Depreciation charged in 2010 is higher than 2009 due to accelerated depreciation of \$25.7 million (2009: \$12.0 million) following a change in the estimate of the useful lives of the property, plant and equipment at Shire's Owings Mills facility as a result of the anticipated closure of the facility in 2011.

#### R&D

R&D expenditure for the year to December 31, 2010 increased to \$661.5 million (21% of product sales), compared to \$638.3 million in the corresponding period in 2009 (24% of product sales). R&D expenditure in the year to December 31, 2010 included the up-front payment of \$45.0 million (1% of product sales) on entering the collaboration with Acceleron for development of the ActRIIB class of molecules. R&D in the year to December 31, 2009 included \$36.9 million (1% of product sales) related to the payment to amend an INTUNIV in-license agreement, \$62.9 million (2% of product sales) following the agreement with Duramed to terminate development of the Women's Health products, and the up-front payment to Santaris of \$6.5 million for technology access and R&D funding.

Excluding these termination, license and up-front payments, R&D increased by \$84.5 million in the year to December 31, 2010 compared to the same period in 2009 as the Company has continued to increase investment in a number of targeted R&D programs, including VYVANSE international and investigative uses of VYVANSE for new indications, Guanfacine Carrier Wave, R&D programs acquired with Movetis and other early stage development programs. For the year to December 31, 2010 R&D included depreciation of \$19.0 million (2009: \$15.5 million).

#### SG&A

SG&A expenses increased to \$1,526.3 million (49% of product sales) for the year to December 31, 2010 from \$1,342.6 million (50% of product sales) in the corresponding period in 2009. SG&A increased in 2010 compared to the same period in 2009 due to costs incurred to support the launches of INTUNIV and VPRIV, growth in new markets and the inclusion of Movetis operating costs from the fourth quarter of 2010 following completion of the acquisition. For the year to December 31, 2010 SG&A also included depreciation of \$62.1 million (2009: \$67.7 million), intangible asset amortization of \$133.5 million (2009: \$136.9 million) and intangible asset impairment charges of \$42.7 million (2009: \$nil) to write down the DAYTRANA intangible asset to its fair value less costs to sell prior to divestment to Noven.

[Table of Contents](#)**Gain on sale of product rights**

For the year to December 31, 2010 the Company recorded gains on sale of product rights of \$16.5 million (2009: \$6.3 million) of which \$10.4 million (2009: \$nil) resulted from the re-measurement of contingent consideration receivable on divestment of DAYTRANA to its fair value, and \$6.1 million (2009: \$6.3 million) from the disposal of other non-core products.

**Reorganization costs**

For the year to December 31, 2010 Shire recorded reorganization costs of \$34.3 million (2009: \$12.7 million) of which \$13.0 million (2009: \$12.7 million) related to the transfer of manufacturing from its Owings Mills facility to a third party and \$21.3 million (2009: \$nil) related to the establishment of an international commercial hub in Switzerland.

**Integration and acquisition costs**

For the year to December 31, 2010 the Company recorded integration and acquisition costs of \$8.0 million (2009: \$10.6 million), which in 2010 principally related to the acquisition of Movetis, and in 2009 to the integration of Jerini.

**Interest expense**

For the year to December 31, 2010 the Company incurred interest expense of \$35.1 million (2009: \$39.8 million). Interest expense principally relates to the coupon and amortization of issue costs on Shire's \$1,100 million 2.75% convertible bonds due 2014.

**Other income/(expense), net**

For the year to December 31, 2010 the Company recognized income, net of \$7.9 million (2009: \$60.7 million), primarily due to the recognition of a gain of \$11.1 million (2009: \$55.2 million) relating to the disposal of its investment in Virochem Pharma Inc ("Virochem") in March 2009. At the time of disposal an element of the consideration was held in escrow for twelve months pending any warranty claims. The consideration was released from escrow in March 2010, resulting in the remaining gain being recognized in the year to December 31, 2010.

Other income/(expense), net also includes a loss of \$3.6 million in the year to December 31, 2010 relating to the extinguishment of building finance obligations at Lexington Technology Park, and in 2009 includes a gain of \$5.7 million following the substantial modification of a property lease.

**Taxation**

The effective rate of tax in 2010 was 24% (2009: 22%).

The effective rate of tax in 2010 benefited from increased profits in lower tax territories, including Switzerland following the implementation of an international commercial hub there in 2010, and an increase in US tax incentives (notably the domestic production deduction), partially offset by up front payments to Acceleron which were deductible at tax rates lower than the Company's effective tax rate.

The effective rate of tax in 2009 benefited from the decrease in valuation allowances relating to state tax credits and loss carryforwards following Massachusetts state tax changes, and the favorable rate effect of the termination of the Women's Health development agreement with Duramed and the amendment to the INTUNIV in-licence, which were both tax effected at rates higher than the Company's effective rate.

[Table of Contents](#)**Results of operations for the years to December 31, 2009 and 2008**

Key financial highlights for the year to December 31, 2009 were as follows:

- Core Product sales increased by 25% to \$2,067.2 million (2008: \$1,652.5 million) following continued strong growth from VYVANSE, LIALDA/MEZAVANT, ELAPRASE and REPLAGAL;
- Product sales including ADDERALL XR decreased by 2% to \$2,693.7 million (2008: \$2,754.2 million) due to the expected decline in ADDERALL XR product sales following the launch of authorized generic versions by Teva and Impax, with the strong performance from Shire's other products offsetting the decrease;
- Total revenues decreased marginally to \$3,007.7 million (2008: \$3,022.2 million) as the increase in product sales excluding ADDERALL XR and royalty income received on Teva and Impax's sales of authorized generic ADDERALL XR offset the decline in ADDERALL XR product sales;
- Operating income in 2009 increased by 51% to \$620.2 million (2008: \$412.0 million); and
- Net income attributable to Shire plc increased by \$335.6 million to \$491.6 million (2008: \$156.0 million) and diluted earnings per ordinary share increased to 89.7c in 2009 (2008: 28.6c).

**Total revenues**

The following table provides an analysis of the Company's total revenues by source:

Year to December 31,	2009 \$'M	2008 \$'M	Change %
Product sales	2,693.7	2,754.2	-2
Royalties	292.5	245.5	+19
Other revenues	21.5	22.5	-4
Total	<u>3,007.7</u>	<u>3,022.2</u>	-

[Table of Contents](#)**Product sales**

	Year to December 31, 2009 \$'M	Year to December 31, 2008 \$'M	Product sales growth %	Non-GAAP CER growth %	US prescription growth <sup>1</sup> %	Exit market share <sup>1</sup> %
<b>SP</b>						
<i>ADHD</i>						
VYVANSE	504.7	318.9	+58	+58	+65	13
ADDERALL XR	626.5	1,101.7	-43	-43	-42	8
DAYTRANA	71.0	78.7	-10	-10	-13	1
EQUASYM	22.8	-	n/a	n/a	n/a	n/a <sup>2</sup>
INTUNIV	5.4	-	n/a	n/a	n/a	1
<i>GI</i>						
PENTASA	214.8	185.5	+16	+16	-2	16
LIALDA / MEZAVANT	235.9	140.4	+68	+69	+43	18
<i>General Products</i>						
FOSRENOL	184.4	155.4	+19	+23	-2	8
CALCICHEW	43.7	52.8	-17	-3	n/a	n/a <sup>3</sup>
CARBATROL	82.4	75.9	+9	+9	-4	55
REMINYL/REMINYL XL	42.4	34.4	+23	+42	n/a	n/a <sup>3</sup>
XAGRID	84.8	78.7	+8	+16	n/a	n/a <sup>2</sup>
Other product sales	19.4	50.1	-61	-59	n/a	n/a <sup>3</sup>
	<u>2,138.2</u>	<u>2,272.5</u>	<u>-6</u>			
<i>HGT</i>						
ELAPRASE	353.1	305.1	+16	+20	n/a	n/a <sup>3</sup>
REPLAGAL	193.8	176.1	+10	+16	n/a	n/a <sup>2</sup>
FIRAZYR	6.1	0.5	n/a	n/a	n/a	n/a <sup>2</sup>
VPRIV <sup>4</sup>	2.5	-	n/a	n/a	n/a	n/a <sup>2</sup>
	<u>555.5</u>	<u>481.7</u>	<u>+15</u>			
<b>Total product sales</b>	<u>2,693.7</u>	<u>2,754.2</u>	<u>-2</u>			

(1) US prescription growth and market share data provided by IMS NPA. Exit market share represents the US market share in the last week of December 2009.

(2) Not sold in the US or awaiting approval in the US.

(3) IMS NPA Data not available.

(4) Not approved at December 31, 2009. Sales achieved under early access programs.

The Company's management analyses product sales growth for certain products sold in markets outside of the US on a CER basis, so that product sales growth can be considered excluding movements in foreign exchange rates. Product sales growth on a CER basis is a non-GAAP financial measure, computed by comparing 2009 product sales restated using 2008 average foreign exchange rates to 2008 actual product sales. Average exchange rates for the year to December 31, 2009 were \$1.57:£1.00 and \$1.39:€1.00 (2008: \$1.85:£1.00 and \$1.47:€1.00).

**Specialty Pharmaceuticals****VYVANSE – ADHD**

The increase in VYVANSE product sales was driven by higher US prescription demand in 2009 compared to 2008, 9% growth in the US ADHD market and price increases. Product sales growth was lower than prescription growth due to lower stocking in 2009 compared to 2008.

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Information regarding litigation proceedings with respect to VYVANSE can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**ADDERALL XR – ADHD**

The launch by Teva and Impax of their authorized generic versions of ADDERALL XR led to the expected decline in 2009 of branded ADDERALL XR prescription demand, and resulted in higher US sales deductions in 2009 compared to 2008. These factors more than offset the positive impacts of price increases taken since the fourth quarter of 2008, and the inclusion in product sales of shipments of authorized generic ADDERALL XR to Teva and Impax in 2009.

Sales deductions represented 47% of branded ADDERALL XR gross sales in the year to December 31, 2009 compared to 25% in the same period in 2008, following higher Medicaid and Managed Care rebates subsequent to the authorized generic launches.

Litigation proceedings regarding ADDERALL XR are ongoing. Further information about this litigation can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**INTUNIV – ADHD**

INTUNIV was launched in the US in November 2009. In line with Shire's revenue recognition policy for launch shipments, initial stocking shipments have been deferred and are being recognized into revenue in line with end-user prescription demand. At December 31, 2009 deferred revenues on the balance sheet represented gross sales of \$38.8 million.

Litigation proceedings relating to the Company's INTUNIV patents are in progress. For further information see ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**PENTASA – Ulcerative colitis**

Product sales of PENTASA continued to grow despite a decrease in US prescription demand in 2009 compared to 2008 due to the impact of price increases taken during 2009.

**LIALDA/MEZAVANT – Ulcerative colitis**

Strong product sales of LIALDA/MEZAVANT continued in the year to December 31, 2009 driven by an increase in market share over 2008, growth in the US oral mesalamine market and price increases taken during 2009.

Litigation proceedings regarding LIALDA/MEZAVANT are ongoing. Further information about this litigation can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**FOSRENOL – Hyperphosphatemia**

Product sales increased as FOSRENOL entered new countries and grew in existing markets outside the US. In the US, FOSRENOL sales grew despite lower prescriptions due to a price increase in 2009.

Litigation proceedings regarding Shire's FOSRENOL patents are ongoing. Further information about this litigation can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

**Human Genetic Therapies****ELAPRASE – Hunter syndrome**

The growth in sales of ELAPRASE was driven by increased volumes across all regions where ELAPRASE is sold. On a Non-GAAP CER basis sales grew by 20% (66% of ELAPRASE sales are made outside of the US).

**REPLAGAL – Fabry disease**

The growth in REPLAGAL product sales in 2009 over 2008 was driven by a significant increase in demand in the fourth quarter of 2009 due to an acceleration of patients switching to REPLAGAL in the EU, attributable in part to supply shortages affecting a competitor product. Sales increased 16% on a Non-GAAP CER basis (REPLAGAL is sold primarily in Euros and Pounds sterling).

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Litigation proceedings regarding REPLAGAL are ongoing. Further information about this litigation can be found in ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K.

### Royalties

Royalty revenue increased by 19% to \$292.5 million for the year to December 31, 2009 (2008: \$245.5 million). The following table provides an analysis of Shire's royalty income.

Year to December 31,	2009 \$'M	2008 \$'M	Change %	Non-GAAP CER %
3TC and ZEFFIX	164.0	180.5	-9	-6
ADDERALL XR	68.0	-	n/a	n/a
Others	60.5	65.0	-7	-3
Total	<u>292.5</u>	<u>245.5</u>	<u>+19</u>	<u>+22</u>

#### 3TC (HIV infection and AIDS) and ZEFFIX (Chronic hepatitis B infection)

Shire receives royalties from GSK on worldwide 3TC and ZEFFIX sales, which have decreased mainly due to competition from other HIV and hepatitis B treatments.

#### ADDERALL XR – ADHD

Royalties were received on Teva's sales of an authorized generic version of ADDERALL XR between April 2009 and September 2009, and on Impax's sales of an authorized generic version of ADDERALL XR from October 2009.

#### Other

Other royalties are received primarily on worldwide (excluding UK and Republic of Ireland) sales of REMINYL and REMINYL XL (known as RAZADYNE and RAZADYNE ER in the US). Royalties on sales of these products decreased in the year to December 31, 2009 to \$47.7 million (2008: \$63.5 million) due to generic competition in the US from August 2008.

#### Cost of product sales

Cost of product sales decreased to \$388.0 million for the year to December 31, 2009 (14% of product sales), down from \$408.0 million in the corresponding period in 2008 (2008: 15% of product sales). Cost of product sales in the year to December 31, 2008 included charges relating to DYNEPO exit costs of \$48.8 million (2% of product sales). Excluding this item, cost of product sales as a percentage of product sales in 2009 increased by 1% to 14% compared to 2008. This increase primarily resulted from changes in product mix following the launch by Teva and Impax of their authorized generic versions of ADDERALL XR in 2009. Higher sales deductions on Shire's sales of branded ADDERALL XR, together with lower margin sales of the authorized generic version of ADDERALL XR to Teva and Impax both depressed gross margins in 2009.

For the year to December 31, 2009 cost of product sales included depreciation of \$21.8 million (2008: \$16.2 million). Depreciation charged in 2009 is higher than 2008 due to accelerated depreciation of \$12.0 million in 2009 following a change in the estimate of the useful lives of the property, plant and equipment at Shire's Owings Mills facility as a result of the anticipated closure of the facility in 2011.

#### R&D

R&D expenditure increased by 29% to \$638.3 million in the year to December 31, 2009 (24% of product sales), up from \$494.3 million in the corresponding period in 2008 (18% of product sales). R&D for the year to December 31, 2009 included a charge of \$36.9 million (1% of product sales) relating to the amendment of an INTUNIV in-license agreement and costs of \$62.9 million (2% of product sales) following the agreement with Duramed to terminate the Women's Health development agreement. R&D in the year to December 31, 2008 included costs of \$6.5 million for DYNEPO exit costs. Excluding these items, R&D increased in the year to December 31, 2009 compared to the same period in 2008 due to

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continued investment in R&D programs, including the acceleration of investment in VPRIV and REPLAGAL in the US, and the inclusion within R&D of an up-front payment of \$6.5 million to Santaris for technology access and R&D funding.

For the year to December 31, 2009 R&D included depreciation of \$15.5 million (2008: \$12.5 million).

### **SG&A**

SG&A expenses decreased to \$1,342.6 million (50% of product sales) for the year to December 31, 2009 from \$1,455.2 million (53% of product sales) in the corresponding period in 2008. The decrease was due to the Company's continued focus on cost management, and lower intangible asset impairment charges in the year to December 31, 2009 compared to the same period in 2008. SG&A in the year to December 31, 2009 included intangible asset amortization of \$136.9 million (2008: \$126.2 million), the increase resulting from a full year amortization of the FIRAZYR intangible asset. Intangible asset impairment charges in the year to December 31, 2009 were \$nil (2008: \$97.1 million). Impairment charges in 2008 included \$94.6 million related to DYNEPO which the Company ceased to commercialize. Depreciation included in SG&A was \$67.7 million in 2009 (2008: \$48.5 million).

### **Gain on sale of product rights**

For the year to December 31, 2009 Shire recorded gains of \$6.3 million (2008: \$20.7 million) arising from the sale of non-core products to Almirall in 2007. These gains had been deferred since 2007 pending obtaining the relevant consents to transfer certain assets.

### **IPR&D charge**

During the year to December 31, 2009 the Company recorded an IPR&D charge of \$1.6 million (2008: \$128.1 million), in respect of FIRAZYR in markets outside of the EU which have not been approved by the relevant regulatory authorities. Also included in IPR&D in 2008 was a charge of \$135.0 million relating to the acquisition of METAZYM from Zymenex.

The IPR&D charge in respect of FIRAZYR relates to the US (\$64.9 million) and the RoW (\$64.8 million) markets. In the US, Jerini received a not approvable letter with respect to FIRAZYR from the FDA in April 2008 (prior to the acquisition of Jerini by Shire), and Shire has since agreed to conduct an additional clinical study in certain RoW territories where FIRAZYR has not been approved by the regulatory authorities.

METAZYM (HGT-1111) completed a Phase 1b clinical trial in 12 MLD patients in Europe and an extension to this study is ongoing. Based on additional long term clinical data from the ongoing Phase 1b study in MLD, in the first quarter of 2010 Shire decided to suspend further development of an intravenous formulation of HGT-1111.

### **Reorganization costs**

For the year to December 31, 2009 Shire recorded reorganization costs of \$12.7 million (2008: \$nil) relating to the transfer of manufacturing from its Owings Mills facility.

### **Integration and acquisition costs**

For the year to December 31, 2009 Shire recorded integration and acquisition costs of \$10.6 million (2008: \$10.3 million) primarily relating to the integration of Jerini.

### **Interest income**

For the year to December 31, 2009 Shire received interest income of \$1.9 million (2008: \$25.5 million), primarily earned on cash and cash equivalents. Interest income for the year to December 31, 2009 was lower than the same period in 2008 due to significantly lower average interest rates in 2009 compared to 2008 and lower average cash and cash equivalent balances.

### **Interest expense**

For the year to December 31, 2009 the Company incurred interest expense of \$39.8 million (2008: \$139.0 million). Interest expense in 2009 primarily related to interest expense on the Company's convertible bond. Interest expense in 2008 was higher than 2009 due to interest expense of \$87.3 million recorded in respect of the TKT appraisal rights litigation, of which \$73.0 million was additional interest arising from the settlement of the litigation in November 2008.

### **Other income/(expense), net**

For the year to December 31, 2009 the Company recognized Other income, net of \$60.7 million. Other income in 2009 includes a gain of \$55.2 million on disposal of the Company's investment in Virochem to Vertex Pharmaceuticals Inc ("Vertex") in a cash and stock transaction. Shire received total consideration of \$19.2 million in cash and two million

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Vertex shares (valued at \$50.8 million at the date these shares were acquired). Other income, net in 2009 also includes a gain of \$5.7 million on the substantial modification of a property lease.

For the year ended December 31, 2008, the Company recognized Other expenses, net of \$32.9 million. Other expenses, net includes other-than-temporary impairment charges of \$58.0 million. Impairment charges in 2008 include \$44.3 million relating to the Company's available-for-sale investment in Renovo Group plc. Offsetting this in 2008 is a gain of \$9.4 million from the disposal of the Company's available-for-sale investment in Questcor Pharmaceutical Inc. ("Questcor") for cash consideration.

### **Taxation**

In the year to December 31, 2009 the effective tax rate was 22% (2008: 37%). Excluding the impact of IPR&D charges of \$263.1 million in 2008, which are either not tax deductible or for which no tax benefit is currently recognized, the effective tax rate in 2008 was 19%.

The effective rate of tax in 2009 was higher than 2008 (excluding the impact of IPR&D charges) due to increased profits in higher tax territories, and the recognition of valuation allowances against EU and US deferred tax assets. These factors more than offset reductions to the effective rate of tax in 2009 due to: the decrease in valuation allowances relating to state tax credits and loss carry forwards following Massachusetts State tax changes in 2009; the benefit of the effect of the change in the effective state tax rate on the net state deferred tax balance; and higher R&D tax credits in the US, principally the acceleration of the VPRIV program.

### **Discontinued operations**

The loss from discontinued operations for the year to December 31, 2009 was \$12.4 million (2008: \$17.6 million). The loss in 2009 related to net losses on discontinued Jerini businesses which were either divested or closed during the second quarter of 2009, the loss on disposal of Jerini Peptide Technologies GmbH ("JPT") business and the write-off of assets previously classified as held for sale. The loss in 2008 related to certain businesses acquired through the Jerini acquisition, including a charge of \$12.9 million arising on the re-measurement of assets held for sale to their fair value less cost to sell.

### **Financial condition at December 31, 2010 and 2009**

#### **Cash and cash equivalents**

Cash and cash equivalents have increased by \$51.7 million to \$550.6 million at December 31, 2010 (December 31, 2009: \$498.9 million). In the year to December 31, 2010 cash provided by operating activities was \$954.9 million. The strong operating cashflow in 2010 has funded significant investment in the business, including the acquisition of Movetis, LTP and other capital expenditures as well as enabling a reduction of net debt.

#### **Accounts receivable, net**

Accounts receivable, net have increased by \$95.0 million to \$692.5 million at December 31, 2010 (December 31, 2009: \$597.5 million), principally due to higher gross revenues in 2010 compared to 2009. At December 31, 2010 receivables represented 50 days sales, a reduction of one day compared to 2009 (December 31, 2009: 51 days).

#### **Inventories**

Inventories have increased by \$70.3 million to \$260.0 million at December 31, 2010 (December 31, 2009: \$189.7 million), primarily due to an increase in the production of the Company's HGT products.

#### **Property, plant and equipment, net**

Property, plant and equipment, net increased by \$176.6 million to \$853.4 million at December 31, 2010 (December 31, 2009: \$676.8 million), principally due to the acquisition of and construction at LTP.

#### **Other intangible assets, net**

Other intangible assets, net have increased by \$188.2 million to \$1,978.9 million at December 31, 2010 (December 31, 2009: \$1,790.7 million) as a result of intangible assets recognized through the Movetis business combination, partially offset by amortization and impairment charges, the disposal of the DAYTRANA intangible asset and translational foreign exchange losses on non-US dollar denominated intangible assets.

#### **Accounts payable and accrued expenses**

Accounts payable and accrued expenses have increased by \$310.2 million to \$1,239.3 million (December 31, 2009: \$929.1 million), primarily due to increases in accrued Medicaid and Managed Care rebates, partially offset by the decrease in deferred revenue following the recognition into revenues in 2010 of INTUNIV Launch Stocks which previously had been deferred.

[Table of Contents](#)**Other long term debt**

Other long term debt has decreased by \$35.7 million to \$7.9 million at December 31, 2010 (December 31, 2009: \$43.6 million), due to the extinguishment of building finance obligations following the acquisition of Lexington Technology Park.

**Liquidity and capital resources****General**

The Company's funding requirements depend on a number of factors, including the timing and extent of its development programs; corporate, business and product acquisitions; the level of resources required for the expansion of manufacturing and marketing capabilities as the product base expands; increases in accounts receivable and inventory which may arise with any increase in product sales; competitive and technological developments; the timing and cost of obtaining required regulatory approvals for new products; the timing and quantum of milestone payments on collaborative projects; the timing and quantum of tax and dividend payments; the timing and quantum of purchases by the Employee Share Ownership Trust ("ESOT") of Shire shares in the market to satisfy option exercises; the timing and quantum of any amount that could be paid by the Company if CMS were to employ an alternative interpretation of the URA in respect of ADDERALL XR Medicaid rebates; and the amount of cash generated from sales of Shire's products and royalty receipts.

An important part of Shire's business strategy is to protect its products and technologies through the use of patents, proprietary technologies and trademarks, to the extent available. The Company intends to defend its intellectual property and as a result may need cash for funding the cost of litigation.

The Company finances its activities through cash generated from operating activities; credit facilities; private and public offerings of equity and debt securities; and the proceeds of asset or investment disposals.

Shire's balance sheet includes \$550.6 million of cash and cash equivalents at December 31, 2010. Substantially all of Shire's debt relates to its \$1,100 million 2.75% convertible bond which matures in 2014, although these bonds include a put option which could require repayment of the bonds in 2012. In addition, in November 2010 Shire entered into a new committed multicurrency revolving and swingline facilities agreement of \$1,200 million, which is currently undrawn, and will mature in 2015. The Company's existing committed revolving credit facility was cancelled.

**Shire 2.75% Convertible Bonds due 2014**

On May 9, 2007 Shire issued \$1,100 million in principal amount of 2.75% convertible bonds due 2014 and convertible into fully paid ordinary shares of Shire (the "Bonds"). The net proceeds of issuing the Bonds, after deducting the commissions and other direct costs of issue, totaled \$1,081.7 million. In connection with the Scheme in 2008 the Trust Deed was amended and restated in order to provide that, following the substitution of Shire in place of Old Shire as the principal obligor and issuer of the Bonds, the Bonds would be convertible into ordinary shares of Shire.

The Bonds were issued at 100% of their principal amount, and unless previously purchased and cancelled, redeemed or converted, will be redeemed on May 9, 2014 (the "Final Maturity Date") at their principal amount.

The Bonds bear interest at 2.75% per annum, payable semi-annually in arrears on November 9 and May 9. The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, and rank pari passu and ratably, without any preference amongst themselves, and equally with all other existing and future unsecured and unsubordinated obligations of the Company.

The Bonds may be redeemed at the option of the Company, at their principal amount together with accrued and unpaid interest if: (i) at any time after May 23, 2012 if on no less than 20 dealing days in any period of 30 consecutive dealing days the value of Shire's ordinary shares underlying each Bond in the principal amount of \$100,000 would exceed \$130,000; or (ii) at any time conversion rights have been exercised, and/or purchases and corresponding cancellations, and/or redemptions effected in respect of 85% or more in principal amount of Bonds originally issued. The Bonds may also be redeemed at the option of the Bond holder at their principal amount including accrued but unpaid interest on May 9, 2012 (the "Put Option"), or following the occurrence of a change of control of Shire. The Bonds are repayable in US dollars, but also contain provisions entitling the Company to settle redemption amounts in Pounds sterling, or in the case of the Final Maturity Date and following exercise of the Put Option, by delivery of the underlying ordinary shares and a cash top-up amount.

The Bonds are convertible into ordinary shares during the conversion period, being the period from June 18, 2007 until the earlier of: (i) the close of business on the date falling fourteen days prior to the Final Maturity Date; (ii) if the Bonds have been called for redemption by the Company, the close of business fourteen days before the date fixed for redemption; (iii) the close of business on the day prior to a Bond holder giving notice of redemption in accordance with the conditions; and (iv) the giving of notice by the trustee that the Bonds are accelerated by reason of the occurrence of an event of default.

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Upon conversion, the Bond holder is entitled to receive ordinary shares at the conversion price of \$33.17 per ordinary share, (subject to adjustment as outlined below).

The conversion price is subject to adjustment in respect of (i) any dividend or distribution by the Company, (ii) a change of control and (iii) customary anti-dilution adjustments for, inter alia, share consolidations, share splits, spin-off events, rights issues, bonus issues and reorganizations. The initial conversion price of \$33.5879 was adjusted to \$33.17 with effect from March 11, 2009 as a result of cumulative dividend payments during the period from October 2007 to April 2009 inclusive. The ordinary shares issued on conversion will be delivered credited as fully paid, and will rank pari passu in all respects with all fully paid ordinary shares in issue on the relevant conversion date.

#### **Revolving Credit Facilities Agreement**

On November 23, 2010 the Company entered into a committed multicurrency revolving and swingline facilities agreement with a number of financial institutions, for which Abbey National Treasury Services Plc (trading as Santander Global Banking and Markets), Bank of America Securities Limited, Barclays Capital, Citigroup Global Markets Limited, Lloyds TSB Bank plc and The Royal Bank of Scotland plc acted as mandated lead arrangers and bookrunners (the "new RCF"). The new RCF is for an aggregate amount of \$1,200 million and cancelled the Company's existing committed revolving credit facility (the "old RCF"). The new RCF, which includes a \$250 million swingline facility, may be used for general corporate purposes and matures on November 23, 2015.

The interest rate on each loan drawn under the new RCF for each interest period is the percentage rate per annum which is the aggregate of the applicable margin (ranging from 0.90 to 2.25 per cent per annum) and LIBOR for the applicable currency and interest period. Shire also pays a commitment fee on undrawn amounts at 35 per cent per annum of the applicable margin.

Under the new RCF it is required that (i) Shire's ratio of Net Debt to EBITDA (as defined within the new RCF agreement) does not exceed 3.5 to 1 for either the 12 month period ending December 31 or June 30 unless Shire has exercised its option (which is subject to certain conditions) to increase it to 4.0 to 1 for two consecutive testing dates; (ii) the ratio of EBITDA to Net Interest (as defined in the new RCF agreement) must not be less than 4.0 to 1, for either the 12 month period ending December 31 or June 30; and (iii) additional limitations on the creation of liens, disposal of assets, incurrence of indebtedness, making of loans, giving of guarantees and granting security over assets.

On entering into the new RCF agreement the Company paid arrangement costs of \$8.0 million, which have been deferred and will be amortized over the contractual term of the new RCF.

The availability of loans under the new RCF is subject to customary conditions. The full terms are set out in Exhibit 10.28 to this Annual Report on Form 10-K.

#### **Financing**

Shire anticipates that its operating cash flow together with available cash, cash equivalents, restricted cash and the new RCF will be sufficient to meet its anticipated future operating expenses, capital expenditures, tax and interest payments and lease obligations as they become due over the next twelve months.

If the Company decides to acquire other businesses, it expects to fund these acquisitions from existing cash resources, the new RCF and possibly through new borrowings and the issue of new equity if necessary.

#### **Sources and uses of cash**

The following table provides an analysis of the Company's gross and net debt (excluding restricted cash), as at December 31, 2010 and 2009:

December 31,	2010 \$'M	2009 \$'M
Cash and cash equivalents	550.6	498.9
Shire 2.75% Convertible bonds	1,100.0	1,100.0
Building financing obligation	8.4	46.7
Total debt	1,108.4	1,146.7
Net debt	(557.8)	(647.8)

[Table of Contents](#)**Cash flow activity**

Net cash provided by operating activities for the year to December 31, 2010 increased by \$328.0 million to \$954.9 million (2009: \$626.9 million), primarily due to higher cash receipts from product sales and royalties, cash inflows from forward foreign exchange contracts in 2010 compared to outflows in 2009, partially offset by higher payments on sales deductions, operating costs and taxes in the year to December 31, 2010 compared to the same period in 2009.

Net cash provided by operating activities for the year to December 31, 2009 decreased by 22% to \$626.9 million compared to \$800.1 million for the year to December 31, 2008, a decrease of \$173.2 million. Net cash provided by operating activities was lower in 2009 compared to 2008 due to lower net sales receipts and higher cash tax payments in 2009 compared to 2008. Net cash provided by operating activities in 2008 also included cash inflows on forward foreign exchange contracts which were not repeated in 2009. These factors more than offset the inclusion of interest paid on settlement of the TKT appraisal rights in cash flow from operating activities in 2008.

Net cash used in investing activities was \$797.4 million in the year to December 31, 2010. This included the cash paid (net of cash acquired) of \$449.6 million for, and payments of \$33.4 million on foreign exchange contracts related to, the acquisition of Movetis in October 2010, and expenditure on property, plant and equipment of \$326.6 million. Capital expenditure on property, plant and equipment includes \$121.9 million for the acquisition of new properties and properties previously occupied under operating leases and \$134.5 million on construction work, at Lexington Technology Park.

Net cash used in investing activities was \$322.4 million in the year to December 31, 2009. This included the cash cost of purchasing EQUASYM of \$72.8 million and expenditure on property, plant and equipment of \$254.4 million. These cash outflows were partially offset by receipts of \$19.2 million from the sale of non-current investments. Capital expenditure on property, plant and equipment included \$127.0 million on construction work at the HGT campus in Lexington, Massachusetts, \$18.4 million on construction work at the UK office in Basingstoke, Hampshire, and \$19.9 million on infrastructure and capital management projects in the US. This capital expenditure was funded from the Company's existing cash resources and operating cash flows.

Net cash used in financing activities was \$99.5 million for the year to December 31, 2010, including the dividend payment of \$62.0 million and \$43.1 million to extinguish building finance obligations at Lexington Technology Park.

Net cash used in financing activities was \$28.7 million for the year to December 31, 2009 which relates to \$54.4 million for the dividend payment partially offset by excess tax benefits of stock based compensation of \$16.8 million and proceeds from exercise of options of \$14.6 million.

**Outstanding Letters of credit**

At December 31, 2010, the Company had irrevocable standby letters of credit and guarantees with various banks totaling \$24.3 million, providing security for the Company's performance of various obligations. These obligations are primarily in respect of the recoverability of insurance claims, lease obligations and supply commitments. The Company has restricted cash of \$9.2 million, as required by these letters of credit.

**Cash Requirements**

At December 31, 2010 the Company's cash requirements for long-term liabilities reflected on the Balance Sheet and other contractual obligations were as follows:

	<b>Payments due by period</b>				
	<b>Total \$'M</b>	<b>Less than 1 year \$'M</b>	<b>1 – 3 years \$'M</b>	<b>3 – 5 years \$'M</b>	<b>More than 5 years \$'M</b>
Long-term debt obligations <sup>(i)</sup>	1,205.9	30.3	60.5	1,115.1	-
Operating leases obligation <sup>(ii)</sup>	150.2	34.2	41.7	35.3	39.0
Purchase obligations <sup>(iii)</sup>	450.6	335.8	108.8	6.0	-
Other long-term liabilities reflected on the Balance Sheet <sup>(iv)</sup>	167.3	7.0	156.9	1.3	2.1
<b>Total</b>	<b>1,974.0</b>	<b>407.3</b>	<b>367.9</b>	<b>1,157.7</b>	<b>41.1</b>

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- (i) Shire's \$1,100 million principal amount of 2.75% convertible bonds due 2014 issued in May 2007 and the interest on the convertible bonds has been included based on the contractual payment dates. The principal amount of \$1,100 million has been included within payments due in three to five years based on the Final Maturity Date of the convertible bonds. The bondholders have the option to redeem the convertible bonds at the principal amount in May 2012 and the Company has the option to call the bonds subject to certain conditions after May 2012. Further details are included within Liquidity and capital resources: Shire 2.75% Convertible Bonds due 2014 above.
- (ii) The Company leases certain land, facilities, motor vehicles and certain equipment under operating leases expiring through 2016.
- (iii) Purchase obligations include agreements to purchase goods, investments or services (including clinical trials, contract manufacturing and capital equipment) that are enforceable and legally binding and that specify all significant terms, including open purchase orders. Shire expects to fund these commitments with cash flows from operating activities.
- (iv) Unrecognized tax benefits and associated interest and penalties of \$6.5 million and \$130.3 million are included within payments due in less than one year and payments due in one to three years, respectively.

The contractual obligations table above does not include certain milestones and other contractual commitments where payment is contingent upon the occurrence of events which are yet to occur (and therefore payment is not yet due). The most significant of the Company's milestone and contractual commitments which are contingent on the occurrence of future events are as follows:

- (i) Collaboration with Acceleron for ActRIIB class of molecules

On September 9, 2010 Shire announced that it had expanded its HGT pipeline by acquiring an exclusive license in markets outside of North America for the ActRIIB class of molecules being developed by Acceleron. The collaboration will initially focus on further developing ACE-031, the lead ActRIIB drug candidate, which is in development for the treatment of patients with DMD. The Phase 2a trial is on hold and clinical safety is under review. ACE-031 and the other ActRIIB class of molecules have the potential to be used in other muscular and neuromuscular disorders with high unmet medical need.

In the year to December 31, 2010 Shire made an upfront payment of \$45.0 million to Acceleron which has been expensed to R&D. Shire will pay Acceleron up to a further \$165.0 million, subject to certain development, regulatory and sales milestones being met for ACE-031 in DMD, up to an additional \$288.0 million for successful commercialization of other indications and molecules, and royalties on product sales.

Shire and Acceleron will conduct the collaboration through a joint steering committee, with subcommittees including a joint manufacture committee, and a joint patent committee to monitor the development of ACE-031 and other compounds.

- (ii) Research Collaboration with Santaris on Locked Nucleic Acid ("LNA") Drug Platform

On August 24, 2009 Shire announced that it had entered into a research collaboration with Santaris, to develop its proprietary LNA technology in a range of rare diseases. LNA technology has the benefit of shortened target validation and proof of concept, potentially increasing the speed and lowering the cost of development. As part of the joint research project Santaris will design, develop and deliver pre-clinical LNA oligonucleotides for Shire-selected orphan disease targets, and Shire will have the exclusive right to further develop and commercialize these candidate compounds on a worldwide basis.

In the year to December 31, 2009 Shire made an upfront payment of \$6.5 million to Santaris, for technology access and R&D funding, which has been expensed to R&D.

In the year to December 31, 2010 Shire paid success milestones of \$3.0 million. Shire has remaining obligations to pay Santaris a further \$10.5 million subject to certain success criteria, and development and sales milestones up to a maximum of \$72.0 million for each indication. Shire will also pay single or double digit tiered royalties on net sales of the product.

Shire and Santaris have formed a joint research committee to monitor R&D activities through preclinical Lead Candidate selection at which point all development and commercialization costs will be the responsibility of Shire.

- (iii) JUVISTA

On June 19, 2007 Shire signed an agreement with Renovo to develop and commercialize JUVISTA, Renovo's novel drug candidate being investigated for the reduction of scarring in connection with surgery, outside of the EU. On March 1, 2010 the license agreement was revised.

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In the revised license agreement, the rights to sell JUVISTA in all territories outside the US, Mexico and Canada were returned to Renovo. Milestone and royalty obligations remain unchanged from the original agreement except that Shire will pay Renovo an additional \$5 million milestone if Shire elects to commence a clinical trial following Shire's review of the clinical trial report from Renovo's first EU Phase 3 clinical trial. On February 11, 2011, Renovo announced its Phase 3 trial for JUVISTA in scar revision surgery did not meet its primary or secondary endpoints. Shire is currently considering the trial data and whether to exercise its rights to terminate the license agreement.

Shire has remaining obligations to pay Renovo \$25 million on the filing of JUVISTA with the FDA; up to \$150 million on FDA approval; royalties on net sales of JUVISTA; and up to \$525 million on the achievement of very significant sales targets. Under the revised agreement, each party is responsible for its own development costs but future development costs can be shared by agreement. Each party has free-of-charge access to the other party's data to support regulatory filings in their respective territories. In the year to December 31, 2010 Shire made a payment to Renovo of \$3.2 million (2009: \$3.9 million, 2008: \$7.4 million), being the final payment under the terms of the original license agreement, which has been charged by Shire to R&D.

**Off-balance sheet arrangements**

There are no off-balance sheet arrangements aside from the milestone payments mentioned above that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

**Foreign currency fluctuations**

A number of the Company's subsidiaries have functional currencies other than the US dollar. As such, the consolidated financial results are subject to fluctuations in exchange rates, particularly those between the US Dollar, Canadian Dollar, Pounds Sterling and the Euro. The accumulated foreign currency translation differences at December 31, 2010 of \$85.4 million are reported within accumulated other comprehensive income in the consolidated balance sheet and foreign exchange gains for the year to December 31, 2010 of \$1.7 million are reported in the consolidated statements of income.

At December 31, 2010, the Company had outstanding swap and forward foreign exchange contracts to manage the currency risk associated with intercompany transactions. For further information, see ITEM 7A in this Annual Report on Form 10-K. At December 31, 2010 the fair value of these contracts was a net asset of \$1.0 million.

**Concentration of credit risk**

Financial instruments that potentially expose Shire to concentrations of credit risk consist primarily of short-term cash investments, trade accounts receivable (from product sales and from third parties from which the Company receives royalties) and derivative contracts. Cash is invested in short-term money market instruments, including money market and liquidity funds and bank term deposits. The money market and liquidity funds in which Shire invests are all triple A rated by both Standard and Poor's and by Moody's credit rating agencies.

The Company is exposed to the credit risk of the counterparties with which it enters into derivative instruments. The Company limits this exposure through a system of internal credit limits which require counterparties to have a long term credit rating of A / A2 or better from the major rating agencies. The internal credit limits are approved by the Board and exposure against these limits is monitored by the corporate treasury function. The counterparties to these derivatives contracts are major international financial institutions.

The Company's revenues from product sales are mainly governed by agreements with major pharmaceutical wholesalers and relationships with other pharmaceutical distributors and retail pharmacy chains. For the year to December 31, 2010 there were two customers in the US who accounted for 44% of the Company's product sales. However, such customers typically have significant cash resources and as such the risk from concentration of credit is considered minimal. The Company has taken positive steps to manage any credit risk associated with these transactions and operates clearly defined credit evaluation procedures.

**Inflation**

Although at reduced levels in recent years, inflation continues to apply upward pressure on the cost of goods and services which are used in the business. However, the Company believes that the net effect of inflation on its revenues and operations has been minimal during the past three years.

**Critical accounting estimates**

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States ("US GAAP") and SEC regulations, requires management to make estimates and assumptions that affect

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the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ, potentially significantly, from amounts recorded based on the Company's estimates and assumptions. Estimates and assumptions are primarily made in relation to the valuation of intangible assets, the valuation of equity investments, sales deductions, income taxes, provisions for litigation and contingent consideration receivable from product divestments.

(i) Valuation of intangible assets

(a) Estimation of intangible asset amortization charges and impairment losses

At December 31, 2010 the carrying value of the Company's intangible assets was \$1,978.9 million, primarily comprising the following currently marketed products or products under development: FIRAZYR (\$240.8 million), REPLAGAL (\$252.0 million), RESOLOR (\$434.8 million), and VYVANSE (\$878.8 million).

The Company's intangible assets are comprised of: (i) finite lived intangible assets which are amortized over their estimated useful life, (principally for currently marketed products with a defined revenue stream); and (ii) indefinite lived IPR&D assets which are either subject to amortization following completion, or impairment on abandonment, of the relevant development project. (IPR&D assets relate to development projects acquired through business combinations which closed subsequent to January 1, 2009).

Management's estimate of the useful life of its intangible assets considers, inter alia, the following factors:

- the expected use of the asset by the Company;
- any legal, regulatory, or contractual provisions that may limit or extend the useful life;
- the effects of demand and competition, including the launch of generic products; and
- other general economic and / or industry specific factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels).

The Company reviews the useful life of its intangible assets subject to amortization at each reporting period, and revises its estimate of the useful life if warranted by events or circumstances. Any future changes to the useful life of the Company's intangible assets could result in higher or lower amortization charges in future periods, which could materially affect the Company's operating results.

The Company reviews its finite lived intangible assets for impairment using a "two-step" approach, whenever events or circumstances suggest that their carrying value may not be recoverable. Under step one, if the undiscounted cash flows resulting from the use and ultimate disposition of the finite lived intangible asset are less than its carrying value, the intangible asset is considered impaired. The impairment loss is determined under step two as the amount by which the carrying value of the intangible asset exceeds its fair value.

The Company reviews its indefinite lived intangible assets (principally relating to IPR&D assets) for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Indefinite lived assets are reviewed for impairment using a "one-step" approach, which compares the fair value of the indefinite lived asset with its carrying amount. An impairment loss is recognized to the extent that the carrying value exceeds the estimated fair value of the intangible asset.

Events or circumstances that could suggest that the Company's intangible assets may not be recoverable, and which would lead to an evaluation of the relevant asset for impairment, include but are not limited to the following:

- changes to a product's commercialization strategy;
- the loss of patent protection, regulatory exclusivity or challenge or circumvention by competitors of the Company's regulatory exclusivity patents;
- the development and marketing of competitive products, including generic entrants into the marketplace;
- changes to the product labels, or other regulatory intervention;
- sustained government pressure on prices and, specifically, competitive pricing;
- the occurrence of significant adverse events in respect to the Company's products;
- a significant deterioration in a product's operating performance compared to expectations;
- an expectation that the intangible asset will be divested before the end of its previously estimated useful life; and

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- adverse changes to the technological or commercial viability of development projects which the Company's IPR&D assets represent, which could include abandonment of the relevant project.

The occurrence of any such events or circumstance could adversely affect the Company's estimates of the future net cash flows generated by its intangible assets.

After the identification of such events, circumstances, and the resultant impairment reviews, the Company recognized intangible asset impairment losses of \$42.7 million in the year to December 31, 2010 which related to its DAYTRANA intangible asset as a result of divestment to Noven (2009: \$nil; 2008: \$97.1 million, of which \$94.6 million related to DYNEPO which the Company stopped commercializing). Dependent on future events or circumstances, the Company's operating results could be materially and adversely affected by future impairment losses relating to its intangible assets.

(b) Intangible assets acquired through business combinations

The fair values of all identifiable intangible assets for commercialized products acquired through business combinations (primarily the acquisitions of TKT in 2005, New River in 2007, Jerini in 2008 and Movetis in 2010) have been determined using an income approach on a project-by-project basis using the multi-period excess earnings method. This method starts with a forecast of all expected future net cash flows which a market participant could have either generated or saved as a result of ownership of the intellectual property, customer relationships and other intangible assets. These cash flows are then adjusted to present value by applying a market participant discount rate that reflects the risk factors that a market participant would associate with the cash flows (to the extent the underlying cash flows have not similarly been risk adjusted).

The forecast of future cash flows requires various assumptions to be made, including:

- revenue that is reasonably likely to result from the sale of products including the estimated number of units to be sold, estimated selling prices, estimated market penetration and estimated market share and year-over-year growth rates over the product life cycles;
- royalty or license fees saved by owning the intellectual property associated with the products;
- cost of sales for the products using historical data, industry data or other sources of market data;
- sales and marketing expense using historical data, industry data or other sources of market data;
- general and administrative expenses;
- R&D expenses;
- the estimated life of the products; and
- the tax amortization benefit available to a market participant purchasing the relevant assets outside of a business combination.

The valuations are based on information at the time of the acquisition of the identifiable intangible assets, and the expectations and assumptions that (i) have been deemed reasonable by the Company's management and (ii) are based on information, expectations and assumptions that would be available to and made by a market participant. No assurance can be given, however, that the underlying assumptions or events associated with such assets will occur as projected. For these reasons, among others, the actual cash flows may vary from forecasts of future cash flows, and dependent on the outcome of future events or circumstances impairment losses as outlined at (a) above may result.

(c) IPR&D acquired through business combinations

IPR&D represents the fair value assigned to incomplete technologies and development projects that the Company has acquired through business combinations or asset acquisitions, which at the date of the relevant acquisition have not reached technological feasibility or have no alternative future use.

Prior to January 1, 2009 the fair value ascribed to such technologies or development projects was immediately expensed to the consolidated statements of income in the year of acquisition. The Company recorded IPR&D expense on the following significant business combinations that closed prior to January 1, 2009: \$128 million on acquisition of Jerini in 2008, \$1,866 million for New River in 2007 and \$815 million for TKT in 2005. In 2008 the Company also recorded IPR&D expense of \$135 million following the asset acquisition of METAZYM from Zymenex. Additionally, non-refundable fees paid on the licensing of products that have not yet received regulatory approval and have no alternative future use have been expensed and presented within R&D.

IPR&D for business combinations that closed subsequent to January 1, 2009 is recorded as an indefinite lived intangible asset. The Company recorded indefinite lived IPR&D assets of \$139 million on acquisition of Movetis in 2010, and \$6 million on acquisition of EQUASYM from UCB in 2009.

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The Company considers that a technology or development project has an alternative future use if it is probable that the Company will use the asset in its current, incomplete state as it existed at the acquisition date, the asset will be used in another development project that has not yet commenced, and future economic benefit is expected from that use. The Company has determined that historically all such acquired development projects did not have an alternative future use.

The fair value of IPR&D assets is determined using the income approach on a project-by-project basis using the multi-period excess earnings method. The fair value of the acquired IPR&D assets has been based on the present value of probability adjusted incremental cash flows which a market participant would expect to be generated by the IPR&D projects after the deduction of contributory asset charges for other assets employed in these projects. This method incorporates an evaluation of the risks associated with the development project, which include applying an appropriate discount rate commensurate with the project's stage of completion, the nature of the product, the scientific data associated with the technology, the current patent situation and market competition.

The forecast of future cash flows required the following assumptions to be made:

- revenue that is likely to result from specific IPR&D projects, including the likelihood of approval of the product, estimated number of units to be sold, estimated selling prices, estimated market penetration, estimated market share and year-over-year growth rates over the product life cycles;
- cost of sales related to the potential products using historical data, industry data or other sources of market data;
- sales and marketing expense using historical data, industry data or other market data;
- general and administrative expenses;
- R&D expenses to complete the development of the acquired products; and
- the tax amortization benefit available to a market participant purchasing the relevant assets outside of a business combination.

The major risks and uncertainties associated with the timely completion of the acquired IPR&D projects consist of the ability to confirm the safety and efficacy of the technology based on the data from ongoing clinical trials, and obtaining the necessary regulatory approvals. The use of different estimates and assumptions to those used by the Company could result in a materially different valuation of IPR&D. However, as the valuation process for IPR&D involves a number of inter-relating assumptions, the Company does not consider it meaningful to quantify the sensitivity of the valuation of IPR&D to changes in any individual assumption.

The valuation of IPR&D has been based on information that existed at the time of the acquisition of the relevant development project, and utilized expectations and assumptions that (i) have been deemed reasonable by Shire's management, and (ii) are based on information, expectations and assumptions that would be available to and made by a market participant. However, no assurance can be given that the underlying assumptions or estimates associated with the valuation of IPR&D will occur as projected. If certain of the IPR&D projects fail during development, are abandoned, or do not receive the relevant regulatory approvals, the Company may not realize the future cash flows that it has estimated nor recover the value of the R&D investment made subsequent to acquisition of the relevant project. If such circumstances occur, the Company's future operating results could be materially adversely impacted.

(ii) Valuation of Equity Investments

At December 31, 2010 the carrying value of the Company's investments in certain public and private pharmaceutical and biotechnology companies amounted to \$101.6 million, (principally represented by the Company's available for sale investment in Vertex). The carrying values of these investments are periodically reviewed for other-than-temporary impairment, at least quarterly or more frequently if certain events or circumstances suggest that the carrying value of an investment exceeds its fair value.

Indicators of other-than-temporary impairment which are considered by the Company, include:

- the market value of a quoted investment being below the cost of the investment;
- adverse news on a company's progress in scientific technology/development of compounds; and
- recent stock issuances at a price below the investment price.

If the fair value appears to be below the investment's cost the Company considers all available evidence in assessing whether there is an other-than-temporary impairment. This evidence would include, but is not limited to:

- the length of time and/or the extent to which the market value of the investee is less than the cost of the investment;
- the level of progress in the investee's scientific technology/development of compounds;
- ongoing activity in collaborations with the investee;

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- whether or not other substantial investee-specific adverse events have occurred which may cause a decline in value;
- analysis and valuation of comparable companies; and
- the overall financial condition and near term prospects of the investee, including its ability to obtain financing to progress development of its compounds.

In instances when this review indicates that there is an other-than-temporary impairment of the Company's investment in private companies, the Company records an other-than-temporary impairment loss to record the investment at its then current fair value. For the Company's investments in public companies which are accounted for as available-for-sale securities, if these investments are deemed to be other-than-temporarily impaired, any unrealized holding loss is reclassified from other comprehensive income by recording an other than temporary impairment charge in the consolidated statements of income.

During 2010, 2009 and 2008 Shire did not record any impairment charges for its non-current investments in private companies. During the year to December 31, 2010, the Company recorded other-than-temporary impairment charges of \$1.5 million for its available for sale securities (2009, \$0.8 million; 2008: \$58.0 million). At December 31, 2010 the Company has net unrealized holding gains of \$0.3 million (net of taxes) on its available for sale securities and has one available for sale security in an unrealized holding loss position (\$5.6 million at December 31, 2010).

Other than temporary impairment charges of \$58.0 million recorded in 2008 included \$44.3 million for the Company's investment in Renovo Group plc. During the third quarter of 2008, the Company considered the following factors in its determination of whether its impairment in Renovo Group plc was temporary or other-than-temporary: the severity of the decline from historical cost (87% decline) and its duration (eleven months); market analysts' targets of Renovo Group plc's share price for the next 18-24 months; and the revised expected filing date for JUVISTA due to the adoption of a sequential rather than parallel Phase 3 development plan. These factors, together with the significant decline in global equity markets during the third quarter of 2008 meant that the Company was unable to reasonably estimate the period over which a full recovery in the value of its investment in Renovo Group plc could occur. As such, at the end of the third quarter of 2008 the Company concluded that the decline in value was other-than-temporary.

The determination of the fair value of private company investments and the determination of whether an unrealized holding loss on a publicly quoted investment is other-than-temporary requires significant management judgment. Any future events or circumstances which could lead to the recognition of other-than-temporary impairment charges, particularly in respect of the Company's investment in Vertex (carrying value at December 31, 2010 \$68.4 million), could have a material adverse impact on the Company's financial condition and results of operations.

(iii) Sales Deductions

Sales deductions consist of statutory rebates to state Medicaid and other government agencies, contractual rebates with health-maintenance organizations ("HMOs"), product returns, sales discounts (including trade discounts and distribution service fees), wholesaler chargebacks, and allowances for coupon sampling programs. These deductions are recorded as reductions to revenue in the same period as the related sales with estimates of future utilization derived from historical experience adjusted to reflect known changes in the factors that impact such reserves. On the balance sheet the Company records wholesaler chargebacks and prompt payment discounts as a reserve against accounts receivable, whereas all other sales deductions are recorded within current liabilities.

The Company has the following significant categories of sales deductions, all of which involve estimates and judgments which the Company considers to be critical accounting estimates, and require the Company to use information from external sources:

*Medicaid and Managed Care Rebates*

Statutory rebates to state Medicaid agencies and contractual rebates to Managed Care Organizations ("MCO") under managed care programs are based on statutory or negotiated discounts to the selling price. Medicaid rebates generally increase as a percentage of the selling price over the life of the product (if prices increase faster than inflation).

As it can take up to six months for information to reach the Company on actual usage of the Company's products in managed care and Medicaid programs and on the total rebates to be reimbursed, the Company maintains reserves for amounts payable under these programs relating to sold products.

The amount of the reserve is based on historical experience of rebates, the timing of payments, the level of reimbursement claims, changes in prices (both normal selling prices and statutory or negotiated prices), changes in prescription demand patterns, projected product returns and the levels of inventory in the distribution channel. Adjustments are made for known changes in these factors, such as how shipments of authorized generic ADDERALL XR to Teva and Impax should be included in the Medicaid rebate calculation pursuant to Medicaid rebate legislation.

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Shire's estimates of the level of inventory in the distribution channel are based on product-by-product inventory data provided by wholesalers; results of independently commissioned retail inventory surveys and third-party prescription data (such as IMS Health National Prescription Audit data).

Revisions or clarification of guidelines from the CMS related to state Medicaid and other government program reimbursement practices with retroactive application can result in changes to management's estimates of the rebates reported in prior periods.

The accrual estimation process for Medicaid and Managed Care rebates involves in each case a number of interrelating assumptions, which vary for each combination of product and Medicaid agency or MCO. Accordingly it would not be meaningful to quantify the sensitivity to change for any individual assumption or uncertainty. However, with the exception of the estimation of the Medicaid URA for ADDERALL XR for the period prior to October 1, 2010 (see below), Shire does not believe that the effect of these uncertainties, taken as a whole, significantly impacts the Company's financial condition or results of operations.

There are potentially different interpretations as to how shipments of authorized generic ADDERALL XR to Teva and Impax should be included in the Medicaid rebate calculation pursuant to Medicaid rebate legislation. As a result, more than one URA is calculable for the purposes of determining the Company's Medicaid rebate liability to the States after authorized generic launch. In the years to December 31, 2010 and 2009 the Company has recorded its accrual for ADDERALL XR Medicaid rebates based on its best estimate of the rebate payable. This best estimate is consistent with (i) the Company's interpretation of the Medicaid rebate legislation as amended in 2010 by the relevant provisions of the 2010 Affordable Care Act, (ii) the Company's repeated and consistent submission of price reporting to the CMS using the Company's interpretation of the Medicaid rebate legislation, (iii) CMS calculating the URA based on that interpretation, (iv) States submitting Medicaid rebate invoices using this URA, and (v) Shire paying these invoices.

Shire believes that its interpretation of the Medicaid rebate legislation is reasonable and correct. In addition, the 2010 Affordable Care Act contained a provision, effective as of October 1, 2010, that provided further clarity, in a manner consistent with the Company's interpretation, as to how shipments of authorized generics should be included in Medicaid rebate calculations from October 1, 2010 forward. CMS has explicitly referred manufacturers with authorized generics to this new provision in making their branded rebate calculations, further supporting the Company's interpretation. However, CMS could disagree with the Company's interpretation, require Shire to apply an alternative interpretation of the Medicaid rebate legislation for the period prior to October 1, 2010 and pay up to \$210 million above the recorded liability. For 2009 rebates this would represent a URA substantially in excess of the unit sales price of ADDERALL XR and accordingly in excess of the approximate amount of the full cost to the States of reimbursement for Medicaid prescriptions of ADDERALL XR. For rebates in respect of 2010 prescriptions, as a result of provisions in the 2010 Affordable Care Act, the URA would be limited to an amount approximating the unit sales price of ADDERALL XR.

Should CMS require Shire to apply an alternative interpretation of the Medicaid rebate legislation for the period prior to October 1, 2010, Shire could seek to limit any additional payments for 2009 rebates to a level approximating the full, un-rebated cost to the States of ADDERALL XR, or \$130 million above the recorded liability. Further, Shire believes it has a strong legal basis supporting its interpretation of the Medicaid rebate legislation, and that there would be a strong basis to initiate litigation to recover any amount paid in excess of the recorded liability. The result of any such litigation cannot be predicted and could result in additional rebate liability above Shire's current best estimate.

Any future change in the Company's best estimate of the ADDERALL XR Medicaid rebate liability for the period prior to October 1, 2010 could significantly decrease reported ADDERALL XR net product sales and impact the Company's financial condition and results of operations in the period in which any such change of estimate were to occur.

Aggregate accruals for Medicaid and MCO rebates at December 31, 2010, 2009 and 2008 were \$549.9 million \$341.6 million and \$222.5 million, or 18%, 13% and 8% of net product sales. Historically, actual rebates have not varied significantly from the reserves provided.

#### *Product Returns*

The Company typically accepts customer product returns in the following circumstances: (a) expiration of shelf life; (b) product damaged while in the possession of Shire; (c) under sales terms that allow for unconditional return (guaranteed sales); or (d) following product recalls or product withdrawals. Returns are generally accepted up to one year after expiration date of the relevant product. The Company typically refunds the agreed proportion of the sales price by the issuance of a credit, rather than cash refund or exchanges from inventory, and the returned product is destroyed.

Shire estimates the proportion of recorded revenue that will result in a return by considering relevant factors, including:

- past product returns activity;
- the duration of time taken for products to be returned;
- the estimated level of inventory in the distribution channel;

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- product recalls and discontinuances;
- the shelf life of products;
- the launch of new drugs or new formulations; and
- the loss of patent protection or new competition.

Shire's estimate of the level of inventory in the distribution channel is based on product-by-product inventory data provided by wholesalers, third-party prescription data and, for some product return provisions, market research of retail pharmacies.

Returns reserves for new products generally require a higher level of estimation than estimates for established products. For shipments made to support the commercial launch of a new product (which can include guaranteed sales) the Company's policy is to defer recognition of the sales revenue until there is evidence of end-patient acceptance of the new product (primarily through third-party prescription data). For shipments after launch under standard terms (i.e. not guaranteed sales), the Company's initial estimates of sales return accruals are primarily based on the historical sales returns experience of similar products shortly after launch. Once sufficient historical data on actual returns of the product are available, the returns provision is based on this data and any other relevant factors as noted above.

The accrual estimation process for product returns involves in each case a number of interrelating assumptions, which vary for each combination of product and customer. Accordingly, it would not be meaningful to quantify the sensitivity to change for any individual assumption or uncertainty. However, Shire does not believe that the effect of uncertainties, as a whole, significantly impacts the Company's financial condition or results of operations.

At December 31, 2010, 2009 and 2008, provisions for product returns were \$69.8 million, \$62.7 million and \$47.1 million or 2%, 2% and 2% respectively, of net product sales. Historically, actual returns have not varied significantly from the reserves provided.

(iv) Income Taxes

In accounting for uncertainty in income taxes, management is required to develop estimates as to whether a tax benefit should be recognized in the consolidated financial statements, based on whether it is more likely than not that the technical merits of the position will be sustained based on audit by the tax authorities. The measurement of the tax benefit recognized in the consolidated financial statements is based upon the largest amount of tax benefit that, in management's judgment, is greater than 50% likely to be realized based on a cumulative probability assessment of the possible outcomes. In accounting for income tax uncertainties, management is required to make judgments in the determination of the unit of account, the evaluation of the facts, circumstances and information in respect of the tax position taken, together with the estimates of amounts that the Company may be required to pay in ultimate settlement with the tax authority.

Shire operates in numerous countries where its income tax returns are subject to audit and adjustment by local tax authorities. As Shire operates globally, the nature of the uncertain tax positions is often very complex and subject to change and the amounts at issue can be substantial. Shire develops its cumulative probability assessment to measure uncertain tax positions using internal expertise, experience and judgment, together with the assistance from professional advisors. Original estimates are refined as additional information becomes known. For example, in the year to December 31, 2010 the Company recognized additional provisions in relation to ongoing compliance management for prior years totaling \$30.4 million. These increases were partially off set by \$11.4 million primarily following conclusion of ongoing audits. In the year to December 31, 2009 the Company recognized additional interest expense of \$21.3 million on its provision for uncertain tax positions following the receipt of new information on the amount of interest that may be payable upon settlement of the relevant tax position.

Any outcome upon settlement that differs from the recorded provision for uncertain tax positions may result in a materially higher or lower tax expense in future periods, which could significantly impact the Company's results of operations or financial condition. However, we do not believe it possible to reasonably estimate the potential impact of any such change in assumptions, estimates or judgments and the resultant change, if any, in the Company's provision for uncertain tax positions, as any such change is dependent on factors such as future changes in tax law or administrative practice, the amount and nature of additional taxes which may be asserted by the taxation authorities, and the willingness of the relevant tax authorities to negotiate a settlement to any such position.

At December 31, 2010 the Company recognized a liability of \$290.8 million for total unrecognized tax benefits (2009: \$254.0 million) and had accrued \$110.5 million (2009: \$111.5 million) for the payment of interest and penalties. The Company is required in certain tax jurisdictions to make advance deposits to tax authorities on receipt of a tax assessment. These payments are offset against the income tax liability but do not reduce the provision for unrecognized tax benefits.

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The Company has significant deferred tax assets due to various tax attributes including, net operating losses ("NOLs"), tax credits (from Research and Development, Investment Tax Credits and Alternative Minimum Tax) principally in the Republic of Ireland, the US, Belgium, Germany and the UK. The realization of these assets is not assured and is dependent on the generation of sufficient taxable income in future periods. Management is required to exercise judgment in determining whether it is more likely than not that it would realize these deferred tax assets, based upon estimates of future taxable income and the availability of prudent and feasible tax planning strategies in the various jurisdictions in which these NOLs and other tax attributes exist. Where there is an expectation that on the balance of probabilities there will not be sufficient taxable profits to utilize these tax attributes a valuation allowance is held against these deferred tax assets. If actual events differ from management's estimates, or to the extent that these estimates are adjusted in the future, any changes to the valuation allowance could significantly impact the Company's financial condition and results of operations.

At December 31, 2010 the Company had deferred tax liabilities of \$433 million and gross deferred tax assets of \$569 million, against which the Company had recorded valuation allowances of \$200 million.

At December 31, 2009 the Company had deferred tax liabilities of \$448 million and gross deferred tax assets of \$515 million, against which the Company had recorded valuation allowances of \$149 million.

At December 31, 2008 the Company had deferred tax liabilities of \$504 million and gross deferred tax assets of \$472 million, against which the Company had recorded valuation allowances of \$119 million.

(v) Litigation and legal proceedings

The Company has a number of lawsuits pending that relate to intellectual property infringement claims, and in September 2009 the Company received a subpoena from the US Department of Health and Human Services Office of the Inspector General seeking production of documents related to the sales and marketing of ADDERALL XR, DAYTRANA and VYVANSE, (See ITEM 3: Legal Proceedings and Note 19, "Commitments and Contingencies, Legal proceedings" to the consolidated financial statements set forth in this Annual Report on Form 10-K for further details). Shire records a loss contingency provision for probable losses when management is able to reasonably estimate the loss. Where the estimated loss lies within a range, management records a loss contingency provision based on its best estimate of the probable loss. Where no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. These estimates are often developed substantially earlier than the ultimate loss is known, so estimates are refined each accounting period, as additional information becomes known. Best estimates are reviewed quarterly and estimates are changed when expectations are revised. Any outcome upon settlement that deviates from Shire's best estimate may result in an additional or lesser expense in a future accounting period, which could materially impact the Company's financial condition and results of operations.

On November 5, 2008 the Company announced that it had successfully settled all aspects of the TKT appraisal rights litigation with all parties. Shire paid the same price of \$37 per share originally offered to all TKT shareholders at the time of the July 2005 merger, plus interest. The settlement represents a total payment of \$567.5 million, representing consideration at \$37 per share of \$419.9 million and an interest cost of \$147.6 million. Prior to reaching this settlement, the Company accrued interest based on a reasonable estimate of the amount that may be awarded by the Court to those former TKT shareholders who requested appraisal. This estimate of interest was based on Shire's cost of borrowing. Between the close of the merger and November 5, 2008 the Company applied this interest rate on a quarterly compounding basis to the \$419.9 million of consideration to calculate its provision for interest.

Upon reaching agreement in principle with all the dissenting shareholders, the Company determined that settlement had become the probable manner through which the appraisal rights litigation would be resolved. Under current law, (although not applicable in this case because the merger was entered into before the relevant amendment to the law became effective) the court presumptively awards interest in appraisal rights cases at a statutory rate that is 5 percentage points above the Federal Reserve discount rate (as it varies over the duration of the case). In connection with the settlement, the Company agreed to an interest rate that approximates to this statutory rate. Based on the settlement, the Company amended the method of determining its interest provision to reflect this revised manner of resolution, and recorded additional interest expense of \$73.0 million in its consolidated financial statements for the year to December 31, 2008 on reaching settlement with the dissenting shareholders.

(vi) Contingent consideration receivable from product divestments

Consideration receivable by the Company on the divestment of product rights typically includes up-front receipts and / or milestones and royalties which are contingent on the outcome of future events, (for example based upon the future sales performance of the divested product). Contingent consideration occasionally represents a significant proportion of the economic value receivable by the Company for a divested product: in these situations the Company initially recognizes this contingent consideration as an asset at its divestment date fair value, with re-measurement of this asset to its then current fair value at subsequent balance sheet dates.

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At December 31, 2010 the Company has contingent consideration assets of \$61.0 million (2009: \$nil), related to the divestment of DAYTRANA to Noven in October 2010. Estimation of the fair value of this contingent consideration asset relies predominantly upon unobservable, Level 3 inputs including: future sales of the divested product (with estimates of future anticipated pricing, market share and market growth); relevant contractual royalty rates; an appropriate discount rate; and assumed weightings applied to potential scenarios in deriving a probability weighted fair value. Significant judgment is employed by the Company in developing these estimates and assumptions, both at the date of divestment and in subsequent periods. If actual events differ from management's estimates, or to the extent that these estimates are adjusted in the future, the Company's financial condition and results of operations could be affected in the period of any such change of estimate.

***Recent accounting pronouncements update***

See Note 2(x) to the consolidated financial statements contained in ITEM 15: Exhibits and Financial Statement Schedules of this Annual Report on Form 10-K for a full description of recent accounting pronouncements, including the expected dates of adoption and effects on financial condition, results of operations and cash flows.

[Table of Contents](#)**Financial Information Relating to the Shire IAS Trust**

The results of operations and the financial position of the IAS Trust are included in the Consolidated Financial Statements of the Company. An explanation of the IAS Trust is included in ITEM 5: Market for Registrant's common equity, related stockholder matters and issuer purchases of equity securities of this Annual Report. Separate, audited financial statements of the IAS Trust are included in ITEM 15: Exhibits and Financial Statement Schedules of this Annual Report.

For the year to December 31, 2010 the IAS Trust recorded income before tax of \$58.3 million (2009: \$45.9 million; 2008: \$7.2 million). This income reflected dividends received on the Income Access Share.

At December 31, 2010 the IAS Trust had total equity of \$nil. In future periods, to the extent that dividends are unclaimed on the expiry of dividend checks, or to the extent they are returned unrepresented, the IAS Trust will record a liability for these unclaimed dividends.

The movements in cash and cash equivalents of the IAS Trust consist of dividends received on the Income Access Share, (2010: \$58.3 million, 2009: \$45.9 million; 2008: \$7.2 million), and distributions made on behalf of Shire to shareholders (2010: \$ 58.3 million, 2009: \$45.9 million; 2008: \$7.2 million).

**ITEM 7A: Quantitative and qualitative disclosures about market risk****Treasury policies and organization**

The Company's principal treasury operations are coordinated by its corporate treasury function. All treasury operations are conducted within a framework of policies and procedures approved annually by the Board of Directors. As a matter of policy, the Company does not undertake speculative transactions that would increase its currency or interest rate exposure.

**Interest rate risk**

The Company is exposed to interest rate risk on restricted cash, cash and cash equivalents and on foreign exchange contracts on which interest is at floating rates. This exposure is primarily to US dollar, Canadian dollar, Pounds sterling and Euro interest rates. As the Company maintains all of its cash, liquid investments and foreign exchange contracts on a short term basis for liquidity purposes, this risk is not actively managed. In the year to December 31, 2010 the average interest rate received on cash and liquid investments was less than 1% per annum. The largest proportion of these cash and liquid investments was in US dollar money market and liquidity funds.

The Company incurs interest at a fixed rate of 2.75% on Shire \$1,100 million in principal convertible bonds due 2014.

No derivative instruments were entered into during the year to December 31, 2010 to manage interest rate exposure. The Company continues to review its interest rate risk and the policies in place to manage the risk.

**Foreign exchange risk**

The Company trades in numerous countries and as a consequence has transactional and translational foreign exchange exposure.

Transactional exposure arises where transactions occur in currencies different to the functional currency of the relevant subsidiary. The main trading currencies of the Company are the US dollar, the Canadian dollar, Pounds Sterling and the Euro. It is the Company's policy that these exposures are minimized to the extent practicable by denominating transactions in the subsidiary's functional currency.

Where significant exposures remain, the Company uses foreign exchange contracts (being spot, forward and swap contracts) to manage the exposure for balance sheet assets and liabilities that are denominated in currencies different to the functional currency of the relevant subsidiary. These assets and liabilities relate predominantly to intercompany financing and accruals for royalty receipts. The foreign exchange contracts have not been designated as hedging instruments. Cash flows from derivative instruments are presented within net cash provided by operating activities in the consolidated cash flow statement, unless the derivative instruments are economically hedging specific investing or financing activities (such as restricted cash held in respect of the purchase price of Movetis).

Translational foreign exchange exposure arises on the translation into US dollars of the financial statements of non-US dollar functional subsidiaries.

At December 31, 2010 the Company had 31 swap and forward foreign exchange contracts outstanding to manage currency risk. The swaps and forward contracts mature within 90 days. The Company did not have credit risk related

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contingent features or collateral linked to the derivatives. At December 31, 2010 the fair value of these contracts was a net asset of \$1.0 million. Further details are included below.

*Foreign exchange risk sensitivity*

The table below provides information about the Company's swap and forward foreign exchange contracts by currency pair. The table presents the net principal amounts and weighted average exchange rates of all outstanding contracts. All contracts have a maturity date of less than three months.

**December 31, 2010**

	<b>Principal Value of Amount Receivable \$'M</b>	<b>Weighted Average Exchange Rate</b>	<b>Fair Value \$'M</b>
Swap foreign exchange contracts			
Receive USD/Pay EUR	20.0	1.50	2.0
Receive GBP/Pay USD	109.2	1.60	(1.6)
Receive CAD/Pay USD	78.0	0.99	0.8
Receive USD/Pay SEK	2.6	6.84	-
Receive USD/Pay AUD	3.6	1.02	(0.1)
Receive USD/Pay CHF	2.7	1.05	(0.1)

**Market risk of investments**

As at December 31, 2010 the Company has \$101.6 million of investments comprising available-for-sale investments in publicly quoted companies (\$83.9 million), equity method investments (\$11.8 million) and cost method investments in private companies (\$5.9 million). The investment in public quoted companies and equity method investments in respect of certain investment funds which contain a mixed portfolio of public and private investments are exposed to market risk. No financial instruments or derivatives have been employed to hedge this risk.

**Credit risk**

Financial instruments that potentially expose Shire to concentrations of credit risk consist primarily of short-term cash investments, trade accounts receivable (from product sales and royalty receipts) and derivative contracts. Shire has cash invested in short-term money market instruments, including money market and liquidity funds and bank term deposits. The money market and liquidity funds in which Shire invests are all triple A rated by both Standard & Poor's and by Moody's credit rating agencies.

The Company is exposed to the credit risk of the counterparties with which it enters into derivative contracts. The Company aims to limit this exposure through a system of internal credit limits which require counterparties to have a long term credit rating of A / A2 or better from the major rating agencies. The internal credit limits are approved by the Board and exposure against these limits is monitored by the corporate treasury function. The counterparties to the derivative contracts are major international financial institutions.

[Table of Contents](#)**ITEM 8: Financial statements and supplementary data**

The consolidated financial statements and supplementary data called for by this item are submitted as a separate section of this report. See ITEM 15: Exhibits and financial statement schedules.

**ITEM 9: Changes in and disagreements with accountants on accounting and financial disclosure**

Not applicable.

**ITEM 9A: Controls and procedures****Disclosure Controls and Procedures**

The Company, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, has performed an evaluation of the effectiveness of the Company's disclosure controls and procedures (including those applicable to the Income Access Share Trust) (as defined in Exchange Act Rule 13a-15(e)), as at December 31, 2010.

The Company's management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature can provide only reasonable assurance regarding management's control objectives. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (including those applicable to the Income Access Share Trust) are effective for gathering, analyzing and disclosing the information that the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms.

**Management's Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13(a)-15(f) or 15(d)-15(f) promulgated under the US Securities Exchange Act of 1934.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting (including those applicable to the Income Access Share Trust) as at December 31, 2010. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

Based on its assessment, management believes that, as at December 31, 2010, the Company's internal control over financial reporting is effective based on those criteria.

Deloitte LLP, an independent registered public accounting firm, has issued an audit report on the Company's internal control over financial reporting, including those controls applicable to the Income Access Share Trust. This report appears on page F-3 of the Company's consolidated financial statements contained in ITEM 15: Exhibits and financial statement schedules of this Annual Report on Form 10-K.

**Changes in Internal Control Over Financial Reporting**

The Company has an integrated information system covering financial processes, production, logistics and quality management. Various upgrades and new implementations were made to the information system during 2010 and 2009. The Company reviewed each system change as it was implemented together with any internal controls affected. Alterations were made to affected controls at the time the system changes were implemented. Management believes that the controls as modified are appropriate and functioning effectively.

**ITEM 9B: Other Information**

None

**PART III****ITEM 10: Directors and executive officers of the registrant****Directors of the Company**

<b>Name</b>	<b>Age</b>	<b>Position</b>
Matthew Emmens	59	Non-executive Chairman
Angus Russell	55	Chief Executive Officer ("CEO")
Graham Hetherington	52	Chief Financial Officer ("CFO")
David Kappler	63	Deputy Chairman and Senior Independent Non-Executive Director
Dr Jeffrey Leiden	55	Vice Chairman and Non-Executive Director
William Burns <sup>(1)</sup>	63	Non-executive Director
Dr David Ginsburg <sup>(2)</sup>	58	Non-executive Director
Anne Minto <sup>(2)</sup>	57	Non-executive Director
Patrick Langlois	65	Non-executive Director
David Stout	56	Non-executive Director

<sup>(1)</sup> William Burns was appointed as a non-executive director with effect from March 15, 2010.

<sup>(2)</sup> Dr David Ginsburg and Anne Minto were appointed as non-executive directors with effect from June 16, 2010.

**Executive Officers of the Company**

<b>Name</b>	<b>Age</b>	<b>Position</b>
Angus Russell	55	CEO
Graham Hetherington	52	CFO
Michael Cola	51	President of Specialty Pharmaceuticals
Dr Sylvie Grégoire	49	President of Human Genetic Therapies
Tatjana May	45	General Counsel and Company Secretary
Barbara Deptula	56	Executive Vice President and Chief Corporate Development Officer

For the purposes of the NASDAQ corporate governance rules, the independent directors are William Burns, Dr David Ginsburg, David Kappler, Patrick Langlois, Dr Jeffrey Leiden, Anne Minto and David Stout. There is no family relationship between or among any of the directors or executive officers.

The Company's Directors, including non-executive directors, are subject to the "retirement by rotation" provisions of the Company's Articles of Association. These are designed to ensure that all directors are re-elected by shareholders at least every three years.

In addition to the requirements of the Articles of Association, the non-executive directors are appointed to office pursuant to individual letters of appointment for a term of two years, subject to invitation to serve further terms at the discretion of the Board. At the expiration of the two-year term, the non-executive directors are not required to be re-elected by shareholders (unless the expiration of the term coincides with a particular non-executive directors turn to retire by rotation), but may be re-appointed by the Board. Non-executive directors who have served on the Board for nine or more years are appointed to office for a term of one year, subject to annual re-election by shareholders, and by invitation to serve further terms at the discretion of the Board.

The current terms of the non-executive directors are as set out below:

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<b>Name</b>	<b>Date of Term Expiration</b>
Matthew Emmens	June 17, 2012
David Kappler	April 4, 2012
Dr Jeffrey Leiden	December 31, 2012
William Burns	March 14, 2012
Dr David Ginsburg	June 15, 2012
Patrick Langlois	November 10, 2011
Anne Minto	June 15, 2012
David Stout	October 30, 2011

Executive Directors are appointed pursuant to service agreements, which are not limited in term.

**Matthew Emmens (59)**  
**Chairman**

Mr Emmens was appointed Chairman on June 18, 2008 and has been a member of the Board since March 12, 2003. He is also a member of the Nomination Committee. He was the Company's Chief Executive Officer from March 2003 to June 2008. Mr Emmens brings to the Board, among other things, his operational knowledge of Shire and his wealth of international sales, marketing, integration and operational experience in the pharmaceutical sector. Mr Emmens also serves as Chairman, President and Chief Executive Officer of Vertex Pharmaceuticals Inc. He is a former board member of Incyte Corporation. Mr Emmens began his career in international pharmaceuticals with Merck & Co, Inc. in 1974, where he held a wide range of sales, marketing and administrative positions. In 1992, he helped to establish Astra Merck, a joint venture between Merck and Astra AB of Sweden, becoming President and Chief Executive Officer. In 1999, he joined Merck KGaA and established EMD Pharmaceuticals, the company's US prescription pharmaceutical business. He was later based in Darmstadt, Germany as President of Merck KGaA's global prescription pharmaceutical business and was a board member. Mr Emmens holds a degree in Business Management from Fairleigh Dickinson University.

**Angus Russell (55)**  
**Chief Executive Officer**

Mr Russell was appointed Chief Executive Officer on June 18, 2008 and has been a member of the Board since December 13, 1999. He was the Company's Chief Financial Officer from December 1999 to June 2008. He is also Chairman of the Company's Leadership Team. Mr Russell brings to his position, among other things, his operational knowledge of Shire and his extensive finance, risk management, strategic and operational experience in the pharmaceutical sector. Mr Russell is a former Non-Executive Director of the City of London Investment Trust plc. Between 1980 and 1999, he held a number of positions of increasing responsibility at ICI, Zeneca and AstraZeneca PLC, including Vice President, Corporate Finance at AstraZeneca and Group Treasurer at Zeneca. Mr Russell is a Chartered Accountant and is a Fellow of the Association of Corporate Treasurers.

**Graham Hetherington (52)**  
**Chief Financial Officer**

Mr Hetherington has been the Chief Financial Officer and a member of the Board since July 1, 2008. He is also a member of the Leadership Team. Mr Hetherington brings to his position, among other things, a broad range of international finance management and planning, audit, risk management and M&A experience. Mr Hetherington most recently held positions as the Chief Financial Officer of Bacardi in 2007 and Chief Financial Officer of Allied Domecq plc from 1999 to 2005. Mr Hetherington is a Fellow of the Chartered Institute of Management Accountants.

**David Kappler (63)**  
**Deputy Chairman and Senior Independent Non-Executive Director**

Mr Kappler has been a member of the Board since April 5, 2004. He was appointed Senior Independent Non-Executive Director in July 2007 and Deputy Chairman in June 2008. He is Chairman of the Nomination Committee and of the Audit, Compliance & Risk Committee. Mr Kappler brings to the Board, among other things, his extensive knowledge and experience in financial reporting, risk management and internal financial controls. Mr Kappler also serves as a Non-Executive Director of Intercontinental Hotels Group plc. He was Non-Executive Chairman of Premier Foods plc until September 2010 and was a Non-Executive Director of Camelot Group plc from 1996 to 2002 and of HMV Group plc from 2002 to 2006. Mr Kappler retired from Cadbury Schweppes plc in April 2004 after serving as Chief Financial Officer since 1995. He worked for the Cadbury Schweppes group between 1965 and 1984 and rejoined the company in 1989 following its acquisition of the Trebor Group, where he was Financial Director. Mr Kappler is a Fellow of the Chartered Institute of Management Accountants.

[Table of Contents](#)**Dr Jeffrey Leiden (55)****Vice Chairman and Non-Executive Director**

Dr Leiden has been a member of the Board since January 1, 2007, and Vice Chairman since April 2009. He is a member of the Remuneration Committee and of the Nomination Committee and Chairman of the Science & Technology Committee. Dr Leiden brings to the Board, among other things, his extensive operational experience in pharmaceutical companies and his operational and scientific experience in clinical research, development and registration. Dr Leiden is also a Managing Director at Clarus Ventures LLC, Chairman of the Board of Directors of TyRx Pharma, Inc., Lycera Corporation and Variation Biotechnologies Inc., and a member of the Board of Directors of Biolex Therapeutics Inc., Catabasis Pharmaceuticals Inc. and Vertex Pharmaceuticals Inc. Dr Leiden served as President and Chief Operating Officer, Pharmaceutical Products Group and Chief Scientific Officer at Abbott Laboratories from 2001 to 2006; during this time he was also a member of the Boards of Directors of Abbott and TAP Pharmaceutical Products, Inc. Prior to joining Abbott, Dr Leiden served as the Elkan R. Blout Professor of Biological Sciences, Harvard School of Public Health and Professor of Medicine, Harvard Medical School. Previously, he was the Frederick H. Rawson Professor of Medicine and Pathology and Chief of the Section of Cardiology at the University of Chicago. Dr Leiden was a founder of Cardiogene, Inc., a biotechnology company specializing in cardiovascular gene therapy. Dr Leiden earned a bachelor's degree in biological sciences, a doctorate in virology and a medical degree, all from the University of Chicago. He is a Fellow of the American Academy of Arts and Sciences and an elected member of the Institute of Medicine of the National Academy of Sciences.

**William Burns (63)****Non-Executive Director**

Mr Burns was appointed to the Board on March 15, 2010 and is a member of the Remuneration Committee. Mr Burns brings to the Board, among other things, extensive experience in international sales, marketing, integration and operational experience in the pharmaceutical sector. He also holds directorships at Crucell N.V., Roche Holdings Ltd, Chugai Pharmaceuticals and Genentech Inc. Mr Burns worked for many years for Roche; most recently as CEO of their Pharmaceuticals Division and as a member of the Roche Group Corporate Executive Committee. Among his many achievements during his time with Roche, he had significant involvement in the acquisition and privatisation of Genentech, he led the integration of Boehringer Mannheim Therapeutics and he played a lead role in the negotiations resulting in Roche becoming a majority owner of Chugai in Japan.

**Dr David Ginsburg (58)****Non-Executive Director**

Dr Ginsburg, MD was appointed to the Board on June 16, 2010 and is a member of the Science & Technology Committee. Dr Ginsburg is currently James V. Neel Distinguished University Professor of Internal Medicine Human Genetics, and Pediatrics at the University of Michigan and a Howard Hughes Medical Institute Investigator. Dr Ginsburg brings much experience to the Board, including his clinical medical background in Internal Medicine, Hematology-Oncology, and Medical Genetics, as well as his extensive basic biomedical laboratory research expertise. He obtained his BA at Yale University, MD at Duke University and completed his medical and research training at Harvard Medical School, before joining the faculty at the University of Michigan. Dr. Ginsburg is the recipient of numerous honors and awards, including election to membership in the National Academy of Sciences, the Institute of Medicine and the American Academy of Arts and Sciences.

**Patrick Langlois (65)****Non-Executive Director**

Mr Langlois has been a member of the Board since November 11, 2005. He is also a member of the Audit, Compliance & Risk Committee and of the Remuneration Committee. Mr Langlois brings to the Board, among other things, his extensive experience in financial reporting, audit and risk management. Mr Langlois is a Non-Executive Director of Scynexis Inc., Nanobiotix S.A., Exonhit S.A. and Newron Spa. Mr Langlois previously served as Vice Chairman of the Management Board of Aventis S.A., having been Group Executive Vice President and Chief Financial Officer for several years. He also spent many years in senior financial roles with the Rhône-Poulenc Group, including three years as a member of the Executive Committee and Chief Financial Officer. Mr Langlois holds a PhD in Economics and a diploma in banking studies.

**Anne Minto OBE (57)****Non-Executive Director**

Ms Minto was appointed to the Board on June 16, 2010 and is Chair of the Remuneration Committee. Ms Minto is Group Director Human Resources at Centrica plc and sits on the Centrica Executive Committee. She was chair of the three Centrica Pension Scheme boards for eight years until end of December 2010. She brings considerable experience to the Board including, her extensive legal, commercial and remuneration experience. Following her law degree at Aberdeen University and a post graduate diploma in Human Resources she qualified as a lawyer and has an extensive business career that includes senior management roles at Shell UK, the position of deputy director-general of the Engineering Employers' Federation and the position of Group Director Human Resources at Smiths Group plc.

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She has also been a Non-Executive Director on the boards of Northumbrian Water plc and SITA UK. Ms Minto is a Fellow of the Chartered Institute of Personnel & Development, the Royal Society of Arts and the London City and Guilds and a Member of Law Society of Scotland.

**David Stout (56)****Non-Executive Director**

Mr Stout was appointed to the Board on October 31, 2009 and is a member of the Audit, Compliance & Risk Committee. Mr Stout brings to the Board, among other things, extensive international sales, marketing, operational and supply chain experience gained in the pharmaceutical sector. Mr Stout also holds directorships at Allos Therapeutics, Inc, Jabil Circuit, Inc. and Airgas Inc. Most recently he was President, Pharmaceutical Operations at GSK. In this position he had responsibility for pharmaceutical operations in the United States, Europe, Japan and all other International Markets. Mr Stout was also responsible for global manufacturing and global Biologics (vaccines) at GSK. Prior to that, he was President of GSK's US Pharmaceuticals Business and before that SmithKline Beecham's North American Pharmaceuticals Business. Before joining SmithKline Beecham, Mr Stout worked for many years at Schering-Plough.

**Former Non-Executive Directors****Dr Barry Price (67)****Non-Executive Director**

Dr Price was a member of the Company's Board from January 16, 1996 until his retirement from the Board on January 24, 2010. He was a member of the Company's Nomination Committee and Science & Technology Committee until October 2009 and January 2010 respectively. Dr Price brought to the Board, among other things, his wealth of experience in the operational and scientific aspects of clinical research and development. He serves as Chairman of Antisoma plc and Summit Corporation plc. In recent years he has held directorships at Chiroscience plc, Celltech Group plc, Pharmagene plc and BioWisdom Limited. Dr Price worked for GSK for 28 years, where he held positions of increasing responsibility with that company's research group.

**Kathleen Nealon (57)****Non-Executive Director**

Ms Nealon was a member of the Board from July 27, 2006 to July 26, 2010. She was Chair of the Remuneration Committee and a member of the Audit, Compliance & Risk Committee until she stepped down from the Board. Ms Nealon brought to the Board, among other things, her extensive global legal, compliance and risk management experience gained through roles held in multinational companies. Ms Nealon is a Non-Executive Director of Cable & Wireless Communications Plc and a former Non-Executive Director of HBOS plc. She is also a Senior Associate at the Judge Business School at Cambridge University. Ms Nealon was previously Group Head of Legal & Compliance at Standard Chartered plc until 2004. She is a US qualified lawyer and spent several years in her early career practising law in New York.

**Executive officers**

**Michael Cola** has been with Shire since July 2005. He is President of Specialty Pharmaceuticals and a member of Shire's Leadership Team. Mr Cola has over 20 years of international biopharmaceutical industry experience. He was previously President of the Life Sciences Group of Safeguard Scientifics, Inc. He also held progressively more senior management positions in product development and commercialization at AstraMerck/AstraZeneca. Mr Cola received his Master of Science degree in biomedical engineering from Drexel University.

**Dr Sylvie Grégoire** joined Shire in September 2007. She is President of Human Genetic Therapies and a member of Shire's Leadership Team. Dr Gregoire has over 20 years of pharmaceutical and biotechnology experience. She most recently served as Executive Chairwoman of the Board of IDM Pharma, a biotechnology company in California. Prior to this she was Chief Executive Officer of GlycoFi, and has also held numerous leadership positions at Biogen Inc., in the United States and France. She also worked for Merck & Co. in various positions in clinical research and in European regulatory affairs, both in the US and abroad. She received her Doctor of Pharmacy degree from the State University of New York at Buffalo, and her pharmacy degree from Université Laval, Québec City, Canada.

**Tatjana May** has been with Shire since May 2001. She is General Counsel and Company Secretary and a member of Shire's Leadership Team. Ms May was previously Assistant General Counsel at the corporate headquarters of AstraZeneca plc. Prior to that she worked at the law firm Slaughter and May.

**Barbara Deptula** has been with Shire since September 2004. She is Executive Vice President and Chief Corporate Development Officer and a member of Shire's Leadership Team. Ms Deptula was previously President of the biotechnology division of Sicom Inc. and Senior Vice President for commercial and product development at Coley

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Pharmaceutical Group. She also held senior management positions focused on marketing, product development, licensing and business development at US Bioscience, Schering-Plough, American Cyanamid, and Genetics Institute.

#### **Audit, Compliance & Risk Committee Financial Expert**

The members of the Audit, Compliance & Risk Committee as at December 31, 2010 were Mr Kappler, Mr Langlois, and Mr Stout.

The Board has determined that Mr Kappler is the serving financial expert on the Audit, Compliance & Risk Committee and that he is independent as defined under applicable SEC rules. A description of Mr Kappler's relevant experience is provided above.

#### **Code of Ethics**

Shire's Board of Directors has adopted a Code of Ethics that applies to all its directors, officers and employees, including its Chief Executive Officer, Chief Financial Officer and Group Financial Controller. The Code of Ethics is posted on Shire's internet website at [www.shire.com](http://www.shire.com).

#### **NASDAQ Corporate Governance Exemption**

As a foreign private issuer incorporated in Jersey (Channel Islands) with its principal listing on the London Stock Exchange, Shire follows its "home country" corporate governance practices in lieu of the provisions of the NASDAQ Stock Market's Marketplace Rule 4350 that apply to the nomination of directors and the constitution of a quorum for any meeting of shareholders.

The NASDAQ Stock Market's rules require that new directors are selected, or recommended for the Board's selection, by a majority of independent directors or a nomination committee comprised solely of independent directors. In compliance with Jersey law and the provisions of the Combined Code on Corporate Governance issued by the UK Financial Reporting Council in June 2008 (the "Combined Code"), new directors at Shire are nominated by a nomination committee comprised of three members. Mr Matthew Emmens, who is a member of the committee, is not regarded as "independent" under The NASDAQ Stock Market's rules.

Shire also complies with the laws of Jersey and the Governance Code in lieu of The NASDAQ Stock Market's rules regarding the constitution of a quorum for any meeting of shareholders. The NASDAQ Stock Market's rules provide for a quorum of no less than 33 $\frac{1}{3}$ % of Shire's outstanding shares. However, Shire's By-laws provide that a quorum has been established when two members are present in person or by proxy and entitled to vote except where the rights attached to any existing class of shares are proposed to be varied, and then the quorum shall be two persons entitled to vote and holding or representing by proxy not less than one-third in nominal value of the issued shares of the class.

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## ITEM 11: Executive compensation

In respect of the financial year to December 31, 2010, the total compensation paid to Shire plc's directors and executive officers as a group for the periods during which they served in any capacity was \$33.3 million. The total amounts set aside or accrued by the Company to provide pension, retirement or similar benefits for this group was \$1.1 million. During 2010, members of the group were granted options over ordinary shares and ADSs of the Company. All such holdings were issued pursuant to the various executive share option plans described in Note 29 to the Company's consolidated financial statements contained in ITEM 15: Exhibits and financial statements schedules of this Annual Report on Form 10-K.

The Company provides information on the individual compensation of its directors in the Directors' Remuneration Report included within its financial statements filed with the United Kingdom Listing Authority ("UKLA"). As the Remuneration Report is made publicly available, it is reproduced in full below. As at the time of filing this Form 10-K, the Directors' Remuneration Report is subject to approval by Shire plc's shareholders at the Annual General Meeting ("AGM").

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee's Report for 2010 for which we will be seeking approval from shareholders at our AGM in April 2011.

Since my appointment as Chair of the Remuneration Committee, I have taken time to look at the effectiveness of our current arrangements and also to meet with our largest shareholders to gauge their views on our approach to remuneration. I am comfortable that the current arrangements continue to appropriately reward our high performing management team for delivering strong performance and shareholder value. The Remuneration Committee and management believe that the long-term incentive arrangements (approved at last year's AGM) are working well within the business and delivering increased alignment to Shire's strategic goals.

I am grateful to all my fellow Remuneration Committee members for their commitment and global perspectives in the discussions we have had on a wide variety of key issues ensuring that the right outcomes have been achieved for both our senior management and our shareholders.

The pharmaceutical industry has faced a tough operating environment in 2010, yet Shire has seen another year of excellent performance and achievement of 28% growth in operating income. Our approach to growth has continued to be through internationalisation, acquisition and continuing focus on our niche markets. Value to our patients remains paramount as our best-in-class products focus on meeting the needs in our markets. Our strong performance is reflected in our remuneration outcomes for the year in terms of both our annual bonus achieved for 2010 and long-term performance award; the vesting of the 2008 Portfolio Share Plan award at 88% reflects our strong total shareholder return over the last three years. Our committed management team continues to work together to deliver our innovative, forward thinking business model for which Shire is well respected.

Anne Minto  
Chair of the Remuneration Committee

### Introduction

This report has been prepared in accordance with the UK Companies Act 2006 and related regulations and describes how the Company has applied the principles relating to Directors' remuneration set out in both the Combined Code on Corporate Governance issued by the UK Financial Reporting Council in June 2008 and the new UK Corporate Governance Code issued by the UK Financial Reporting Council in May 2010.

Shire's 2010 Remuneration Report is grouped into six sections:

- **The Remuneration Committee**, (the "Committee") which provides information on the individuals making remuneration decisions and their activities in 2010;
- **Remuneration Policy**, which describes Shire's guiding principles on remuneration for Executive Directors, senior leadership, and the broader employee population;
- **Executive Director Remuneration**, which explains the components of Shire's 2010 executive compensation packages;

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- **Non-Executive Directors and the Chairman**, which outlines the policy on appointments and fees;
- **The Performance Graph**, which provides information on Shire's Total Shareholder Return performance over a five-year period, compared to its peer group and the FTSE 100 (excluding financial institutions); and
- **2010 Information**, which provides details of Executive Directors' remuneration during 2010 (including emoluments and compensation) and Non-executive Directors' fees and share ownership.

## Changes to remuneration for 2010

The following changes have been made to our Executive Director remuneration arrangements for 2010 subsequent to the Directors' Remuneration Report for 2009.

- 1) After the approval of changes to the Company's remuneration programmes at the AGM in April 2010, the performance matrix was introduced for 2010 awards under the long-term incentive plan in order to improve alignment to the core activities and strategy of the business (as referenced on page 86 of this report). The performance matrix will be retained in its current form for 2011.
- 2) The Company has also updated the approach for calculating the number of shares issued for the 2011 long-term incentive award to align with best practice. The Company will grant awards based on an Expected Value approach and calculate the number of Performance Share Award ("PSA") or Stock Appreciation Right ("SAR") based on the average three-day share price at the time of grant (rather than an average share price over the prior twelve month period which has historically been applied). More details on this change is included in the 2011 Awards section on page 86
- 3) To align with the Company's approach for other share-based plans, the Committee approved the payment of accumulated dividends on Executive Annual Incentive Plan ("EAIP") shares deferred in 2011

The Committee remains committed to an ongoing dialogue with shareholders and we take account of your views. It is our intention that this report provides helpful context and explanation of the Company's remuneration policies and practical considerations that influence our decision making.

**The Remuneration Committee**

To ensure the Company's reward programs support the Company's strategy, culture and pay-for-performance philosophy, the Committee reviews compensation and benefit plans for Shire's Executive Directors, senior leadership (i.e., Leadership Team members), and the broader employee population. Shareholder views are taken into account to ensure reward programs are aligned with shareholder feedback and best practice.

In December 2010, the Committee reviewed its terms of reference to reflect the provisions of the new UK Corporate Governance Code. Also in December 2010, the Committee reviewed its effectiveness and concluded that during 2010 it had operated effectively in fulfilling the duties placed upon it by its terms of reference. The revised terms of reference were approved by the Board in February 2011 and are available on the Company's website.

The Board considers all members of the Committee to be independent. The following Directors served as members of the Committee during the year:

Member	From	To
Anne Minto (Chair from July 27, 2010)	June 16, 2010	To date
William Burns	March 15, 2010	To date
Patrick Langlois	November 11, 2005	To date
Dr Jeffrey Leiden	January 1, 2007	To date
Kathleen Nealon (Chair to July 26, 2010)	July 27, 2006	July 26, 2010

The Chairman and the Chief Executive Officer ("CEO") attend meetings of the Committee by invitation, but neither is present in any discussions relating to his own remuneration.

The Committee was materially assisted in 2010 by JoAnn Verderese, Vice President, Total Rewards, Ann Judge, Senior Vice President, Human Resources and Tatjana May, Executive Vice President and General Counsel.

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PricewaterhouseCoopers LLP continued to serve as the independent external advisor to the Committee. In addition, PricewaterhouseCoopers LLP provided global consultancy services to Shire in 2010, primarily in respect of tax matters.

### **Remuneration Committee Activities for 2010**

The Committee met six times in 2010. All members attended all meetings they were eligible to attend.

In 2010, the Committee discussed the following key topics and standing agenda items:

#### **Key Topics**

- Assessment of whether the Company's remuneration plans are compatible with the Company's risk policies;
- Trends in the executive remuneration marketplace;
- Performance measures for long-term incentive awards made to the Executive Directors;
- Feedback from consultation with the Company's largest shareholders on proposed changes to EAIP and Long-Term Incentive Plans ("LTIP") (e.g., change to allocation of deferred shares for the EAIP and addition of the performance matrix for LTIP); and
- US Healthcare Reform and its potential impact on the Company's US employee medical plans.

#### **Standing Agenda Items**

- Determination of CEO and CFO performance, remuneration and objectives for 2010;
- Review of Leadership Team members' performance and remuneration for 2010;
- Assessment of 2009 corporate performance against the 2009 Corporate Scorecard and determination of the corporate bonus modifier for all bonus-eligible employees;
- Review of the annual compensation process for all employees;
- 2010 Annual Equity Grant;
- Annual offerings of Sharesave, Employee Stock Purchase Plans ("ESPP") and sub-plans;
- Determination of the vesting percentage of the 2007 awards granted under the Portfolio Share Plan ("PSP") for Executive Directors;
- 2009 Directors' Remuneration Report;
- 2010 Chairman's fees;
- 2010 Corporate Scorecard;
- Peer group review to determine the approach for 2011 benchmarking for Executive Directors;
- Updates on regulatory changes and updates to the UK Corporate Governance Code and Dodd-Frank Act ;
- Executive shareholdings;
- Terms of reference; and
- Committee effectiveness.

#### **Remuneration Policy**

Shire's remuneration policy is designed to balance the needs of shareholders, the Company and its employees. It recognizes the importance of having reward programs that are linked to the Company's strategy, are focused on performance and delivering long-term shareholder value, but that are also competitive, valued by employees, and which drive top quartile performance in the achievement of both Company and individual goals. The Committee also takes account of the pay and conditions elsewhere in the Company and the external environment in which the Company is operating.

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### Total Rewards Guiding Principles

Simple and understandable	<ul style="list-style-type: none"> <li>• Each element of the package has a clear purpose</li> <li>• Plan drivers are easily understood by participants</li> <li>• Pay decisions are not mechanical</li> <li>• Plans are simple to implement</li> <li>• Plans are transparent and easily communicated</li> </ul>
Competitive	<ul style="list-style-type: none"> <li>• Plans are competitive with the external market</li> <li>• Plans help to attract and retain talent</li> </ul>
Strategically and culturally aligned	<ul style="list-style-type: none"> <li>• Incentive plans support success, and are aligned with the Company's goals</li> <li>• Plan designs support Shire's culture</li> </ul>
Performance oriented	<ul style="list-style-type: none"> <li>• Plans allow for differentiation based on performance</li> <li>• Plans are linked to overall Company performance</li> </ul>
Valued by employees	<ul style="list-style-type: none"> <li>• Value placed by employees on each element of the package is aligned with cost to the Company</li> <li>• Plans drive shareholder value</li> <li>• Plans provide tax efficiencies where possible</li> </ul>

### Summary of remuneration philosophy for Executive Directors and other members of the Leadership Team:

	<b>Description</b>
Benchmarking	<ul style="list-style-type: none"> <li>• All elements of pay (base salary, annual incentive and long-term incentives) are benchmarked annually</li> <li>• Base salary and incentive targets are determined with reference to a blended US/UK market comparison group. The comparison group of companies are of similar size, complexity and international characteristics as Shire</li> </ul>
Total Compensation	<ul style="list-style-type: none"> <li>• Targeted at or around the 50th percentile for median level performance and allow for the achievement of top quartile pay levels to recognize high performance</li> </ul>
Base Salary	<ul style="list-style-type: none"> <li>• Targeted at or around the median of the market and may be positioned below or above the median depending on individual performance</li> </ul>
Variable Compensation	<ul style="list-style-type: none"> <li>• Percentage of pay at risk considers the external market</li> <li>• The Committee targets variable compensation to represent over two-thirds of total remuneration</li> </ul>
Shareholding Guidelines	<ul style="list-style-type: none"> <li>• Executive Directors and other members of the Leadership Team are encouraged to own shares in the Company in order to ensure the alignment of their interests with those of the Company's shareholders</li> </ul>

The Committee will consider in 2011 the use of provisions to enable the Company to reclaim variable components of performance related remuneration following a restatement of financial results or misconduct.

### Executive Director Remuneration

The Executive Remuneration Package comprises the following elements:

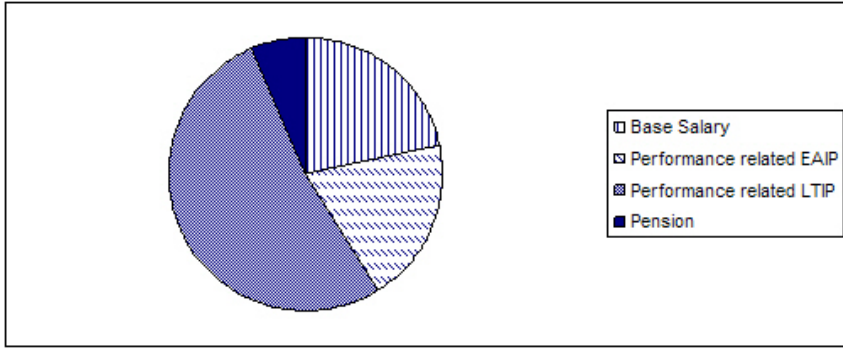
1. Base Salary
2. EAIP

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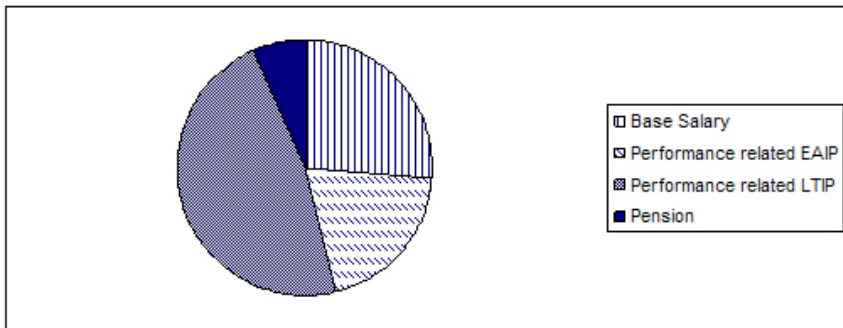
- 3. LTIP
- 4. Pension and other benefits.

The Committee aims to maintain an appropriate balance between fixed and performance-related remuneration and between elements linked to short-term financial performance and long-term shareholder value creation. The EAIP and LTIP are considered performance-related elements, while base salary is essentially 'fixed', although performance is considered when determining annual increases. Assuming on-target performance, the CEO's remuneration for 2011 is 28% fixed and 72% variable, and the CFO's remuneration is 33% fixed and 67% variable.

CEO



CFO



**1. Base Salary**

The Committee reviews the salaries of the Executive Directors annually with reference to market data, performance and the scope of their roles. Market data is provided by independent external consultants and is a blend of US and UK companies of a similar size, complexity and international characteristics to Shire. The large number of comparable companies within the US allows the peer group to be refined further, including companies in the following sectors: pharmaceutical, biotechnology, medical equipment, and medical supplies.

**2. EAIP**

The Executive Directors and Leadership Team participate in an EAIP, which rewards individuals with a bonus based on achievement of pre-defined, Committee-approved corporate objectives and the individual's contributions toward achieving those objectives. All other non-sales employees participate in an Annual Incentive Plan ("AIP"); the two programs are essentially the same with the exception that the EAIP requires a portion of the bonus to be paid in shares issued on a deferral basis.

Corporate objectives are established in a scorecard format with four dimensions. The 2010 weightings of each dimension are provided below:

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Financial (40% weighting)	Operational Excellence (25% weighting)
People and Capabilities (20% weighting)	Customer (15% weighting)

Key performance measures are established for each objective within each dimension. The scorecard is cascaded to each business and corporate function to ensure alignment with corporate goals. Individual goals are also set to align with the Corporate Scorecard and the individual's business/function scorecard.

EAIP and AIP awards are determined by the Committee based on the level of achievement across all key performance measures, ensuring that both financial and non financial results are considered.

The Committee also considers the impact on the Company's performance of strategic actions, as well as the Company's response to external opportunities and events that could not have been predicted at the beginning of the year.

In 2010, the Company implemented a bonus pool approach for the EAIP and AIP. The bonus pool is determined by calculating the sum of all employees' annual incentive targets multiplied by the corporate bonus modifier. The Committee determines the corporate bonus modifier based on its assessment of the achievement of the scorecard goals in the first quarter of the year following the performance year. The same bonus modifier is used throughout the Group for all bonus-eligible employees. The maximum bonus modifier is 200% of target.

EAIP awards are paid in cash (75%) and ordinary shares or American Depositary Shares ("ADS") (25%). The cash element is paid in the first quarter of the year following the performance year, and the share-based element is deferred and released on the third anniversary of the date of the award and is not subject to further performance conditions. However, the release of the shares is subject to the participant's employment not being terminated for cause. Dividends are not paid on the shares during the three-year period, unless determined by the Committee at the date of the award. No dividend was paid on the EAIP awards granted in 2010. To align with the Company's approach for other share-based plans, the Committee approved the payment of accumulated dividends on shares deferred in 2011.

### 2010 EAIP

As referenced by other sections in the report, Shire's accomplishments for 2010 included:

- Total product sales exceeding \$3 billion for the first time, with growth of 16% over 2009;
- Non-GAAP earnings before interest, tax, depreciation and amortization ("EBITDA") of \$1,165 million, with growth of 19% over 2009;
- Growth in return on invested capital ("ROIC") of 190 basis points over 2009;
- Product sales from non-US markets grew by 37%; and
- Approval of VPRIV in the US and EU, achievement of market leadership position for REPLAGAL for Fabry disease, the acquisition of Movetis and entering into a collaboration with Acceleron.

As a result of Company and individual performance, the following EAIP awards were granted:

- The 2010 award for the CEO was 117% of base salary and 130% of target.
- The 2010 award for the CFO was 109% of base salary and 136% of target.

### 2011 EAIP

The 2011 EAIP and AIP will continue to use a scorecard approach for setting and evaluating objectives. The key performance measures for 2011 have been updated to have more balance between the Customers, People & Capabilities, and Operational Excellence dimensions.

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Financial (40% weighting)	Operational Excellence (20% weighting)
People and Capabilities (20% weighting)	Customer (20% weighting)

Examples of key performance measures for 2011 include:

- Growth in product sales;
- Growth in Non-GAAP EBITDA;
- Growth in return on invested capital;
- Increase in product sales outside the US; and
- Demonstrate the delivery of value to the healthcare system, including assessment of physician feedback and market share gain.

### 3. Long-term Incentives

The Company uses the PSP to grant long-term incentives to motivate, reward and retain employees and to align the interests of employees with those of the Company's shareholders. Annual participation in the PSP is at management discretion and is approved by the Remuneration Committee.

The PSP is comprised of two parts, which can be operated separately.

- Part A - A **SAR Award** is the right to receive ordinary shares or ADSs linked to the increase in value of a specified number of ordinary shares or ADSs over a period between one and seven years from the date of grant. SAR Awards granted to Executive Directors will vest three years after the date of grant, subject to the satisfaction of certain performance conditions, described below. SAR Awards can be exercised up to the seventh anniversary of the date of grant.
- Part B - A **PSA Award** is the right to receive a specified number of ordinary shares or ADSs between one and three years from the date of grant. PSA Awards granted to Executive Directors will vest three years from the date of grant, with vesting subject to the satisfaction of certain performance conditions, described below. Upon vesting of the PSA Award, ordinary shares or ADSs will be released to the participant automatically without any action on the part of the participant.

Awards granted to Executive Directors are subject to certain performance conditions which must, in normal circumstances, be met before the award vests. These conditions are measured over a period of not less than three years. Awards will only vest if the Committee determines that the performance conditions have been satisfied and that the underlying performance of the Company is sufficient to justify the vesting of the award. Certain rules apply if the participant's employment terminates early or on a change in control of the Company.

#### 2010 Awards

In 2010, following consultation with the Company's largest shareholders, the vesting criteria for SAR and PSA Awards granted to Executive Directors under the PSP were changed to require the achievement of Non GAAP EBITDA and ROIC targets. These new vesting criteria provide increased alignment to the core activities and strategy of the Group as Shire believes that growth in Non GAAP EBITDA and achievement of ROIC above the weighted average cost of capital are key drivers of value creation. The two performance measures are combined in a performance matrix (included below) designed to reward the Company's executive management for delivering balanced growth in these measures while pursuing Shire's strategic objective of delivering mid-teens year-on-year sales growth over the performance period.

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Adjusted ROIC	EBITDA growth (CAGR 2009-2012)				
	8%	10%	12%	14%	16%
Increase bp p. a.					
10	1.0x	1.3x	1.7x	2.1x	2.5x
20	1.3x	1.6x	2.0x	2.4x	2.8x
40	1.6x	1.9x	2.4x	2.7x	3.1x
60	1.9x	2.3x	2.6x	3.1x	3.5x
80	2.2x	2.6x	3.1x	3.6x	4.0x
100	2.5x	3.0x	3.5x	4.0x	4.0x

For the purposes of the matrix, EBITDA growth will be defined as the compound annual growth rate ("CAGR") of Non-GAAP EBITDA, as derived from the Group's Non GAAP financial results included in its full year earnings releases, over the three year vesting period. Adjusted ROIC reflects the definition used by Shire in its Corporate Scorecard. This definition aims to measure true underlying economic performance of the Company, by making a number of adjustments to ROIC as derived from Shire's Non-GAAP financial results including:

- Adding back to Non-GAAP operating income all R&D expenses, intangible asset impairment charges and operating lease costs incurred in the period;
- Capitalizing on the Group's balance sheet historic, cumulative R&D, IPR&D, intangible asset impairment charges and operating lease costs which previously have been expensed;
- Deducting from Non-GAAP operating income an amortization charge for the above capitalized costs, based on the estimated commercial lives of the relevant products;
- Excluding the income statement and balance sheet impact of non-operating assets (such as surplus cash and non-strategic investments); and
- Taxing the resulting adjusted operating income at the underlying Non GAAP tax rate.

The ROIC performance as determined by the above definition will be disclosed in the Remuneration Report at the end of the performance period.

The Committee reserves the right to make adjustments to the matrix to reflect significant one time items which occur during the vesting period. The Committee will make full and clear disclosure of any such adjustments in the Remuneration Report at the end of the performance period.

Concurrent with the introduction of the performance matrix, the Committee changed the granting approach for the PSP. Awards under the PSP are split between a base award (being one quarter of the total award made) and a performance award. Multiples of the base award (up to a maximum of four times) will then vest at the end of the performance period depending on the achievement of performance against the matrix.

- SAR Awards: For 2010 the face value of the base awards were 100% of base salary for the CEO and 75% of base salary for the CFO with the opportunity to receive a maximum of four times the original award for superior performance against the matrix.
- PSA Awards: For 2010 the face value of the base awards were 75% of base salary for the CEO and 55% of base salary for the CFO with the opportunity to receive a maximum of four times the original award for superior performance against the matrix.

Awards made to Executive Directors under the PSP in 2010 are set out in the 2010 information below.

In 2010, shareholders also approved a change enabling the Committee to determine the date or dates on which SAR and PSA Awards under the PSP for employees (excluding the Executive Directors and Leadership Team) will vest, provided that the first vesting cannot take place before the first anniversary of the date of grant.

### 2011 Awards

The performance matrix will be retained in its current form for 2011. The Committee will review it annually to ensure it reflects the Group's long-range plans and strategy.

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Two operational changes will be made to PSP awards for 2011 to improve alignment with best practice and ensure consistency of approach throughout Shire.

Firstly, the Group will move all participants in the PSP to an Expected Value approach to calculating awards. As with our previous policy the Target Expected Value will be determined each year based on external market data. The Committee will review the quantum each year to ensure this is still in line with the stated philosophy and if any changes are proposed these will be included in the Directors' Remuneration Report in the year ended prior to the awards being made. The Target Expected Value for Executive Directors for 2011 will remain at the 2010 level. The Committee will have the authority to award a grant within the range of 80 – 120% of the Target Expected Value, based on performance. The maximum under the PSP awards will remain unchanged as set out in the PSP Rules (six times base salary for SAR Awards and four times salary for PSA Awards).

Secondly, the Company will move to calculating the number of PSA Awards or SAR Awards to an approach based on the average three-day share price at the time of grant (rather than an average share price over the prior twelve month period which has historically been applied). This is intended to improve the alignment of the Group's PSP with best practice.

- SAR Awards: For 2011 the face value of the base awards, the quantum of which is determined by the Committee on an expected value basis, will be 105% of base salary for the CEO and 78% of base salary for the CFO with the opportunity to receive a maximum of four times the original award for superior performance against the matrix.
- PSA Awards: For 2011 the face value of the base awards the quantum of which is determined by the Committee on an expected value basis will be 79% of base salary for the CEO and 58% of base salary for the CFO with the opportunity to receive a maximum of four times the original award for superior performance against the matrix.

#### 2007 – 2009 Awards

The 2007, 2008 and 2009 awards under the PSP which were made to Executive Directors include a market condition based on relative Total Shareholder Return ("TSR") measured against two comparator groups. In determining the vesting percentage of a SAR Award or PSA Award granted to Executive Directors, 33% weighting will depend upon the Company's TSR performance relative to the performance of FTSE 100 constituents, excluding financial institutions, and 67% weighting will depend upon the Company's TSR performance relative to the performance of a group of international companies from the pharmaceutical sector (see below). Vesting is determined as follows:

% vesting	TSR Performance level achieved
0% vesting	TSR performance below the median versus the comparator companies and the FTSE 100 (excluding financial institutions)
33% vesting	TSR performance at median versus the comparator companies and the FTSE 100 (excluding financial institutions)
100% vesting	TSR performance at or above upper quartile performance versus the comparator companies and the FTSE 100 (excluding financial institutions)

TSR performance between median and upper quartile versus the comparator companies and the FTSE 100, excluding financial institutions, is calculated from 33% to 100% on a straight-line basis.

The Committee has the discretion to amend the companies in the comparator group to ensure that the group stays both relevant and representative; however, the change must not have the effect of making the performance criteria either materially easier or materially harder to achieve, in the opinion of the Committee, than they were immediately before the change.

The table below sets out the comparator group for the 2007 – 2009 awards:

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Comparator group of international companies from the pharmaceutical sector	2007 Awards	2008 Awards	2009 Awards
Actelion Pharmaceuticals Ltd	-	-	√
Allergan, Inc.	√	√	-
Amgen Inc.	-	-	√
Atlana Aktiengesellschaft	√	√	-
BioMarin Pharmaceutical Inc.	-	-	√
Biogen Idec Inc.	-	-	√
Biovail Corporation	√	√	√
Celgene Corporation	-	-	√
Cephalon Inc.	√	√	√
Endo Pharmaceuticals Holdings Inc.	-	-	√
Forest Laboratories Inc.	√	√	√
Genzyme Corporation	-	-	√
Gilead Sciences Inc.	-	-	√
Ipsen Ltd	-	-	√
King Pharmaceuticals Inc.	√	√	√
KOS Pharmaceuticals Inc.	√	√	-
H. Lundbeck A/S	√	√	√
Medicis Pharmaceutical Corporation	√	√	-
Novo Nordisk A/S	√	√	√
Schering AG	√	√	-
Sepracor Inc.	√	√	-
Merck Serono S.A.	√	√	-
UCB S.A.	√	√	√
Valeant Pharmaceuticals International Inc.	√	√	-
Watson Pharmaceuticals Inc.	√	√	-

TSR performance will be measured using an averaging period of three months. In addition, the Committee will have regard to the same calculation using an averaging period of six months as part of a fairness review to ensure that vesting properly reflects underlying performance.

If the market conditions based on TSR performance are not met, awards will lapse.

#### ***Vesting of the 2007 Awards***

For the 2007 PSP award which vested in February 2010, Shire's TSR was 14.1% for the three-month averaging period, which placed it 23rd among the FTSE 100 (excluding financial institutions) and 5th among its peer group. This resulted in a vesting of 84% of the award.

#### ***Vesting of the 2008 Awards***

For the 2008 PSP award which vested in February 2011, Shire's TSR was 31.7% for the three-month averaging period, which placed it 20th among the FTSE 100 (excluding financial institutions) and 5th among its peer group. This resulted in a vesting of 88% of the award.

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**At-a-Glance changes to Executive Director Remuneration arrangements – 2010 to 2011**
**CEO**

Plan	2010	2011
Base Salary amount	\$1,200,000 US	\$1,260,000 US
Executive Annual Incentive plan targets and maximums (as percentage of base salary)	90% - Target 180% - Maximum	Unchanged 90% - Target 180% - Maximum
Expected Value of Long-Term Incentive awards (as percentage of base salary) <sup>(1)</sup>	68% SAR Awards 174% PSA Awards	71% SAR Awards 183% PSA Awards

<sup>(1)</sup> Maximum awards remain unchanged at 600% salary for SAR Awards and 400% salary for PSA Awards

**CFO**

Plan	2010	2011
Base Salary amounts	CFO - £435,000	CFO - £455,000 <sup>(1)</sup>
Executive Annual Incentive plan targets and maximums (as percentage of base salary)	80% Target 160% Maximum	Unchanged 80% - Target 160% - Maximum
Expected Value of Long-Term Incentive awards (as percentage of base salary) <sup>(2)</sup>	51% SAR Awards 128% PSA Awards	53% SAR Awards 133% PSA Awards

<sup>(1)</sup> CFO increase for 2011 recognises performance and responsibilities added to role in the year, including IT and procurement.

<sup>(2)</sup> Maximum awards remain unchanged at 600% salary for SAR Awards and 400% salary for PSA Awards

**Share Ownership Guidelines**

The Committee believes that Executive Directors and other members of the Leadership Team should be encouraged to own shares in the Company in order to ensure the alignment of their interests with those of the Company's shareholders.

The Executive Share Ownership Guidelines are administered by the Committee and reviewed annually. The ownership guidelines are based on the following principles:

- the Committee believes that share ownership is an important element of an Executive's role in leading the Group and represents both a commitment by the Executive as well as an alignment of the Executive's interests with those of shareholders;
- the Committee believes that share ownership by Executives should be strongly encouraged, but not mandated;
- the Committee understands that, depending on personal and other circumstances, an Executive may not be able to achieve the desired level of share ownership;
- the Committee believes that Executives should understand the importance of share ownership in the stewardship of the Group, and both appropriate time and latitude will be provided to Executives to achieve desired share ownership levels, where possible; and
- Executive Directors and other members of the Leadership Team are encouraged, within a five-year period following the later of either the initiation of these guidelines, or their appointment or election, to attain and hold an investment

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position no less than the multiples of base salary set forth below. Share ownership levels will be reviewed annually for each Executive.

The following are the guideline share ownership levels for the Executive Directors:

	Share Ownership Guidance as % of Base Salary	Actual Share Ownership as % of Base Salary (as at December 31, 2010)
Angus Russell	200%	449%
Graham Hetherington	150%	92% (after 2.5 years with Company)

All shares beneficially owned by an Executive count towards achieving these guidelines.

#### **4. Pension and other benefits**

The Company's policy is to ensure that pension benefits are competitive in the markets in which Shire operates.

Mr Russell participates in the Supplemental Employee Retirement Plan ("SERP") and 401(k) Plan in the US. The SERP is an unfunded defined contribution scheme; the benefits are payable to certain senior US employees as lump sums on leaving the Company's employment or earlier due to death or disability. The amount of benefit is based on the value of notional contributions adjusted for 'earned' investment returns as if they were invested in investments of the employees' choice. Shire contributes 30% of Mr Russell's annual salary to these plans.

Mr Hetherington participates in a UK HM Revenue and Customs registered defined contribution scheme, which Shire operates for UK employees. In 2010, the Company contributed 25% of Mr Hetherington's annual salary to this scheme.

In addition to pension benefits, the Executive Directors receive certain benefits in kind, principally a car or car allowance, life insurance, private medical insurance and dental cover (US only). These benefits are not pensionable.

Under his service contract Mr Russell is entitled to receive a pension contribution equivalent to 30% of his base salary. It was not possible for his full 2009 payment to be made to the Company's UK pension scheme without significant tax liabilities arising. As a result, a cash payment of £17,050 (equal to \$26,324 based on the exchange rate at the time of payment) was paid to Mr Russell to enable him to make his own pension arrangements.

Mr Russell was no longer eligible to participate in the Sharesave Scheme following his transfer to the United States. The Committee has approved a cash payment for Mr Russell, to be made in November 2011, equivalent to the amount of gain that he would have made had he been permitted to remain in the plan for the full five years. The estimated value of the payment at year-end 2010 was £19,766.

#### **Service contracts**

The Company's policy is that Executive Directors should be employed on a rolling term, with a notice period not exceeding twelve months and that in the event of early termination; they should be treated fairly but paid no more than is necessary. It is the Company's policy that there should be no element of reward for failure.

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Notice Period	<ul style="list-style-type: none"> <li>• Twelve months by the Company or by the Individual (not applicable if termination for cause)</li> <li>• The Company retains the right to make payment in lieu of notice</li> </ul>
Termination Payment	<ul style="list-style-type: none"> <li>• The contracts contain phased payment provisions which entitle Shire to terminate an Executive Director's employment and mitigate the cost by making any severance payment in monthly instalments over the notice period but only until a new post is obtained.</li> <li>• The amount of annual bonus payable upon termination of employment in any circumstances, other than for change in control, is at the discretion of the Committee and is capped at the contractual target level</li> <li>• No annual bonus is payable upon termination for cause</li> </ul>
Change in Control	<p>Where employment terminates following a change of control compensation payable is:</p> <ul style="list-style-type: none"> <li>• One year's salary and the cash equivalent of one year's pension, car allowance and other contractual benefits</li> <li>• Annual bonus payment is at the discretion of the Committee and is capped at the contractual maximum level</li> </ul>
Contract Dates	<ul style="list-style-type: none"> <li>• Angus Russell – dated July 2, 2008 (amended to reflect US legal requirements as a result of his relocation to the US on January 1, 2010)</li> <li>• Graham Hetherington – dated July 1, 2008</li> </ul>

**Non-Executive Directors and the Chairman**

Non-executive Directors are appointed by the Board ordinarily for a term of two years. At the expiration of the two year term Non-executive Directors are not required to be re-elected by shareholders (unless the expiration of the term coincides with a particular Non-executive Director's turn to retire by rotation), but may be re-appointed by the Board. Non-executive Directors are not entitled to compensation for loss of office.

Details of the unexpired terms of the letters of appointment are as follows:

Director <sup>(1)</sup>	Date of appointment	Date of term expiry
Matthew Emmens	18.06.10	17.06.12
David Kappler	05.04.10	04.04.12
Dr Jeffrey Leiden	01.01.11	31.12.12
William Burns	15.03.10	14.03.12
Dr David Ginsburg	16.06.10	15.06.12
Patrick Langlois	11.11.09	10.11.11
Anne Minto	16.06.10	15.06.12
David Stout	31.10.09	30.10.11

(1) All Non-executive Directors are subject to a three month notice period.

Each Non-executive Director is paid a fee for serving as a Non-executive Director and additional fees are paid for membership or chairmanship of the Audit, Compliance & Risk, Remuneration, Nomination and Science & Technology Committees. The Chairman of the Group receives an inclusive fee. Fees are determined by the Executive Directors and the Chairman, with the exception of the Chairman's fee which is determined by the Committee. Fees are benchmarked against Chairman and Non-executive Director fees of comparable companies. The fees paid to the Chairman and Non-executive Directors are not performance-related. No increase was made for 2010 for fees payable to the Chairman or to the Non-executive Directors. Details of fees paid to the Chairman and Non-executive Directors, effective January 1, 2011 are set out in the table below.

[Table of Contents](#)**Annual Fees<sup>(1)</sup>**

	£	£
<b>Board membership</b>	<b>2010 Fees</b>	<b>2011 Fees</b>
Chairman of the Board (inclusive of all committees)	340,000	370,000
Deputy Chairman and Senior Independent Non-executive Director (inclusive of Non-executive Director fee)	82,500	92,500
Non-executive Director	70,000	80,000
<b>Committee membership</b>		
Audit, Compliance & Risk Committee Chair	20,000	20,000
Remuneration Committee Chair	12,500	15,000
Nomination Committee Chair	12,500	12,500
Science & Technology Committee Chair	12,500	15,000
Audit, Compliance & Risk Committee member	10,000	10,000
Remuneration Committee member	7,500	7,500
Nomination Committee member	5,000	5,000
Science & Technology Committee member	7,500	7,500

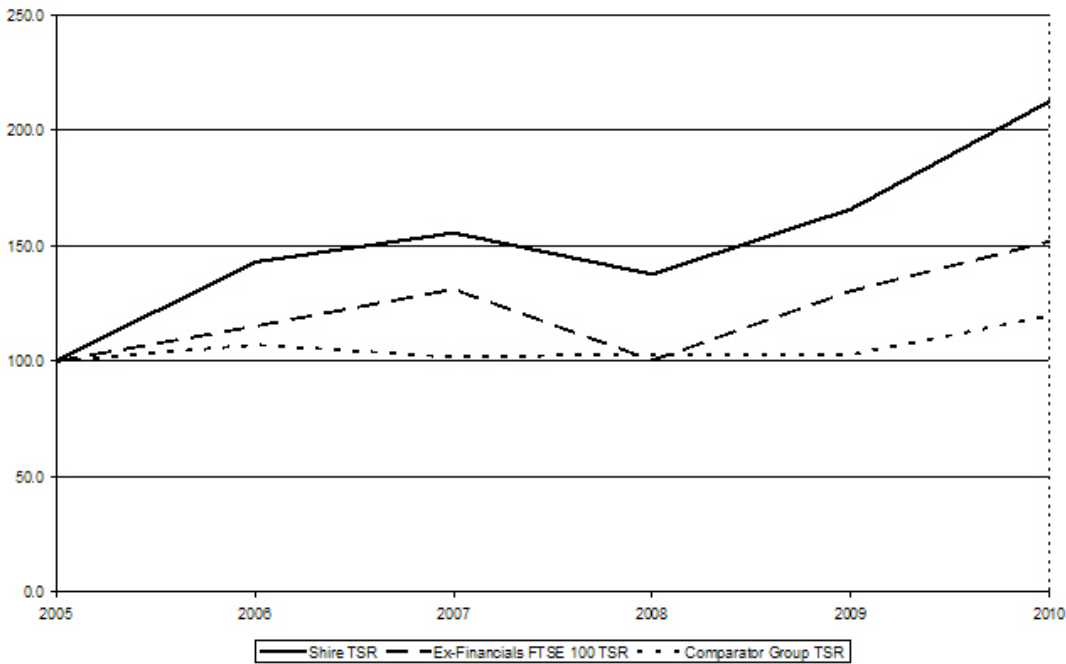
(1) Non-executive Directors receive a £5,000 travel allowance for each transatlantic trip made on Board business.

The Non-executive Directors are not eligible to join the Group's pension scheme. Non-executive Directors do not participate in any of the Group share schemes or other employee benefit schemes and no options have been granted to Non-executive Directors in their capacity as Non-executive Directors of Shire plc.

**Performance graph**

The graph below sets out Shire's TSR performance for five years ending December 31, 2010, comparing the TSR performance of a hypothetical £100 holding of Shire plc's shares with that of a holding of shares in the FTSE 100 Index (excluding financial institutions) and with a holding in the most recent comparator group listed above. This comparator group is a blend of US and UK companies with, sector, size, complexity and international characteristics similar to those of the Company. The Group is a member of the FTSE 100 Index and consequently, for the purpose of the graph set out below, we have selected the FTSE 100 Index (excluding financial institutions) as the appropriate index.

Five-year historical TSR performance. Change in value of a hypothetical £100 holding over five years.

**5 Year TSR**

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## 2010 Information

### Summary of Executive Directors' Remuneration

The following table gives details of the remuneration received during the year by each Executive Director individually.

	Base salary		Incentive				Car allowance		Benefits in kind <sup>(1)</sup>		Total		Pension contributions	
	2010	2009	Cash element		Restricted share element		2010	2009	2010	2009	2010	2009	2010	2009
			2010	2009	2010	2009								
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Angus Russell <sup>(2)(3)</sup>	1,226	1,074	1,050	867	350	493	29	28	6	2	2,661	2,464	360	295
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Graham Hetherington	435	416	356	267	119	183	12	12	7	2	929	880	109	243

(1) Benefits in kind comprise private medical and dental insurance and tax return preparation.

(2) Mr Russell's sterling denominated remuneration for 2009 was converted to US dollars at the average exchange rate for the year ended December 31, 2009 of £1:\$1.57.

(3) Mr Russell received a cash payment in lieu of a pension contribution of £17,050 (equal to \$26,324 based on exchange rate at the time of payment) which is included in his base salary.

### Summary of Non-executive Directors' fees

The following table gives the total fees received during the year by each Non-executive Director.

	Fees						2009 £
	2010 £						
	Board membership <sup>(1)</sup>	Remuneration	Audit, Compliance & Risk	Nomination	Science & Technology	Total fees	
Matthew Emmens	350,000	-	-	-	-	350,000	355,000
David Kappler	87,500	-	20,000	12,500	-	120,000	129,000
Dr Jeffrey Leiden	75,000	7,500	-	5,000	12,500	100,000	113,000
William Burns <sup>(2)</sup>	60,461	5,942	-	-	-	66,403	-
Dr David Ginsburg <sup>(3)</sup>	42,692	-	-	-	4,038	46,730	-
Patrick Langlois	75,000	7,500	10,000	-	-	92,500	97,000
Anne Minto <sup>(4)</sup>	42,692	6,189	-	-	-	48,881	-
David Stout <sup>(5)</sup>	80,000	-	10,000	-	-	90,000	12,000
Kathleen Nealon <sup>(6)</sup>	40,115	7,163	5,730	-	-	53,008	102,000
Dr Barry Price <sup>(7)</sup>	4,561	-	-	-	-	4,561	88,000

1. Include travel allowances paid for each transatlantic trip made on board business.

2. Mr Burns was appointed as a Non-executive Director and a member of the Remuneration Committee on March 15, 2010.

3. Dr Ginsburg was appointed as a Non-executive Director and a member of the Science & Technology Committee on June 16, 2010.

4. Ms Minto was appointed as a Non-executive Director and a member of the Remuneration Committee on June 16, 2010 and appointed Chair of the Remuneration Committee on July 27, 2010.

5. Mr Stout was appointed as a Non-executive Director and a member of the Audit, Compliance & Risk Committee on October 31, 2009.

6. Ms Nealon stepped down from the Board on July 26, 2010.

7. Dr Price retired from the Board on January 24, 2010.

[Table of Contents](#)**Directors' share options**

The following share options over Ordinary Shares under the Shire Pharmaceuticals Executive Share Option Scheme (Parts A and B) ("Executive Scheme"), the Shire 2000 Executive Share Option Scheme (Parts A and B) ("2000 Executive Scheme") and the Shire Sharesave Scheme ("Sharesave Scheme") were outstanding, exercised or lapsed during the year.

	Scheme	Number of Ordinary Shares			At December 31, 2010	Exercise Dates		
		At January 1, 2010	Exercised	Lapsed		Exercise price £	Earliest	Latest
Matthew Emmens	2000 Executive Scheme B <sup>(1)(3)</sup>	305,345	305,345	-	-	5.26	25.03.07	24.03.14
		285,489	285,489	-	-	5.585	11.05.08	10.05.15
		590,834	590,834	-	-			
Angus Russell	2000 Executive Scheme B <sup>(1)(3)</sup>	69,213	-	-	69,213	12.57	05.06.04	04.06.11
Graham Hetherington	Sharesave <sup>(2)(3)</sup>	1,240	-	-	1,240	7.74	01.12.11	31.05.12

(1) Options granted under the 2000 Executive Scheme are exercisable subject to certain performance criteria. The performance criteria were reviewed in 2002 to ensure the criteria reflected the market in which Shire operates. Given Shire's development, it was considered appropriate that an earnings per share-based measure should be adopted in place of share price growth targets. The performance criteria are based on real growth in the diluted earnings per share reported in the Group's Form 10-K under US GAAP, adjusted to ensure a consistent basis of measurement, as approved by the Committee, including the add back of significant one-time items ("Option EPS"). Therefore, the performance criteria were amended so that an option would become exercisable in full if Shire plc's Option EPS growth over a three-year period from the date of award exceeds the UK Retail Prices Index ("RPI") for the following tranches of grants:

Options with a grant value of up to 100% of salary	RPI plus 9% (Directors, RPI plus 15%)
Between 101% and 200% of salary	RPI plus 15%
Between 201% and 300% of salary	RPI plus 21%
Over 301% of salary	RPI plus 27%

The RPI-based earnings per share performance criteria applied to options granted under the 2000 Executive Scheme from August 2002. After consultation with certain institutional shareholders, the Group decided that, for options granted under the scheme from 2004 onwards, the performance condition will be retested once only, at five years after the grant, if Shire's Option EPS growth falls short of the minimum annual average percentage increase over the three-year period from grant. Hence the level of Option EPS growth in the next two years needs to be consequentially higher to meet the test.

In December 2006 the Committee exercised its powers to amend the performance conditions for options granted under the 2000 Executive Scheme which had not vested. The RPI based growth rate was replaced with an equivalent fixed growth rate based on historical and forecast inflation.

Under Part B of the scheme, six weeks prior to the expiration date, any options that have not become exercisable at an earlier date, automatically vest without reference to the performance criteria.

(2) Options granted under the Sharesave scheme are granted with an exercise price equal to 80% of the mid-market price on the day before invitations are issued to employees. Employees may enter into three or five-year savings contracts.

(3) No options were granted under the Executive Scheme or the 2000 Executive Scheme in 2010.

Details of options exercised during the year are as follows:

Scheme	Number of options	Number of Ordinary Shares		Gains on exercise 2010 £'000 <sup>(1)</sup>
		Exercise price £	Market price at exercise date £	
Matthew Emmens	2000 Executive Scheme B	305,345	5.26	2,838
		285,489	5.585	2,561

(1) The gain was calculated using the average sale price of the shares sold over two consecutive days.

[Table of Contents](#)**Directors' share awards**

The following SAR Awards under Part A of the Portfolio Share Plan were outstanding, awarded, lapsed or exercised during the year:

	Number of ADSs*				At December 31, 2010	Market price at the date of the award \$	Exercise Dates	
	At January 1, 2010 <sup>(1)</sup>	Granted	Exercised	Lapsed			Earliest	Latest
Matthew Emmens	125,562	-	-	-	125,562	49.36	17.08.09	17.08.11
	93,840 <sup>(2)</sup>	-	-	15,015	78,825	64.10	27.02.10	027.02.12
	35,126	-	-	-	35,126	58.51	28.03.11	28.03.13
	254,528	-	-	15,015	239,513			
Angus Russell	-	105,616 <sup>(3)</sup>	-	-	105,616	64.91	01.03.13	01.03.17

\*One ADS is equal to three Ordinary Shares

	Number of Ordinary Shares				At December 31, 2010	Market price at the date of the award £	Exercise Dates	
	At January 1, 2010 <sup>(1)</sup>	Granted	Exercised	Lapsed			Earliest	Latest
Angus Russell	117,495 <sup>(2)</sup>	-	98,695	18,800	-	10.99	27.02.10	27.02.12
	85,000	-	-	-	85,000	9.97	22.02.11	22.02.13
	123,547	-	-	-	123,547	8.13	18.06.11	18.06.13
	295,580	-	-	-	295,580	8.83	20.02.12	20.02.14
	621,622	-	98,695	18,800	504,127			
Graham Hetherington	100,000	-	-	-	100,000	8.675	01.08.11	01.08.13
	100,000	-	-	-	100,000	8.83	20.02.12	20.02.14
	-	134,814 <sup>(3)</sup>	-	-	134,814	14.43	01.03.13	01.03.17
	200,000	134,814	-	-	334,814			

Details of the SAR Awards exercised during the year are as follows:

	Number of Ordinary Shares Exercised	Exercise price £	Market price at exercise date £	Gains on Exercise £'000
Angus Russell <sup>(4)</sup>	98,695	10.99	14.388	335

(1) The maximum award is granted and, subject to the achievement of performance conditions, adjusted at the date of vesting.

(2) The percentage of the awards that vested, based on the performance conditions, was 84%.

(3) The face value of the awards was calculated by reference to the average share price over the twelve month calendar period prior to the date of grant.

(4) The gain has been calculated using the average sale price of the shares sold.

The following PSA Awards under Part B of the Portfolio Share Plan were outstanding, awarded, lapsed or released during the year:

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	Number of ADSs*				At December 31, 2010	Market price at the date of the award \$	Vesting Date
	At January 1, 2010 <sup>(2)</sup>	Granted	Lapsed	Released			
Matthew Emmens	70,380 <sup>(3)</sup>	-	11,261	59,119	-	64.10	27.02.10
	26,345	-	-	-	26,345	58.51	28.03.11
	96,725	-	11,261	59,119	26,345		
Angus Russell	-	73,948 <sup>(5)</sup>	-	-	73,948	64.91	01.03.13

\* One ADS is equal to three Ordinary Shares

	Number of Ordinary Shares				At December 31, 2010	Market price at the date of the award £	Vesting Date
	At January 1, 2010 <sup>(2)</sup>	Granted	Lapsed	Released			
Angus Russell	80,000 <sup>(3)</sup>	-	12,800	67,200	-	10.99	27.02.10
	60,000	-	-	-	60,000	9.97	22.02.11
	96,410	-	-	-	96,410	8.13	18.06.11
	221,685	-	-	-	221,685	8.83	20.02.12
	458,095	-	12,800	67,200	378,095		
Graham Hetherington	75,000	-	-	-	75,000	8.675	01.08.11
	75,000	-	-	-	75,000	8.83	20.02.12
	-	98,864 <sup>(4)</sup>	-	-	98,864	14.43	01.03.13
	150,000	98,864	-	-	248,864		

Details of the PSA Awards released during the year are as follows:

	Number of ADSs*			Market price at vesting date \$	Gains on exercise \$'000
	Number Released	Dividend Factor	Total Released		
Matthew Emmens <sup>(5)(6)</sup>	59,119	947	60,066	64.91	3,899

\*One ADS is equal to three Ordinary Shares

	Number of Ordinary Shares			Market price at Vesting date £	Gains on exercise £'000
	Number Released	Dividend Factor	Total Released		
Angus Russell <sup>(5)(6)</sup>	67,200	1,077	68,277	14.43	985

<sup>(1)</sup> The awards were subject to performance conditions.

<sup>(2)</sup> The maximum award is granted and, subject to the achievement of performance conditions, adjusted at the date of vesting.

<sup>(3)</sup> The percentage of the awards that vested, based on the performance conditions, was 84%.

<sup>(4)</sup> The face value of the awards was calculated by reference to the average share price over the 12 month calendar period prior to the date of grant.

<sup>(5)</sup> In accordance with the plan rules, the vested PSA Awards have been increased to reflect the dividends paid by the Group in the period from the grant date to the vesting date.

<sup>(6)</sup> The gain has been calculated using the mid-market closing price on the day the shares were released.

The market price of the Ordinary Shares at December 31, 2010 was £15.43 and the range during the year was £12.20 to £15.67. The market price of the ADSs at December 31, 2010 was \$72.38 and the range during the year was \$57.64 to \$74.12.

#### EAIP

The following restricted awards were outstanding, awarded or released during the year:

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	At January 1, 2010	Number of ADSs conditionally awarded	Number of ADSs released	Mid-market price at date of award \$	Mid-market price at date of release \$	Money value at date of release \$'000	At December 31, 2010	Vesting date
Matthew Emmens	11,534	-	11,534	-	66.47	767	-	30.03.10
	12,881	-	-	-	-	-	12,881	31.03.11
	6,471	-	-	-	-	-	6,471	01.08.11
	30,886	-	11,534	-	-	767	19,352	
Angus Russell	-	7,421	-	-	-	-	7,421	31.03.13

One ADS is equal to three Ordinary Shares.

	At January 1, 2010	Number of Ordinary Shares conditionally awarded	Number of Ordinary Shares released	Mid-market price at date of award £	Mid-market price at date of release £	Money value at date of release £'000	At December 31, 2010	Vesting date
Angus Russell	18,140	-	18,140	-	14.84	269	-	30.03.10
	20,068	-	-	-	-	-	20,068	31.03.11
	37,814	-	-	-	-	-	37,814	31.03.12
	76,022	-	18,140	-	-	269	57,882	
Graham Hetherington	9,007	-	-	-	-	-	9,007	31.03.12
	-	12,569	-	-	-	-	12,569	31.03.13
	9,007	12,569	-	-	-	-	21,576	

The following table gives details of the aggregate remuneration paid to Executive Directors and Non-Executive Directors including the value of the exercise of options, SAR Awards and vesting of PSA Awards:

	2010 \$'000	2009 \$'000
Emoluments	5,600	5,508
Money purchase pension contributions	529	674
Sub-total of annual emoluments	6,129	6,182
Other income arising from release/exercise of long-term incentives <sup>(1)</sup>		
Gains on exercise of share options and SAR Awards and release of PSA Awards	14,286	22,448
Gains on the release of EAIP Awards	1,183	1,904
Total emoluments and other income arising from long-term incentives <sup>(2)</sup>	21,598	30,534

(1) Includes the value of shares that were released under long-term plans and gains realised in these years.

(2) For the purpose of this table amounts denominated in Pounds sterling have been converted to US dollar amounts at the average exchange rate for the year ended December 31, 2010 of £1:\$1.5459 and for 2009 of £1:\$1.5647.

[Table of Contents](#)**Directors' interests in Shire shares<sup>(1)</sup>**

Interests in the share capital of the Company as at December 31, 2010

	Security type	Beneficial Number of Shares	Executive Share Scheme	Sharesave Scheme	Conditional		EAIP
					SAR Awards	Portfolio Share Plan PSA Awards	
Matthew Emmens(2)	ADS	60,861	-	-	239,513	26,345	19,352
	Ordinary Shares	92,874	-	-	-	-	-
Angus Russell	ADS	-	-	-	105,616	73,948	7,421
	Ordinary Shares	-	-	-	-	-	-
		139,333	69,213		504,127	378,095	57,882
Graham Hetherington	Ordinary Shares	4,000	-	1,240	334,814	248,864	21,576
David Kappler	Ordinary Shares	10,000	-	-	-	-	-
Dr Jeffrey Leiden		-	-	-	-	-	-
William Burns		-	-	-	-	-	-
Dr David Ginsburg		-	-	-	-	-	-
Patrick Langlois		-	-	-	-	-	-
Anne Minto	Ordinary Shares	2,228	-	-	-	-	-
David Stout		-	-	-	-	-	-

1) One ADS is equal to three Ordinary Shares.

2) Mr Emmens' conditional interests relate to awards granted to him during his tenure as Chief Executive Officer.

There were no changes to the Directors' interests since December 31, 2010 and the date of this report.

**Approval**

This report was approved by the Board of Directors on February 23, 2011 and signed on its behalf by:

**Anne Minto**

Chair of the Remuneration Committee

[Table of Contents](#)**ITEM 12: Security ownership of certain beneficial owners and management and related stockholder matters**

Set forth in the following table is the beneficial ownership of ordinary shares on February 11, 2011 for (i) each person (or group of affiliated persons) known to the Company to be the beneficial owner of more than 5% of ordinary shares, (ii) all current directors, (iii) certain of the Company's named executive officers in 2010, where applicable, and (iv) all other current directors and executive officers as a group. Except as indicated by the notes to the following table, the holders listed below have sole voting power and investment power over the shares beneficially held by them. The address of each of Shire's directors and executive officers is that of Shire.

Name	Number of ordinary shares beneficially owned on February 11, 2011	Percent of ordinary shares <sup>(1)</sup>
<b>Beneficial owner</b>		
FMR LLC - 82 Devonshire Street, Boston, Massachusetts 02109	39,122,702	6.9%
BlackRock Inc. - 40 East 52nd Street, New York NY 10022	36,292,065	6.4%
Capital Group International, Inc. - 11100 Santa Monica Blvd. Los Angeles, CA 90025	29,978,949	5.3%
<b>Management</b>		
Matthew Emmens <sup>(2)</sup>	1,006,296	*
Angus Russell <sup>(3)</sup>	373,614	*
Graham Hetherington	4,000	*
David Kappler	10,000	*
Dr Jeffrey Leiden	-	-
William Burns	-	-
Dr David Ginsburg	-	-
Patrick Langlois	-	-
Anne Minto	2,228	*
David Stout	-	-
Barbara Deptula <sup>(4)</sup>	97,092	*
Michael Cola <sup>(5)</sup>	465,073	*
Sylvie Gregoire <sup>(6)</sup>	153,423	*
Anita Graham	49,092	*
All Directors and Executive Officers of the Company (15 persons)	2,526,914	*

\* Less than 1%

1. For the purposes of this table, a person or a group of persons is deemed to have "beneficial ownership" as at a given date of any shares, which that person has the right to acquire within 60 days after that date through the exercise of any vested stock options and the voting of restricted shares which have no voting rights prior to vesting. For purposes of computing the percentage of outstanding shares held by each person or a group of persons named above on a given date, any shares which that person or persons has the right to acquire within 60 days after that date are deemed to be outstanding.
2. Includes 613,161 vested options and 117,678 restricted shares.
3. Includes 154,213 vested options and 80,068 restricted shares.
4. Includes 66,003 vested options and 30,294 restricted shares.
5. Includes 393,004 vested options and 40,584 restricted shares.
6. Includes 95,004 vested options and 56,172 restricted shares.

[Table of Contents](#)**Equity Compensation Plan Information**

Set forth in the following table are the details, for the year to December 31, 2010, in respect of compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding equity awards (a)	Weighted-average price of outstanding equity awards (b)	Number of securities remaining available for future issuance under equity compensation plans <sup>(1)</sup> (c)
Equity compensation plans approved by security holders	35,936,591	10.36	7,799,585
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>35,936,591</b>		<b>7,799,585</b>

(1) This number reflects the maximum number of ordinary shares remaining available for issuance (excluding the number of ordinary shares reflected in column (a)) upon the exercise of options that may be issued under the Company's equity compensation plans that have specific limits. However, certain of the Company's plans do not provide for a maximum amount of options or SARs that may be issued under those plans. Consequently, it is not possible to calculate the maximum number of ordinary shares that may be required to settle the exercise of any future options or SARs issued under those plans. However, the Company follows the Executive Remuneration - Association of British Insurers ("ABI") Guidelines on Policies and Practices that recommend that newly issued shares when aggregated with awards under all of the company's other equity compensation plans, must not exceed 10% of the issued ordinary share capital in any rolling 10 year period. As a result, the maximum number of ordinary shares that the Company may issue to satisfy the option and SARs exercises under its equity compensation plans in accordance with the ABI guidelines is 682,715. Any requirement to settle option or SARs exercises in excess of such limits will be met by the open market purchase of securities by the Shire ESOT.

**ITEM 13: Certain relationships and related transactions**

None.

**ITEM 14: Principal accountant fees and services**

The Audit, Compliance & Risk Committee reviews the scope and results of the audit and non-audit services, including tax advisory and compliance services, provided by the Company's Independent Registered Public Accountants, Deloitte LLP, the cost effectiveness and the independence and objectivity of the Registered Public Accountants. In recognition of the importance of maintaining the independence of Deloitte LLP, a process for pre-approval has been in place since July 1, 2002 and has continued through to the end of the period covered by this Annual Report.

The following table provides an analysis of the amount paid to the Company's Independent Registered Public Accountants, Deloitte LLP, all fees having been pre-approved by the Audit, Compliance & Risk Committee.

Year to December 31,	2010 \$'M	2009 \$'M
Audit fees <sup>(1)</sup>	3.4	3.4
Audit-related fees <sup>(2)</sup>	-	0.2
Tax fees <sup>(3)</sup>	0.1	0.3
<b>Total fees</b>	<b>3.5</b>	<b>3.9</b>

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- (1) Audit fees consisted of audit work only the Independent Registered Public Accountant can reasonably be expected to perform, such as statutory audits.
- (2) Audit related fees consist of work generally only the Independent Registered Public Accountant can reasonably be expected to perform, such as procedures relating to regulatory filings.
- (3) Tax fees consisted principally of assistance with matters related to compliance, planning and advice in various tax jurisdictions.

**Policy on Audit, Compliance & Risk Committee pre-approval of audit and permissible non-audit services of Independent Registered Public Accountant**

Consistent with SEC policies regarding auditor independence, the Audit, Compliance & Risk Committee has responsibility for appointing, setting compensation and overseeing the work of the Independent Registered Public Accountant. In recognition of this responsibility, the Audit, Compliance & Risk Committee pre-approves all audit and permissible non-audit services provided by the Independent Registered Public Accountant.

Certain services have been pre-approved by the Audit, Compliance & Risk Committee as part of its pre-approval policy, including:

- audit services, such as audit work performed in the preparation of consolidated financial statements, as well as work that generally only the Independent Registered Public Accountant can reasonably be expected to provide, including comfort letters, statutory audits and consultation regarding financial accounting and/or reporting standards;
- audit-related services, such as the audit of employee benefit plans, and special procedures required to meet certain regulatory requirements; and
- tax services, such as tax compliance services and tax advice on employee remuneration strategies.

Where it is necessary to engage the Independent Registered Public Accountant for services not contemplated in the pre-approval policy, the Audit, Compliance & Risk Committee must pre-approve the proposed service before engaging the Independent Registered Public Accountant. For this purpose, the Audit, Compliance & Risk Committee has delegated pre-approval authority to the Chairman of the Audit, Compliance & Risk Committee. The pre-approval policy is reviewed and updated periodically and was last updated on April 24, 2008. The Chairman must report any pre-approval decisions to the Audit, Compliance & Risk Committee at its next scheduled meeting.

**PART IV****ITEM 15: Exhibits, financial statement schedules**

The following documents are included as part of this Annual Report on Form 10-K

**Index to the consolidated financial statements**

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as at December 31, 2010 and 2009

Consolidated Statements of Income for each of the three years in the period ended December 31, 2010

Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2010

Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 2010

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2010

Notes to the Consolidated Financial Statements

**Index to the Shire Income Access Share Trust financial statements**

Report of Independent Registered Public Accounting Firm

Balance Sheets as at December 31, 2010 and 2009

Statements of Income for the years to December 31, 2010 and 2009 and the period August 29, 2008 to December 31, 2008

Statements of Changes in Equity for the years to December 31, 2010 and 2009 and the period August 29, 2008 to December 31, 2008

Statements of Cash Flows for the years to December 31, 2010 and 2009 and the period August 29, 2008 to December 31, 2008

Notes to the Shire Income Access Share Trust Financial Statements

**Financial statement schedule**

The following schedule is filed as part of this Form 10-K:

Schedule II – Valuation and Qualifying Accounts for each of the three years in the period ended December 31, 2010.

All other schedules are omitted as the information required is inapplicable or the information is presented in the consolidated financial statements or the related notes.

**Exhibits**

<b>Exhibit number</b>	<b>Description</b>
2.01	Agreement and Plan of Merger by and among Shire Pharmaceuticals Group plc, Transkaryotic Therapies, Inc. and Sparta Acquisition Corporation, dated as of April 21, 2005. <sup>(1)</sup>
2.02	Agreement of Merger dated as of February 20, 2007 among Shire plc, Shuttle Corporation and New River Pharmaceuticals, Inc. <sup>(2)</sup>
2.03	Business Combination Agreement dated as of July 3, 2008 between Maia Elfte Vermögensverwaltungs GmbH and Jerini AG. <sup>(3)</sup>
2.04	Heads of Agreement by and among Shire plc and Movetis NV relating to a friendly tender offer, dated August 3, 2010.

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- 3.01 Form of Memorandum of Association of Shire plc as adopted by a special resolution passed on April 10, 2008 and amended by a special resolution passed on September 24, 2008 and the form of Articles of Association of Shire plc as adopted by a special resolution passed on May 8, 2008 and amended by a special resolution passed on September 24, 2008. <sup>(4)</sup>
- 4.01 Form of Assignment and Novation Agreement between Shire Limited, Shire plc, JPMorgan Chase Bank, N.A. dated April 16, 2008 relating to the Deposit Agreement among Shire plc, JPMorgan Chase Bank, N.A. as depositary and all holders from time to time of ADRs issued thereunder dated November 21, 2005.<sup>(5)</sup>
- 4.02 Form of Deposit Agreement among Shire plc, JPMorgan Chase Bank, N.A. as depositary and all holders from time to time of ADRs issued thereunder dated November 21, 2005.<sup>(6)</sup>
- 4.03 Form of Ordinary Share Certificate of Shire Limited.<sup>(7)</sup>
- 4.04 Form of American Depositary Receipt Certificate of Shire Limited.<sup>(8)</sup>
- 4.05 Trust Deed for the New Shire Income Access Trust, dated August 29, 2008.<sup>(9)</sup>
- 10.01 Tender and Support Agreement dated as of February 20, 2007 among Shire plc, Mr. Randal J. Kirk and the other parties named therein. <sup>(10)</sup>
- 10.02 Multicurrency Term and Revolving Facilities Agreement as of February 20, 2007 by and among Shire plc, ABN AMRO Bank N.V., Barclays Capital, Citigroup Global Markets Limited, The Royal Bank of Scotland plc, and Barclays Bank plc. <sup>(11)</sup>
- 10.03 Accession and Amendment Deed dated April 15, 2008 between Shire Limited, Shire plc, certain subsidiaries of Shire plc and Barclays Bank PLC as Facility Agent relating to a US \$1,200,000,000 facility agreement dated February 20, 2007 (as amended by a syndication and amendment agreement dated July 19, 2007). <sup>(12)</sup>
- 10.04 Subscription Agreement dated May 2, 2007 relating to the 2.75% Convertible Bonds due 2014 between Shire plc and ABN AMRO Bank N.V. and NM Rothschild & Sons Limited (trading together as ABN AMRO Rothschild, an unincorporated equity capital markets joint venture) and Barclays Bank PLC and Citigroup Global Markets Limited and Goldman Sachs International and Morgan Stanley & Co. International plc and others. <sup>(13)</sup>
- 10.05 Amending Subscription Agreement dated May 8, 2007 relating to the 2.75% Convertible Bonds due 2014 between Shire plc and ABN AMRO Bank N.V. and NM Rothschild & Sons Limited (trading together as ABN AMRO Rothschild, an unincorporated equity capital markets joint venture) and Barclays Bank PLC and Citigroup Global Markets Limited and Goldman Sachs International and Morgan Stanley & Co. International plc and others. <sup>(14)</sup>
- 10.06 Trust Deed dated May 9, 2007 relating to the 2.75% Convertible Bonds due 2014 between Shire plc and BNY Corporate Trustee Services Limited. <sup>(15)</sup>
- 10.07 Supplemental Trust Deed dated April 15, 2008 between Shire Limited, Shire plc and BNY Corporate Trustee Services Limited relating to a trust deed dated May 9, 2007 relating to US \$1,100,000,000 2.75% Convertible Bonds due 2014. <sup>(16)</sup>
- 10.08 Accession and Amendment Agreement dated April 15, 2008 between Shire Limited, Shire plc, BNY Corporate Trustee Services Limited and The Bank of New York relating to a paying and conversion agency agreement dated May 9, 2007 relating to US \$1,100,000,000 2.75% Convertible Bonds due 2014. <sup>(17)</sup>
- 10.09\* Revised and Restated Master License Agreement dated November 20, 1995 among Shire BioChem Inc (f/k/a BioChem Pharma Inc.), Glaxo Group Limited, Glaxo Wellcome Inc. (formerly Glaxo Canada Inc.), Glaxo Wellcome Inc. (formerly Glaxo Inc.), Tanaud Holdings (Barbados) Limited, Tanaud International B.V. and Tanaud LLC.<sup>(18)</sup>
- 10.10\* Settlement Agreement, dated August 14, 2006 by and between Shire Laboratories Inc. and Barr. <sup>(19)</sup>
- 10.11\* Product Development and License Agreement, dated August 14, 2006 by and between Shire LLC and Duramed Pharmaceuticals, Inc. <sup>(20)</sup>
- 10.12\* Product Acquisition and License Agreement, dated August 14, 2006 by and among Shire LLC, Shire plc and Duramed Pharmaceuticals, Inc. <sup>(21)</sup>
- 10.13 Service Agreement between Shire plc and Mr Angus Russell, dated March 10, 2004. <sup>(22)</sup>
- 10.14 Novation Agreement dated November 21, 2005 relating to the Employment Agreement of Angus Russell dated March 10, 2004. <sup>(23)</sup>

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10.15	Novation Agreement dated April 11, 2008 relating to the Employment Agreement of Angus Russell dated March 10, 2004, as previously novated on November 21, 2005. <sup>(24)</sup>
10.16	Form of Amended and Restated Employment Agreement between Shire plc and Mr Matthew Emmens, dated March 12, 2004. <sup>(25)</sup>
10.17	Amendment Agreement dated November 21, 2005 relating to the Amended and Restated Employment Agreement of Matthew Emmens dated March 12, 2004. <sup>(26)</sup>
10.18	Ratification and Guaranty dated November 21, 2005 relating to the Amended and Restated Employment Agreement of Matthew Emmens dated March 12, 2004. <sup>(27)</sup>
10.19	Amendment Agreement dated May 20, 2008 relating to the Amended and Restated Employment Agreement of Matthew Emmens dated March 12, 2004, as amended on November 21, 2005. <sup>(28)</sup>
10.20	Ratification and Guaranty dated May 20, 2008 relating to the Amended and Restated Employment Agreement of Matthew Emmens dated March 12, 2004. <sup>(29)</sup>
10.21	Form of Indemnity Agreement for Directors of Shire Limited. <sup>(30)</sup>
10.22	Service Agreement between Shire Limited and Mr Angus Russell, dated July 2, 2008. <sup>(31)</sup>
10.23	Service Agreement between Shire Limited and Mr Graham Hetherington, dated July 2, 2008. <sup>(32)</sup>
10.24	Form of Settlement Agreement and Mutual Release in re: <i>Transkaryotic Therapies, Inc.</i> , by and between Shire Human Genetic Therapies, Inc., Shire plc and the parties set forth therein. <sup>(33)</sup>
10.25	Amended Agreement dated February 24, 2009 relating to the Product Development and License Agreement dated August 14, 2006. <sup>(34)</sup>
10.26	Amendment of the Service Agreement of A.C Russell dated January 15, 2010. <sup>(35)</sup>
10.27	Amendment to the Shire Portfolio Share Plan as approved by the Annual General meeting held on April 27, 2010. <sup>(36)</sup>
10.28	Multicurrency revolving and swingline facilities agreement as at November 23, 2010 by and among Shire plc & with a number of financial institutions, for which Abbey National Treasury Services Plc (trading as Santander Global Banking and Markets), Bank of America Securities Limited, Barclays Capital, Citigroup Global Markets Limited, Lloyds TSB Bank plc and The Royal Bank of Scotland plc acted as mandated lead arrangers and bookrunners and Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch, Goldman Sachs International, Morgan Stanley Bank, N.A. and Sumitomo Mitsui Banking Corporation, Brussels Branch acted as arrangers.
21	List of Subsidiaries.
23.1	Consent of Deloitte LLP.
23.2	Consent of Deloitte LLP.
31.1	Certification of Angus Russell pursuant to Rule 13a – 14 under The Exchange Act.
31.2	Certification of Graham Hetherington pursuant to Rule 13a – 14 under The Exchange Act.
32.1	Certification of Angus Russell and Graham Hetherington pursuant to Section 906 of the Sarbanes – Oxley Act of 2002.

\* Certain portions of this exhibit have been omitted intentionally, subject to a confidential treatment request. A complete version of this agreement has been filed separately with the Securities and Exchange Commission.

- (1) Incorporated by reference to Exhibit 99.02 to Shire's Form 8-K filed on April 25, 2005.
- (2) Incorporated by reference to Exhibit 2.1 to Shire's Form 8-K filed on February 23, 2007.
- (3) Incorporated by reference to Exhibit 2.1 to Shire's Form 8-K filed on July 10, 2008.
- (4) Incorporated by reference to Exhibit 99.02 to Shire's Form 8-K filed on October 1, 2008.
- (5) Incorporated by reference to Exhibit 4.01 to Shire's Form 8-K filed on May 23, 2008.
- (6) Incorporated by reference to Exhibit 4.02 to Shire's Form 8-K filed on May 23, 2008.
- (7) Incorporated by reference to Exhibit 4.03 to Shire's Form 8-K filed on May 23, 2008.

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- (8) Incorporated by reference to Exhibit 4.04 to Shire's Form 8-K filed on May 23, 2008.
- (9) Incorporated by reference to Exhibit 4.05 to Shire's Form 10-K filed on February 27, 2009.
- (10) Incorporated by reference to Exhibit 99.1 to Shire's Form 8-K filed on February 23, 2007.
- (11) Incorporated by reference to Exhibit 10.2 to Shire's Form 10-Q filed on May 1, 2007.
- (12) Incorporated by reference to Exhibit 10.01 to Shire's Form 8-K filed on May 23, 2008.
- (13) Incorporated by reference to Exhibit 10.1 to Shire's Form 10-Q filed on August 2, 2007.
- (14) Incorporated by reference to Exhibit 10.2 to Shire's Form 10-Q filed on August 2, 2007.
- (15) Incorporated by reference to Exhibit 10.3 to Shire's Form 10-Q filed on August 2, 2007.
- (16) Incorporated by reference to Exhibit 10.02 to Shire's Form 8-K filed on May 23, 2008.
- (17) Incorporated by reference to Exhibit 10.03 to Shire's Form 8-K filed on May 23, 2008.
- (18) Incorporated by reference to Exhibit 10.09 to Shire's Form 10-K/A filed on May 30, 2008.
- (19) Incorporated by reference to Exhibit 10.1 to Shire's Form 10-Q filed on November 7, 2006.
- (20) Incorporated by reference to Exhibit 10.2 to Shire's Form 10-Q filed on November 7, 2006.
- (21) Incorporated by reference to Exhibit 10.3 to Shire's Form 10-Q filed on November 7, 2006.
- (22) Incorporated by reference to Exhibit 10.11 to Shire's Form 10-K filed on March 12, 2004.
- (23) Incorporated by reference to Exhibit 10.03 to Shire's Form 8-K filed on November 25, 2005.
- (24) Incorporated by reference to Exhibit 10.06 to Shire's Form 8-K filed on May 23, 2008.
- (25) Incorporated by reference to Exhibit 10.13 to Shire's Form 10-K filed on March 12, 2004.
- (26) Incorporated by reference to Exhibit 10.01 to Shire's Form 8-K filed on November 25, 2005.
- (27) Incorporated by reference to Exhibit 10.02 to Shire's Form 8-K filed on November 25, 2005.
- (28) Incorporated by reference to Exhibit 10.04 to Shire's Form 8-K filed on May 23, 2008.
- (29) Incorporated by reference to Exhibit 10.05 to Shire's Form 8-K filed on May 23, 2008.
- (30) Incorporated by reference to Exhibit 10.07 to Shire's Form 8-K filed on May 23, 2008.
- (31) Incorporated by reference to Exhibit 10.22 to Shire's Form 10-Q filed on November 10, 2008.
- (32) Incorporated by reference to Exhibit 10.23 to Shire's Form 10-Q filed on November 10, 2008.
- (33) Incorporated by reference to Exhibit 10.24 to Shire's Form 10-Q filed on November 10, 2008.
- (34) Incorporated by reference to Exhibit 10.25 to Shire's Form 10-Q filed on May 7, 2009.
- (35) Incorporated by reference to Exhibit 10.26 to Shire's Form 10-K filed on February 26, 2010.
- (36) Incorporated by reference to Exhibit 10.27 to Shire's Form 10-Q filed on May 6, 2010.

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE**

<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">F-2</a>
<a href="#">Consolidated Balance Sheets as at December 31, 2010 and 2009</a>	<a href="#">F-4</a>
<a href="#">Consolidated Statements of Income for each of the three years in the period to December 31, 2010</a>	<a href="#">F-6</a>
<a href="#">Consolidated Statements of Changes in Equity for each of the three years in the period to December 31, 2010</a>	<a href="#">F-8</a>
<a href="#">Consolidated Statements of Comprehensive Income for each of the three years in the period to December 31, 2010</a>	<a href="#">F-12</a>
<a href="#">Consolidated Statements of Cash Flows for each of the three years in the period to December 31, 2010</a>	<a href="#">F-13</a>
<a href="#">Notes to the Consolidated Financial Statements</a>	<a href="#">F-15</a>
Schedule:	
<a href="#">Schedule II - Valuation and Qualifying Accounts for each of the three years in the period to December 31, 2010</a>	<a href="#">S-1</a>

[Table of Contents](#)**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****To the Board of Directors and Stockholders of Shire plc**

We have audited the accompanying consolidated balance sheets of Shire plc and subsidiaries (the "Company") as at December 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at ITEM 15. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Shire plc and subsidiaries as at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as at December 31, 2010, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

DELOITTE LLP

London, United Kingdom

February 23, 2011

[Table of Contents](#)**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****To the Board of Directors and Stockholders of Shire plc**

We have audited the internal control over financial reporting of Shire plc and subsidiaries (the "Company") as at December 31, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting, including those controls applicable to the Income Access Share Trust (the "Trust") based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting, including those controls applicable to the Trust, as at December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as at and for the year ended December 31, 2010 of the Company and the Trust and our reports dated February 23, 2011 expressed an unqualified opinion on those financial statements and financial statement schedule.

DELOITTE LLP

London, United Kingdom  
February 23, 2011

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## CONSOLIDATED BALANCE SHEETS

	Notes	December 31, 2010 \$'M	December 31, 2009 \$'M
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents		550.6	498.9
Restricted cash		26.8	33.1
Accounts receivable, net	7	692.5	597.5
Inventories	8	260.0	189.7
Deferred tax asset	28	182.0	135.8
Prepaid expenses and other current assets	9	168.4	115.2
<b>Total current assets</b>		<b>1,880.3</b>	<b>1,570.2</b>
Non-current assets:			
Investments	10	101.6	105.7
Property, plant and equipment, net	11	853.4	676.8
Goodwill	12	402.5	384.7
Other intangible assets, net	13	1,978.9	1,790.7
Deferred tax asset	28	110.4	79.0
Other non-current assets		60.5	10.4
<b>Total assets</b>		<b>5,387.6</b>	<b>4,617.5</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities:			
Accounts payable and accrued expenses	14	1,239.3	929.1
Deferred tax liability	28	4.4	2.9
Other current liabilities	15	49.6	88.0
<b>Total current liabilities</b>		<b>1,293.3</b>	<b>1,020.0</b>
Non-current liabilities			
Convertible bonds	16	1,100.0	1,100.0
Other long-term debt	17	7.9	43.6
Deferred tax liability	28	352.1	294.3
Other non-current liabilities	18	182.9	247.1
<b>Total liabilities</b>		<b>2,936.2</b>	<b>2,705.0</b>
Commitments and contingencies	19		

[Table of Contents](#)**CONSOLIDATED BALANCE SHEETS (continued)**

<u>Notes</u>	<u>December 31, 2010 \$'M</u>	<u>December 31, 2009 \$'M</u>
Equity:		
Common stock of 5p par value; 1,000 million shares authorized; and 562.2 million shares issued and outstanding (2009: 1,000 million shares authorized; and 561.5 million shares issued and outstanding)	55.7	55.6
Additional paid-in capital	2,746.4	2,677.6
Treasury stock: 14.0 million shares (2009: 17.8 million shares)	(276.1)	(347.4)
Accumulated other comprehensive income	85.7	149.1
Accumulated deficit	(160.3)	(622.4)
<b>Total equity</b>	<b>2,451.4</b>	<b>1,912.5</b>
<b>Total liabilities and equity</b>	<b>5,387.6</b>	<b>4,617.5</b>

The accompanying notes are an integral part of these consolidated financial statements.

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## CONSOLIDATED STATEMENTS OF INCOME

	Notes	2010 \$'M	2009 \$'M	2008 \$'M
Revenues:				
Product sales		3,128.2	2,693.7	2,754.2
Royalties		328.1	292.5	245.5
Other revenues		14.8	21.5	22.5
<b>Total revenues</b>		<b>3,471.1</b>	<b>3,007.7</b>	<b>3,022.2</b>
Costs and expenses:				
Cost of product sales <sup>(1)</sup>		463.4	388.0	408.0
Research and development	4	661.5	638.3	494.3
Selling, general and administrative <sup>(1)</sup>		1,526.3	1,342.6	1,455.2
Gain on sale of product rights	5	(16.5)	(6.3)	(20.7)
In-process R&D ("IPR&D") charge		-	1.6	263.1
Reorganization costs	6	34.3	12.7	-
Integration and acquisition costs	3	8.0	10.6	10.3
<b>Total operating expenses</b>		<b>2,677.0</b>	<b>2,387.5</b>	<b>2,610.2</b>
<b>Operating income</b>		<b>794.1</b>	<b>620.2</b>	<b>412.0</b>
Interest income		2.4	1.9	25.5
Interest expense	25	(35.1)	(39.8)	(139.0)
Other income/(expense), net	26	7.9	60.7	(32.9)
<b>Total other (expense)/income, net</b>		<b>(24.8)</b>	<b>22.8</b>	<b>(146.4)</b>
Income from continuing operations before income taxes and equity in earnings/ (losses) of equity method investees				
		769.3	643.0	265.6
Income taxes	28	(182.7)	(138.5)	(98.0)
Equity in earnings/(losses) of equity method investees, net of taxes		1.4	(0.7)	2.4
<b>Income from continuing operations, net of taxes</b>		<b>588.0</b>	<b>503.8</b>	<b>170.0</b>
Loss from discontinued operations (net of income tax expense of \$nil in all periods)				
	3	-	(12.4)	(17.6)
<b>Net income</b>		<b>588.0</b>	<b>491.4</b>	<b>152.4</b>
<b>Add: Net loss attributable to the noncontrolling interest in subsidiaries</b>		<b>-</b>	<b>0.2</b>	<b>3.6</b>
<b>Net income attributable to Shire plc</b>		<b>588.0</b>	<b>491.6</b>	<b>156.0</b>

(1) Cost of product sales includes amortization of intangible assets relating to favorable manufacturing contracts of \$1.7 million for the year to December 31, 2010 (2009: \$1.7 million; 2008: \$1.7 million). Selling, general and administrative costs includes amortization and impairment losses for intangible assets relating to intellectual property rights acquired of \$176.2 million including impairment losses of \$42.7 million for the year to December 31, 2010 (2009: \$136.9 million, including impairment losses of \$nil; 2008: \$223.3 million, including impairment losses of \$97.1 million).

[Table of Contents](#)**CONSOLIDATED STATEMENTS OF INCOME (continued)**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Earning per ordinary share - basic</b>				
Earnings from continuing operations attributable to Shire plc shareholders		107.7c	93.2c	32.1c
Loss from discontinued operations attributable to Shire plc shareholders		-	(2.3c)	(3.3c)
Earnings per ordinary share attributable to Shire plc shareholders - basic		<u>107.7c</u>	<u>90.9c</u>	<u>28.8c</u>
<b>Earnings per ordinary share - diluted</b>				
Earnings from continuing operations attributable to Shire plc shareholders		105.3c	91.9c	31.8c
Loss from discontinued operations attributable to Shire plc shareholders		-	(2.2c)	(3.2c)
Earnings per ordinary share attributable to Shire plc shareholders - diluted		<u>105.3c</u>	<u>89.7c</u>	<u>28.6c</u>
<b>Weighted average number of shares (millions):</b>				
Basic	23	546.2	540.7	541.6
Diluted	23	<u>590.3</u>	<u>548.0</u>	<u>545.4</u>
		<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>
		<u><b>\$'M</b></u>	<u><b>\$'M</b></u>	<u><b>\$'M</b></u>
<b>Amounts attributable to Shire plc</b>				
Income from continuing operations, net of taxes		588.0	504.0	173.3
Loss from discontinued operations, net of taxes		-	(12.4)	(17.3)
Net income attributable to Shire plc		<u>588.0</u>	<u>491.6</u>	<u>156.0</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In millions of US dollars except share data)

	Shire plc shareholders equity									
	Common stock	Exchange-able	Exchange-able	Additional	Treasury	Accumulated other	Accumulated	Non controlling	Total	
	Number of shares	Number of shares	Number of shares	paid-in capital	stock	comprehensive income	deficit	interest in subsidiaries	equity	
Common stock \$'M	Number of shares M's	Exchange-able shares \$'M	Number of shares M's	Additional paid-in capital \$'M	Treasury stock \$'M	Accumulated other comprehensive income \$'M	Accumulated deficit \$'M	Non controlling interest in subsidiaries \$'M	Total equity \$'M	
As at January 1, 2008	55.2	556.8	33.6	0.7	2,503.4	(280.8)	55.7	(1,111.1)	-	1,256.0
Net income/(loss)	-	-	-	-	-	-	-	156.0	(3.6)	152.4
Foreign currency translation	-	-	-	-	-	-	36.6	-	(1.1)	35.5
Exchange of exchangeable shares	0.2	2.3	(33.6)	(0.7)	33.4	-	-	-	-	-
Costs associated with shares issued through the Scheme of Arrangement	-	-	-	-	(5.6)	-	-	-	-	(5.6)
Options exercised	0.1	1.1	-	-	2.0	-	-	-	-	2.1
Share-based compensation	-	-	-	-	65.2	-	-	-	-	65.2
Tax deficit associated with exercise of stock options	-	-	-	-	(3.8)	-	-	-	-	(3.8)
Shares purchased by the Employee Share Ownership Trust ("ESOT")	-	-	-	-	-	(146.6)	-	-	-	(146.6)
Shares released by ESOT to satisfy exercise of stock options	-	-	-	-	-	30.2	-	(20.8)	-	9.4
Unrealized holding loss on available-for-sale securities, net of taxes	-	-	-	-	-	-	(47.9)	-	-	(47.9)
Realized gain on available-for-sale securities, net of taxes	-	-	-	-	-	-	(5.4)	-	-	(5.4)
Other than temporary impairment of available-for-sale securities, net of taxes	-	-	-	-	-	-	58.0	-	-	58.0
Noncontrolling interest on acquisition of Jerini AG ("Jerini")	-	-	-	-	-	-	-	-	10.4	10.4
Purchase of shares in Jerini from noncontrolling interest	-	-	-	-	-	-	-	-	(5.4)	(5.4)
Dividends	-	-	-	-	-	-	-	(46.8)	-	(46.8)
As at December 31, 2008	55.5	560.2	-	-	2,594.6	(397.2)	97.0	(1,022.7)	0.3	1,327.5

The accompanying notes are an integral part of these consolidated financial statements.

[Table of Contents](#)**Dividends per share**

During the year to December 31, 2008 the Company paid dividends of 8.62 US cents per ordinary share (equivalent to 25.85 US cents per American Depositary Share (“ADS”)), totaling \$46.8 million.

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**  
(In millions of US dollars except share data)

	Shire plc shareholders equity							Non controlling interest in subsidiaries \$'M	Total equity \$'M
	Common stock \$'M	Common stock Number of shares M's	Additional paid-in capital \$'M	Treasury stock \$'M	Accumu- lated other compre- hensive income \$'M	Accumu- lated deficit \$'M			
As at January 1, 2009	55.5	560.2	2,594.6	(397.2)	97.0	(1,022.7)	0.3	1,327.5	
Net income/(loss)	-	-	-	-	-	491.6	(0.2)	491.4	
Foreign currency translation	-	-	-	-	35.2	-	-	35.2	
Options exercised	0.1	1.3	0.5	-	-	-	-	0.6	
Share-based compensation	-	-	65.7	-	-	-	-	65.7	
Excess tax benefit associated with exercise of stock options	-	-	16.8	-	-	-	-	16.8	
Shares purchased by the ESOT	-	-	-	(1.0)	-	-	-	(1.0)	
Shares released by ESOT to satisfy exercise of stock options	-	-	-	50.8	-	(36.9)	-	13.9	
Unrealized holding gain on available-for-sale securities, net of taxes	-	-	-	-	16.1	-	-	16.1	
Other than temporary impairment of available-for- sale securities, net of taxes	-	-	-	-	0.8	-	-	0.8	
Purchase of shares in Jerini from noncontrolling interest	-	-	-	-	-	-	(0.4)	(0.4)	
Capital contribution attributable to noncontrolling interest in Jerini	-	-	-	-	-	-	0.3	0.3	
Dividends	-	-	-	-	-	(54.4)	-	(54.4)	
As at December 31, 2009	<u>55.6</u>	<u>561.5</u>	<u>2,677.6</u>	<u>(347.4)</u>	<u>149.1</u>	<u>(622.4)</u>	<u>-</u>	<u>1,912.5</u>	

The accompanying notes are an integral part of these consolidated financial statements.

**Dividends per share**

During the year to December 31, 2009 Shire plc paid a dividend of 9.91 US cents per ordinary share (equivalent to 29.72 US cents per ADS) totaling \$54.4 million.

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**  
(In millions of US dollars except share data)

	Shire plc shareholders' equity						Total equity \$'M
	Common stock \$'M	Common stock Number of shares M's	Additional paid-in capital \$'M	Treasury stock \$'M	Accumulated other comprehensive income \$'M	Accumulated deficit \$'M	
As at January 1, 2010	55.6	561.5	2,677.6	(347.4)	149.1	(622.4)	1,912.5
Net income	-	-	-	-	-	588.0	588.0
Foreign currency translation	-	-	-	-	(51.3)	-	(51.3)
Options exercised	0.1	0.7	2.0	-	-	-	2.1
Share-based compensation	-	-	62.2	-	-	-	62.2
Excess tax benefit associated with exercise of stock options	-	-	2.9	-	-	-	2.9
Shares issued (purchased) by ESOT	-	-	1.7	(1.7)	-	-	-
Shares released by ESOT to satisfy exercise of stock options	-	-	-	73.0	-	(63.9)	9.1
Unrealized holding loss on available-for-sale securities, net of taxes	-	-	-	-	(13.6)	-	(13.6)
Other than temporary impairment of available-for- sale securities, net of taxes	-	-	-	-	1.5	-	1.5
Dividends	-	-	-	-	-	(62.0)	(62.0)
As at December 31, 2010	55.7	562.2	2,746.4	(276.1)	85.7	(160.3)	2,451.4

The accompanying notes are an integral part of these consolidated financial statements.

**Dividends per share**

During the year to December 31, 2010 Shire plc declared and paid dividends of 11.50 US cents per ordinary share (equivalent to 34.50 US cents per ADS) totalling \$62.0 million.

[Table of Contents](#)**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<u>2010</u> <u>\$'M</u>	<u>2009</u> <u>\$'M</u>	<u>2008</u> <u>\$'M</u>
Net income	588.0	491.4	152.4
Other comprehensive income:			
Foreign currency translation adjustments	(51.3)	35.2	35.5
Unrealized holding (loss)/gain on available-for-sale securities (net of taxes of \$nil, \$2.6 million and \$nil)	(13.6)	16.1	(47.9)
Other than temporary impairment of available-for-sale securities (net of taxes of \$nil, \$nil, and \$nil)	1.5	0.8	58.0
Realized gain on available-for-sale securities (net of taxes of \$nil, \$nil and \$4.0 million)	-	-	(5.4)
Comprehensive income	524.6	543.5	192.6
Add: net loss attributable to the noncontrolling interest in subsidiaries	-	0.2	3.6
Add: foreign currency translation adjustments attributable to the noncontrolling interest	-	-	1.1
Comprehensive income attributable to Shire plc	<u>524.6</u>	<u>543.7</u>	<u>197.3</u>

The components of accumulated other comprehensive income as at December 31, 2010 and 2009 are as follows:

	<u>December 31,</u> <u>2010</u> <u>\$'M</u>	<u>December 31,</u> <u>2009</u> <u>\$'M</u>
Foreign currency translation adjustments	85.4	136.7
Unrealized holding gain on available-for-sale securities, net of taxes	0.3	12.4
Accumulated other comprehensive income	<u>85.7</u>	<u>149.1</u>

The accompanying notes are an integral part of these consolidated financial statements.

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>\$'M</b>	<b>\$'M</b>	<b>\$'M</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	588.0	491.4	152.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss from discontinued operations	-	12.4	17.6
Depreciation and amortization	255.5	250.2	202.9
Share based compensation	62.2	65.7	65.2
IPR&D charge	-	1.6	128.1
Impairment of intangible assets	42.7	-	97.1
Impairment of available-for-sale securities	1.5	0.8	58.0
Gain on sale of non-current investments	(11.1)	(55.2)	(10.1)
Gain on sale of product rights	(16.5)	(6.3)	(20.7)
Other	7.6	12.2	10.5
Movement in deferred taxes	(15.0)	(98.8)	74.0
Equity in (earnings)/losses of equity method investees	(1.4)	0.7	(2.4)
Changes in operating assets and liabilities:			
(Increase)/decrease in accounts receivable	(114.4)	(212.3)	9.4
Increase in sales deduction accrual	222.6	134.7	84.3
(Increase)/decrease in inventory	(58.2)	(38.7)	36.4
(Increase)/decrease in prepayments and other current assets	(38.9)	30.1	(9.6)
(Increase)/decrease in other assets	(1.4)	0.8	3.6
Increase/(decrease) in accounts payable and other liabilities	25.9	38.6	(99.0)
Returns on investment from joint venture	5.8	4.9	7.1
Cash flows used in discontinued operations	-	(5.9)	(4.7)
<b>Net cash provided by operating activities <sup>(A)</sup></b>	<b>954.9</b>	<b>626.9</b>	<b>800.1</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Movements in restricted cash	6.3	(3.9)	10.3
Purchases of subsidiary undertakings and businesses, net of cash acquired	(449.6)	(83.3)	(499.4)
Payments on foreign exchange contracts related to Movetis NV acquisition ("Movetis")	(33.4)	-	-
Payment on settlement of Transkaryotic Therapies, Inc. ("TKT") appraisal right litigation	-	-	(419.9)
Purchases of non-current investments	(2.9)	(0.9)	(2.2)
Purchases of property, plant and equipment	(326.6)	(254.4)	(236.0)
Purchases of intangible assets	(2.7)	(7.0)	(25.0)
Proceeds from disposal of non-current investments and property, plant and equipment	2.3	20.2	12.1
Proceeds/deposits received on sales of product rights	2.0	-	5.0
Proceeds from disposal of subsidiary undertakings	-	6.7	-
Returns of equity investments and proceeds from short term investments	7.2	0.2	0.6
<b>Net cash used in investing activities <sup>(B)</sup></b>	<b>(797.4)</b>	<b>(322.4)</b>	<b>(1,154.5)</b>

[Table of Contents](#)**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>\$'M</b>	<b>\$'M</b>	<b>\$'M</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from drawings under bank facility	-	-	190.0
Repayment of drawings under bank facility	-	-	(190.0)
Proceeds from building finance obligation	-	-	11.3
Payment under building finance obligation	(2.4)	(4.7)	(1.8)
Extinguishment of building finance obligation	(43.1)	-	-
Tax benefit of stock based compensation	6.5	16.8	-
Costs associated with issue of common stock, net	-	-	(5.6)
Proceeds from exercise of options	11.2	14.6	11.4
Payment of facility arrangement costs	(8.0)	-	-
Payment of dividend	(62.0)	(54.4)	(46.8)
Payments to acquire shares by ESOT	(1.7)	(1.0)	(146.6)
<b>Net cash used in financing activities<sup>(C)</sup></b>	<b>(99.5)</b>	<b>(28.7)</b>	<b>(178.1)</b>
Effect of foreign exchange rate changes on cash and cash equivalents <sup>(D)</sup>	(6.3)	4.9	(11.8)
<b>Net increase/(decrease) in cash and cash equivalents <sup>(A+B+C+D)</sup></b>	<b>51.7</b>	<b>280.7</b>	<b>(544.3)</b>
Cash and cash equivalents at beginning of period	498.9	218.2	762.5
Cash and cash equivalents at end of period	550.6	498.9	218.2

**Supplemental information associated with continuing operations:**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>\$'M</b>	<b>\$'M</b>	<b>\$'M</b>
Interest paid	(25.9)	(31.9)	(191.3)
Income taxes paid	(329.2)	(223.2)	(117.0)
<b>Non cash investing and financing activities:</b>			
Equity in Vertex Pharmaceuticals, Inc. ("Vertex") received as part consideration for disposal of non-current investment	9.1	50.8	-
Building financing obligation	-	7.1	-
Equity in Avexa Ltd received as proceed from product out-licensing	-	-	5.0

The accompanying notes are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(In millions of US dollars, except where indicated)

**1. Description of operations**

Shire plc and its subsidiaries (collectively referred to as either "Shire" or the "Company") is a leading specialty biopharmaceutical company that focuses on meeting the needs of the specialist physician.

The Company has grown through acquisition, completing a series of major mergers or acquisitions that have brought therapeutic, geographic and pipeline growth and diversification. The Company will continue to evaluate companies, products and pipeline opportunities that offer a good strategic fit and enhance shareholder value.

Shire's strategic goal is to become the leading specialty biopharmaceutical company that focuses on meeting the needs of the specialist physician. Shire focuses its business on attention deficit and hyperactivity disorder ("ADHD"), human genetic therapies ("HGT") and gastrointestinal ("GI") diseases as well as opportunities in other specialty therapeutic areas to the extent they arise through acquisitions. Shire's in-licensing, merger and acquisition efforts are focused on products in specialist markets with strong intellectual property protection and global rights. Shire believes that a carefully selected and balanced portfolio of products with strategically aligned and relatively small-scale sales forces will deliver strong results.

**2. Summary of significant accounting policies****(a) Basis of preparation**

The accompanying consolidated financial statements include the accounts of Shire plc, all of its subsidiary undertakings and the Income Access Share trust, after elimination of inter-company accounts and transactions. Noncontrolling interests in the equity and earnings or losses of a consolidated subsidiary are reflected in "Noncontrolling interest in subsidiaries" in the Company's consolidated balance sheet and consolidated statements of income. Noncontrolling interest adjusts the Company's consolidated results of operations to present the net income or loss attributable to the Company exclusive of the earnings or losses attributable to the noncontrolling interest.

**(b) Use of estimates in consolidated financial statements**

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States ("US GAAP") and Securities and Exchange Commission ("SEC") regulations, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are primarily made in relation to the valuation of intangible assets, the valuation of equity investments, sales deductions, income taxes, provisions for litigation and legal proceedings, and contingent consideration receivable from product divestments.

**(c) Revenue recognition**

The Company recognizes revenue when:

- there is persuasive evidence of an agreement or arrangement;
- delivery of products has occurred or services have been rendered;
- the seller's price to the buyer is fixed or determinable; and
- collectability is reasonably assured.

Where applicable, all revenues are stated net of value added and similar taxes, and trade discounts. No revenue is recognized for consideration, the value or receipt of which is dependent on future events or future performance.

The Company's principal revenue streams and their respective accounting treatments are discussed below:

**Product sales**

Revenue for the sale of products is recognized upon shipment to customers or at the time of delivery to the customer depending on the terms of sale. Provisions for rebates, product returns and discounts to customers are provided for as reductions to revenue in the same period as the related sales are recorded. The Company monitors and tracks the amount of sales deductions based on historical experience to estimate the reduction to revenues.

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### *Royalty income*

Royalty income relating to licensed technology is recognized when the licensee sells the underlying product, with the amount of royalty income recorded based on sales information received from the relevant licensee. The Company estimates sales amounts and related royalty income based on the historical product information for any period that the sales information is not available from the relevant licensee.

### *Licensing revenues*

Other revenue includes revenues derived from product out-licensing agreements. These arrangements typically consist of an initial upfront payment on inception of the license and subsequent milestone payments dependent on achieving certain clinical and sales milestones.

Initial license fees received in connection with product out-licensing agreements, even where such fees are non-refundable and not creditable against future royalty payments, are deferred and recognized over the period in which the Company has continuing substantive performance obligations.

Milestone payments which are non-refundable, non creditable and contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones if the milestones are considered substantive or over the period the Company has continuing substantive performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

## **(d) Sales deductions**

### *(i) Rebates*

Rebates primarily consist of statutory rebates to state Medicaid agencies and contractual rebates with health-maintenance organizations. These rebates are based on price differentials between a base price and the selling price. As a result, rebates generally increase as a percentage of the selling price over the life of the product (as prices increase). Provisions for rebates are recorded as reductions to revenue in the same period as the related sales are recorded, with the amount of the rebate based on the Company's best estimate if any uncertainty exists over the unit rebate amount, and with estimates of future utilization derived from historical trends.

### *(ii) Returns*

The Company estimates the proportion of recorded revenue that will result in a return, based on historical trends and when applicable, specific factors affecting certain products at the balance sheet date. The accrual is recorded as a reduction to revenue in the same period as the related sales are recorded.

### *(iii) Coupons*

The Company uses coupons as a form of sales incentive. An accrual is established based on the Company's expectation of the level of coupon redemption, estimated using historical trends. The accrual is recorded as a reduction to revenue in the same period as the related sales are recorded or the date the coupon is offered, if later than the date the related sales are recorded.

### *(iv) Discounts*

The Company offers cash discounts to customers for the early payment of receivables which are recorded as reductions to revenue and accounts receivable in the same period as the related sale is recorded.

### *(v) Wholesaler chargebacks*

The Company has contractual agreements whereby it supplies certain products to third parties at predetermined prices. Wholesalers acting as intermediaries in these transactions are reimbursed by the Company if the predetermined prices are less than the prices paid by the wholesaler to the Company. Accruals for wholesaler chargebacks, which are based on historical trends, are recorded as reductions to revenue in the same period as the related sales are recorded.

## **(e) Collaborative arrangements**

The Company enters into collaborative arrangements to develop and commercialize drug candidates. These collaborative arrangements often require upfront, milestone, royalty or profit share payments, or a combination of these, with payments often contingent upon the success of the related development and commercialization efforts. Collaboration agreements

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entered into by the Company may also include expense reimbursements or other such payments to the collaborating partner.

The Company reports costs incurred and revenue generated from transactions with third parties as well as payments between parties to collaborative arrangements either on a gross or net basis, depending on the characteristics of the collaborative relationship.

**(f) Cost of product sales**

Cost of product sales includes the cost of purchasing finished product for sale, the cost of raw materials and manufacturing for those products that are manufactured by the Company, shipping and handling costs, depreciation and amortization of intangible assets in respect of favorable manufacturing contracts. Royalties payable on products to which the Company does not own the rights are also included in Cost of product sales.

**(g) Leased assets**

The costs of operating leases are charged to operations on a straight-line basis over the lease term, even if rental payments are not made on such a basis.

Assets acquired under capital leases are included in the consolidated balance sheet as property, plant and equipment and are depreciated over the shorter of the period of the lease or their useful lives. The capital element of future lease payments is recorded as a liability, while the interest element is charged to operations over the period of the lease to produce a level yield on the balance of the capital lease obligation.

**(h) Advertising expense**

The Company expenses the cost of advertising as incurred. Advertising costs amounted to \$93.3 million, \$81.3 million and \$134.5 million for the years to December 31, 2010, 2009 and 2008 respectively and were included within Selling, general and administrative ("SG&A") expenses.

**(i) Research and development ("R&D") expense**

R&D costs are expensed as incurred. Upfront and milestone payments made to third parties for in-licensed products that have not yet received marketing approval and for which no alternative future use has been identified are also expensed as incurred.

Milestone payments made to third parties on and subsequent to regulatory approval are capitalized as intangible assets, and amortized over the remaining useful life of the related product.

**(j) Valuation and impairment of long-lived assets other than goodwill and investments**

The Company evaluates the carrying value of long-lived assets other than goodwill and investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of the relevant assets may not be recoverable. When such a determination is made, management's estimate of undiscounted cash flows to be generated by the use and ultimate disposition of these assets is compared to the carrying value of the assets to determine whether the carrying value is recoverable. If the carrying value is deemed not to be recoverable, the amount of the impairment recognized in the consolidated financial statements is determined by estimating the fair value of the relevant assets and recording an impairment loss for the amount by which the carrying value exceeds the estimated fair value. This fair value is usually determined based on estimated discounted cash flows.

**(k) Finance costs of debt**

Finance costs relating to debt issued are recorded as a deferred charge and amortized to the consolidated statements of income over the period to the earliest redemption date of the debt, using the effective interest rate method. On extinguishment of the related debt, any unamortized deferred financing costs are written off and charged to interest expense in the consolidated statements of income.

**(l) Foreign currency**

Monetary assets and liabilities in foreign currencies are translated into the functional currency of the relevant subsidiary in which they arise at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into the relevant functional currency at the rate of exchange ruling at the date of the transaction. Transaction gains and

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losses, other than those related to current and deferred tax assets and liabilities, are recognized in arriving at income from continuing operations before income taxes, equity in earnings/(losses) of equity method investees and discontinued operations. Transaction gains and losses arising on foreign currency denominated current and deferred tax assets and liabilities are included within income taxes in the consolidated statements of income.

The results of operations for subsidiaries, whose functional currency is not the US dollar, are translated into the US dollar at the average rates of exchange during the period, with the subsidiaries' balance sheets translated at the rates ruling at the balance sheet date. The cumulative effect of exchange rate movements is included in a separate component of Other comprehensive income.

Foreign currency exchange transaction gains included in consolidated net income in the years to December 31, 2010, 2009 and 2008 amounted to \$1.7 million, \$2.3 million and \$4.6 million, respectively.

**(m) Income taxes**

Uncertain tax positions are recognized in the consolidated financial statements for positions which are considered more likely than not of being sustained based on the technical merits of the position on audit by the tax authorities. The measurement of the tax benefit recognized in the consolidated financial statements is based upon the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized based on a cumulative probability assessment of the possible outcomes. The Company recognizes interest relating to unrecognized tax benefits and penalties within income taxes.

Deferred tax assets and liabilities are recognized for differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the tax bases of assets and liabilities that will result in future taxable or deductible amounts. The deferred tax assets and liabilities are measured using the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

**(n) Earnings per share**

Basic earnings per share is based upon net income attributable to Shire plc divided by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is based upon net income attributable to Shire plc adjusted for the impact of interest expense on convertible debt on an "if-converted" basis (where the effect is dilutive) divided by the weighted average number of ordinary share equivalents outstanding during the period, adjusted for the dilutive effect of all potential ordinary shares that were outstanding during the year. Such potentially dilutive shares are excluded when the effect would be to increase diluted earnings per share or reduce the diluted loss per share.

**(o) Share-based compensation**

Share-based compensation represents the cost of share-based awards granted to employees. The Company measures share-based compensation cost for awards classified as equity at the grant date, based on the estimated fair value of the award. Predominantly all of the Company's awards have service and/or performance conditions and the fair values of these awards are estimated using a Black-Scholes valuation model.

For share-based compensation awards which cliff vest, the Company recognizes the cost of the relevant share based payment award as an expense on a straight-line basis (net of estimated forfeitures) over the employee's requisite service period. For those share-based compensation awards with a graded vesting schedule, the Company recognizes the cost of the relevant share based payment award as an expense on a straight-line basis (net of estimated forfeitures) over the requisite service period for the entire award (that is, over the requisite service period for the last separately vesting portion of the award). The share based compensation expense is recorded in Cost of product sales, R&D, and SG&A in the consolidated statements of income based on the employees' respective functions.

The Company records deferred tax assets for awards that result in deductions on the Company's income tax returns, based on the amount of compensation cost recognized and the Company's statutory tax rate in the jurisdiction in which it will receive a deduction. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the Company's income tax return are recorded in additional paid-in capital (if the tax deduction exceeds the deferred tax asset) or in the consolidated statements of income (if the deferred tax asset exceeds the tax deduction and no additional paid-in capital exists from previous awards).

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The Company's share-based compensation plans are described more fully in Note 29.

**(p) Cash and cash equivalents**

Cash and cash equivalents are defined as short-term highly liquid investments with original maturities of ninety days or less.

**(q) Financial instruments - derivatives**

The Company uses derivative financial instruments to manage its exposure to foreign exchange risk associated with third party transactions and intercompany financing. These instruments consist of swap and forward foreign exchange contracts. The Company does not apply hedge accounting for these instruments. The fair values of these instruments are included on the balance sheet in current assets / liabilities, with changes in the fair value recognized in the consolidated statements of income. The cash flows relating to these instruments are presented within net cash provided by operating activities in the consolidated statement of cash flows, unless the derivative instruments are economically hedging specific investing or financing activities.

**(r) Inventories**

Inventories are stated at the lower of cost (including manufacturing overheads, where appropriate) or market. Cost incurred in bringing each product to its present location and condition is based on purchase costs calculated on a first-in, first-out basis, including transportation costs.

Inventories include costs relating to both marketed products and, for certain products, cost incurred prior to regulatory approval. Inventories are capitalized prior to regulatory approval if the Company considers that it is probable that the US Food and Drug Administration ("FDA") or another regulatory body will grant commercial and manufacturing approval for the relevant product, and it is probable that the value of capitalized inventories will be recovered through commercial sale.

Inventories are written down for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those anticipated, inventory adjustments may be required.

**(s) Assets held-for-sale**

An asset is classified as held-for-sale when, amongst other things, the Company has committed to a plan of disposition, the asset is available for immediate sale, and the plan is not expected to change significantly. Assets held-for-sale are carried at the lower of their carrying amount or fair value less cost to sell.

Assets acquired in a business combination that will be sold rather than held and used are classified as held-for sale at the date of acquisition when it is probable that the Company will dispose of the assets within one year. Newly acquired assets held-for-sale are carried at their fair value less cost to sell at the acquisition date. The Company does not record depreciation or amortization on assets classified as held-for-sale.

**(t) Investments**

The Company has certain investments in pharmaceutical and biotechnology companies.

Investments are accounted for using the equity method of accounting if the investment gives the Company the ability to exercise significant influence, but not control over, the investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors such as representation on the investee's Board of Directors and the nature of commercial arrangements, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the Company records its investments in equity-method investees in the consolidated balance sheet under Investments and its share of the investees' earnings or losses together with other-than-temporary impairments in value under equity in earnings/(losses) of equity method investees in the consolidated statements of income.

All other equity investments, which consist of investments for which the Company does not have the ability to exercise significant influence, are accounted for under the cost method or at fair value. Investments in private companies are carried at cost, less provisions for other-than-temporary impairment in value. For public companies that have readily determinable fair values, the Company classifies its equity investments as available-for-sale and, accordingly, records these investments at their fair values with unrealized holding gains and losses included in the consolidated statement of

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comprehensive income, net of any related tax effect. Realized gains and losses, and declines in value of available-for-sale securities judged to be other-than-temporary, are included in other income/(expense), net (see Note 26). The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included as interest income.

**(u) Property, plant and equipment**

Property, plant and equipment is shown at cost reduced for impairment losses, less accumulated depreciation. The cost of significant assets includes capitalized interest incurred during the construction period. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life as follows:

Buildings	15 to 50 years
Office furniture, fittings and equipment	3 to 10 years
Warehouse, laboratory and manufacturing equipment	3 to 15 years

The cost of land is not depreciated. Assets under the course of construction are not depreciated until the relevant assets are available and ready for their intended use.

Expenditures for maintenance and repairs are charged to the consolidated statements of income as incurred. The costs of major renewals and improvements are capitalized. At the time property, plant and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts. The profit or loss on such disposition is reflected in operating income.

**(v) Goodwill and other intangible assets**

*(i) Goodwill*

In business combinations completed subsequent to January 1, 2009, goodwill represents the excess of the fair value of the consideration given and the fair value of any noncontrolling interest in the acquiree over the fair value of the identifiable assets and liabilities acquired. For business combinations completed prior to January 1, 2009 goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired.

Goodwill is not amortized to operations, but instead is reviewed for impairment, at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. For the purpose of assessing the carrying value of goodwill for impairment, goodwill has been allocated to the Company's two reporting units, being SP and HGT. Events or changes in circumstances which could trigger an impairment review include: significant underperformance of a reporting unit relative to expected historical or projected future operating results; significant changes in the manner of the Company's use of acquired assets or the strategy for the overall business; and significant negative industry trends.

Goodwill is reviewed for impairment by comparing the carrying value of each reporting unit's net assets (including allocated goodwill) to the fair value of the reporting unit. If the reporting unit's carrying amount is greater than its fair value, a second step is performed whereby the portion of the reporting unit's fair value relating to goodwill is compared to the carrying value of the reporting unit's goodwill. The Company recognizes a goodwill impairment charge for the amount by which the carrying value of goodwill exceeds its estimated fair value. The Company has determined that there are no impairment losses in respect of goodwill for any of the reporting periods covered by these consolidated financial statements.

*(ii) Other intangible assets*

Other intangible assets principally comprise intellectual property rights for products with a defined revenue stream and IPR&D. Intellectual property rights for currently marketed products are recorded at cost and amortized over the estimated useful life of the related product, which ranges from 5 to 35 years (weighted average 16 years). IPR&D acquired through a business combination which completed subsequent to January 1, 2009 is capitalized as an indefinite lived intangible asset until the completion or abandonment of the associated R&D efforts. Once the R&D efforts are completed the useful life of the relevant assets will be determined, and the IPR&D asset amortized over this useful economic life.

The following factors are considered in estimating the useful lives of Other intangible assets:

- expected use of the asset;

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- regulatory, legal or contractual provisions, including the regulatory approval and review process, patent issues and actions by government agencies;
- the effects of obsolescence, changes in demand, competing products and other economic factors, including the stability of the market, known technological advances, development of competing drugs that are more effective clinically or economically;
- actions of competitors, suppliers, regulatory agencies or others that may eliminate current competitive advantages; and
- historical experience of renewing or extending similar arrangements.

When a number of factors apply to an intangible asset, these factors are considered in combination when determining the appropriate useful life for the relevant asset.

**(w) Non-monetary transactions**

The Company enters into certain non-monetary transactions that involve either the granting of a license over the Company's patents or the disposal of an asset or group of assets in exchange for a non-monetary asset, usually equity. The Company accounts for these transactions at fair value if the Company is able to determine the fair value within reasonable limits. To the extent the Company concludes that it is unable to determine the fair value of a transaction, that transaction is accounted for at the recorded amounts of the assets exchanged. Management is required to exercise its judgment in determining whether or not the fair value of the asset received or given up can be determined.

**(x) New accounting pronouncements**

*Adopted during the period*

Amendments to the Accounting and Disclosure Requirements for the Consolidation of Variable Interest Entities

On January 1, 2010 the Company adopted new guidance issued by the Financial Accounting Standard Board ("FASB") on the consolidation of variable interest entities. This guidance changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The guidance also requires a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to such involvement. The adoption of the guidance did not impact the Company's consolidated financial position, results of operations or cash flows.

The effective date of these amendments has been deferred for a reporting entity's interest in an entity (1) that has all the attributes of an investment company or (2) for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies.

Accounting for Transfers of Financial Assets

On January 1, 2010 the Company adopted new guidance issued by the FASB on the accounting for transfers of financial assets. This guidance requires more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures. The adoption of the guidance did not impact the Company's consolidated financial position, results of operations or cash flows.

Improving Disclosures about Fair Value Measurements

On January 1, 2010 the Company adopted new guidance issued by the FASB requiring new disclosures for amounts transferred in and out of Levels 1 and 2 and for activity in Level 3 of the hierarchy for fair value measurements. The guidance also clarifies existing fair value measurement disclosures in respect of the level of disaggregation and disclosures about inputs and valuation techniques. This guidance is effective for the Company from January 1, 2010, except for the additional disclosures about activity in Level 3 of the hierarchy for fair value measurements, which is effective from January 1, 2011 and for interim periods within that year. The adoption of the guidance did not impact the Company's disclosure on fair value measurement.

[Table of Contents](#)*To be adopted in future periods*Revenue Recognition in Multiple Deliverable Revenue Arrangements

In September 2009, the FASB issued guidance on revenue recognition in multiple deliverable revenue arrangements. This amends the existing guidance on allocating consideration received between the elements in a multiple-deliverable arrangement and establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor specific objective evidence ("VSOE") if available, third party evidence if VSOE is not available, or estimated selling price if neither VSOE third party evidence is available. It replaces the term fair value in the revenue allocation with selling price to clarify that the allocation of revenue is based on entity specific assumptions rather than the assumptions of a market place participant. The guidance eliminates the residual method of allocation and requires that arrangement consideration be allocated using the relative selling price method. The guidance also significantly expands the disclosures related to a vendor's multiple-deliverable revenue arrangements. It will be effective prospectively for revenue arrangements entered into or materially modified for fiscal years beginning on or after June 15, 2010. The guidance is being adopted for new or materially modified arrangements from January 1, 2011. The Company does not expect the guidance to have a material effect on its consolidated financial position, results of operations and cash flows.

Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades

In April 2010, the FASB issued guidance on the effect of denominating the exercise price of a share-based payment award in the currency of the market in which the underlying equity security trades. This guidance clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The guidance will be effective for fiscal years beginning on or after December 15, 2010. The Company has historically accounted for share based payment awards in a manner consistent with the guidance, and therefore does not expect the adoption of this guidance to impact its consolidated financial position, results of operations or cash flows.

Milestone Method of Revenue Recognition

In April 2010, the FASB issued guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. This guidance clarifies that: consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive; milestones should be considered substantive in their entirety and may not be bifurcated; an arrangement may contain both substantive and non substantive milestones; and each milestone should be evaluated individually to determine if it is substantive. The guidance is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial position, results of operations and cash flows.

Fees Paid to Federal Government by Pharmaceutical Manufacturers

In December 2010, the FASB issued guidance on the annual fee paid by pharmaceutical manufacturers to the US Treasury in accordance with the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act (the "Acts") for each calendar year beginning on or after January 1, 2011. The annual fee ranges from \$2.5 billion to \$4.2 billion in total, a portion of which will be allocated to individual entities on the basis of the amount of their branded prescription drug sales for the preceding year as a percentage of the industry's branded prescription drug sales for the same period. This guidance specifies that the liability for the fee should be estimated and recorded in full upon the first qualifying sale with a corresponding deferred cost that is amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. The guidance is effective on a prospective basis for calendar years beginning after December 31, 2010, when the fee initially becomes effective. The Company does not currently expect the adoption of this guidance to have a material effect of its consolidated financial position, results of operations or cash flows.

Disclosure of Supplementary Pro Forma Information for Business Combinations

In December 2010, the FASB issued guidance to clarify the acquisition date that should be used for reporting pro forma financial information disclosures in a business combination when comparative financial statements are presented. The

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guidance specifies that the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The guidance also improves the usefulness of the pro forma revenue and earnings disclosures by requiring a description of the nature and amount of material, nonrecurring pro forma adjustments that are directly attributable to the business combination. The guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The Company has historically accounted for business combinations in accordance with the guidance, and therefore does not expect the adoption of guidance to impact its disclosure on business combinations.

**(y) Scheme of arrangement**

Shire Limited (now known as Shire plc) was incorporated under the laws of Jersey (Channel Islands) on January 28, 2008, is a public company limited by shares, and is tax resident in the Republic of Ireland. On May 23, 2008 Shire Limited became the holding company of the former holding company of the Shire Group ("Old Shire"), now called Shire Biopharmaceutical Holdings, pursuant to a scheme of arrangement approved by the High Court of Justice in England and Wales and the shareholders of Old Shire (the "Scheme"). Prior to May 23, 2008 Shire Limited had not commenced trading or made any profits or trading losses. On October 1, 2008 Shire Limited changed its name to Shire plc following the approval of the change of name by shareholders at the Company's Annual General Meeting.

Pursuant to the Scheme, ordinary shares, each having a nominal value of £0.05 of Old Shire ("Shire Ordinary Shares") were exchanged for ordinary shares, each having a nominal value of £0.05, of Shire plc ("Shire plc Ordinary Shares"), on a one for one basis.

Shire plc Ordinary Shares carry substantially the same rights as did the Shire Ordinary Shares. The Scheme did not involve any payment for the Shire plc Ordinary Shares. Immediately after the Scheme became effective, Shire plc had the same Board of Directors, management and corporate governance arrangements as Old Shire had immediately prior thereto. The consolidated assets and liabilities of Shire plc immediately after the effective time of the Scheme were substantially the same as the consolidated assets and liabilities of Old Shire immediately prior thereto.

The Shire Ordinary Shares underlying the Shire American Depositary Shares (the "Shire ADSs"), each representing three Shire Ordinary Shares, participated in the Scheme like all other Shire Ordinary Shares. Upon the Scheme becoming effective, the Shire ADSs remained outstanding but became Shire plc ADS's, each representing three Shire plc Ordinary Shares. The Scheme did not involve any payment for the Shire plc ADSs.

The corporate restructuring has been accounted for as a reorganization of entities under common control. Accordingly, the historical consolidated financial statements prior to the reorganization are labeled as those of Shire plc, but continue to represent the operations of Old Shire.

Earnings per share were unaffected by the reorganization.

**(z) Statutory accounts**

The consolidated financial statements as at December 31, 2010 and 2009, and for each of the three years in the period to December 31, 2010 do not comprise statutory accounts within the meaning of Section 240 of the UK Companies Act 1985 or Article 104 of the Companies (Jersey) Law 1991.

Statutory accounts of Shire, consisting of the solus accounts of Shire plc for the period to December 31, 2009 prepared under UK GAAP and in compliance with Jersey law have been delivered to the Registrar of Companies for Jersey. The consolidated accounts of the Company for the year ended December 31, 2009 prepared in accordance with US GAAP, in fulfillment of the Company's United Kingdom Listing Authority ("UKLA") annual reporting requirements were filed with the UKLA. The auditor's reports on these accounts were unqualified.

Statutory accounts of Shire, consisting of the solus accounts of Shire plc for the year to December 31, 2010 prepared under UK GAAP and in compliance with Jersey law will be delivered to the Registrar of Companies in Jersey in 2011. The Company further expects to file the consolidated accounts of the Company, prepared in accordance with US GAAP, in fulfillment of the Company's UKLA annual reporting requirements with the UKLA in 2011.

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### 3. Business combinations

#### Acquisition of Movetis

On September 6, 2010 the Company launched a voluntary public takeover offer for all the shares and warrants in Movetis, a Belgium-based specialty GI company, at a price of €19 per share in cash.

On October 12, 2010 the Company's wholly owned subsidiary, Shire Holdings Luxembourg S.a.r.l. acquired 99.21% of the shares of Movetis as a result of the successful tender offer. By November 8, 2010, following a statutory squeeze-out of the remaining shares and warrants not tendered in the offer, the Company had acquired 100% of the shares and warrants in Movetis for a total cash consideration of \$592.0 million. The acquisition of Movetis was funded from Shire's existing cash resources.

The acquisition significantly broadens Shire's global GI portfolio and adds growing revenues from RESOLOR, a new chemical entity indicated for the symptomatic treatment of chronic constipation in women in whom laxatives fail to provide adequate relief. Movetis has the rights to RESOLOR in the European Union ("EU"), Iceland, Lichtenstein, Norway and Switzerland (the "Movetis Territory") and is entitled to royalties on sales of RESOLOR outside of Europe from Johnson & Johnson ("J&J"). The acquisition also brought to Shire world-class R&D talent and a promising GI pipeline.

The acquisition of Movetis has been accounted for as a purchase business combination. The assets acquired and the liabilities assumed from Movetis have been recorded at their fair value at October 12, 2010, being the date of acquisition. The Company's consolidated financial statements and results of operations include the results of Movetis from October 12, 2010. The Company's allocation of the purchase price to the Movetis assets acquired and liabilities assumed is outlined below:

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	Fair value \$'M
Identifiable assets acquired and liabilities assumed	
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	109.0
Short term investments	7.0
Other current assets	8.6
<b>Total current assets</b>	<b>124.6</b>
Non-current assets:	
Property, plant and equipment	1.1
Goodwill	27.9
Other intangible assets	
- currently marketed product	317.0
- IPR&D	139.0
- other intangible assets	14.0
Other non-current assets	0.8
Deferred tax asset	40.4
<b>Total assets</b>	<b>664.8</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and other current liabilities	19.0
Non-current liabilities:	
Deferred tax liabilities	53.8
<b>Total liabilities</b>	<b>72.8</b>
<b>Fair value of identifiable assets acquired and liabilities assumed</b>	<b>592.0</b>
<b>Consideration</b>	
Cash consideration paid	592.0

*(a) Other intangible assets – currently marketed product*

Other intangible assets include \$317.0 million relating to intellectual property rights in the Movetis Territory for Movetis' currently marketed product, RESOLOR, for the treatment of chronic constipation in women in whom laxatives fail to provide adequate relief. The fair value of RESOLOR for the treatment of chronic constipation in women in the Movetis Territory has been estimated using an income approach, based on the present value of incremental after tax cash flows attributable to the asset after deduction of contributory asset charges.

The estimated useful life of the RESOLOR currently marketed product intangible asset is 14 years, with amortization being recorded on a straight line basis.

*(b) Other intangible assets – IPR&D*

IPR&D relates to development projects acquired with Movetis, that have been initiated and have achieved material progress and whose fair value is estimable with reasonable certainty but (i) have not yet reached technological feasibility or have not yet received the relevant regulatory approval and (ii) have no alternative future use.

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IPR&D principally relates to RESOLOR for the treatment of chronic constipation in men (\$93 million) and children (\$42 million) in the Movetis Territory. The fair value of these IPR&D assets have been estimated based on an income approach, using the present value of incremental after tax cash flows expected to be generated by these development projects after the deduction of contributory asset charges for other assets employed in these projects. The estimated cash flows have been probability adjusted to take into account their stage of completion and the remaining risks and uncertainties surrounding their future development and commercialization. The estimated, probability adjusted after tax cash flows have been discounted at rates between 12-14% to determine a present, or fair, value.

The major risks and uncertainties associated with the timely completion of the acquired IPR&D projects consist of the ability to confirm the efficacy of the technology based on the data from clinical trials, and obtaining the relevant regulatory approvals. The valuation of IPR&D has been based on information available at the time of the acquisition and on expectations and assumptions that (i) have been deemed reasonable by the Company's management and (ii) are based on information, expectations and assumptions that would be available to a market participant. However, no assurance can be given that the assumptions and events associated with such assets will occur as projected. For these reasons, the actual cash flows may vary from forecast future cash flows.

*(c) Goodwill*

Goodwill arising of \$27.9 million, which is not deductible for tax purposes, has been assigned to the Specialty Pharmaceuticals operating segment.

In the year to December 31, 2010 the Company expensed transaction costs of \$6.9 million relating to the Movetis acquisition, which have been recorded within Integration and acquisition costs in the Company's consolidated statements of income.

The amounts of Movetis's revenue and losses included in the Company's consolidated statements of income for the year ended December 31, 2010 are \$0.3 million of revenues and \$17.5 million of pre-tax losses.

Acquisition of EQUASYM IR and XL

On March 31, 2009 the Company acquired the worldwide rights (excluding the US, Canada and Barbados) to EQUASYM IR and XL for the treatment of ADHD from UCB Pharma Limited ("UCB") for cash consideration of \$72.8 million. Included in the recognized purchase price for the acquisition is further consideration of \$18.2 million, of which \$12.0 million was paid to UCB in the year to December 31, 2010 and the remaining \$6.2 million may become payable in 2011 if certain sales targets are met. This acquisition broadened the scope of Shire's ADHD portfolio and facilitated immediate access to the European ADHD market as well as providing Shire the opportunity to enter additional markets around the world.

The acquisition of EQUASYM IR and XL was accounted for as a business combination. The purchase price was allocated to the currently marketed products (\$73.0 million), IPR&D (\$5.5 million), other liabilities (\$0.7 million) and goodwill (\$13.2 million).

Acquisition of Jerini

On July 3, 2008 the Company announced that it was launching a voluntary public takeover offer for all outstanding shares in Jerini, a German corporation, at a price of EUR 6.25 per share. By August 6, 2008 the Company had acquired 80.1% of the voting interests in Jerini for a cash consideration of \$456.3 million. In the year to December 31, 2008 the Company acquired 98.6% of the voting interests in Jerini for a cash consideration of \$556.5 million, represented by Jerini shares, (\$539.8 million), the cash cost of cancelling Jerini stock options (\$9.4 million) and direct costs of acquisition (\$7.3 million). In the year to December 31, 2009 the Company acquired the rights to the remaining 1.4% of the voting interests in Jerini for additional cash consideration of \$10.5 million including direct acquisition costs, such that the Company owned 100% of Jerini. The acquisition added Jerini's hereditary angioedema ("HAE") product FIRAZYR to the Company's portfolio.

The acquisition of Jerini has been accounted for as a purchase business combination. The assets acquired and the liabilities assumed from Jerini have been recorded at the date of acquisition at their fair value. Consolidated financial statements and reported results of operations of the Company issued after the acquisition of a majority holding reflect these values, with the results of Jerini included from August 1, 2008, for convenience purposes, in the consolidated statements of income. Between acquiring the Company's controlling voting interest in early August 2008 and December 31, 2009, the Company acquired the remaining voting interests totaling 19.9% of Jerini's issued share capital. The additional voting interests have been accounted for as step-acquisitions using the purchase method of accounting.

The final fair values of assets acquired and liabilities assumed was determined in July 2009, and the adjustment in the second quarter of 2009 to recognize assumed liabilities is detailed in section (c) below. The following table presents the

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Company's preliminary allocation of the purchase price to the assets acquired and liabilities assumed at their fair values based on the Company's 80.1% voting interest acquired by August 6, 2008:

	Fair value \$'M
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	56.7
Restricted cash	0.4
Inventories	1.9
Assets held-for-sale	24.4
Other current assets	4.9
<b>Total current assets</b>	<b>88.3</b>
Property, plant and equipment	3.6
Goodwill	121.0
Other intangible assets	
- currently marketed product	257.6
- in-process R&D	104.1
Deferred tax asset	0.5
<b>Total assets</b>	<b>575.1</b>
<b>LIABILITIES</b>	
Current liabilities:	
Deferred tax liability	76.3
Other long-term liabilities	0.8
<b>Total liabilities</b>	<b>108.4</b>
<b>Estimated fair value of identifiable assets acquired and liabilities assumed</b>	<b>466.7</b>
<b>Noncontrolling interest</b>	<b>(10.4)</b>
<b>Cost of 80.1% voting interest acquired</b>	<b>456.3</b>

*(a) Other intangible assets, currently marketed product*

Other intangible assets include \$320.2 million (being \$257.6 million acquired as at August 6, 2008 and \$62.6 million in the subsequent step acquisitions) relating to intellectual property rights in respect of Jerini's currently marketed product, FIRAZYR, which received marketing authorization from the European Commission in July 2008 for the treatment of acute HAE in the EU. These intellectual property rights include the right to develop, use, market, sell and/or offer for sale the technical processes, intellectual property and institutional understanding (including the way in which FIRAZYR reacts in body, an understanding of the mechanisms of action which allow FIRAZYR to work and the knowledge related to the associated clinical and marketing studies performed to obtain approval of FIRAZYR). The fair value of FIRAZYR in the EU has been determined using an income approach applying the multi-period excess earnings method, based on the present value of incremental after tax cash flows attributable to the asset after the deduction of contributory asset charges for the assets employed (including working capital, the assembled workforce and other fixed assets).

This intangible asset has an estimated useful life of 17 years, will be amortized on a straight line basis, and has been allocated to the HGT reporting segment.

*(b) Other intangible assets, IPR&D*

The IPR&D assets of \$129.7 million (being \$104.1 million acquired as at August 6, 2008 and \$25.6 million in the subsequent step acquisitions) relate to FIRAZYR for the treatment of acute HAE in the US (\$64.9 million), and the rest of the world excluding the US and EU (\$64.8 million). These IPR&D assets have not received approval from the relevant regulatory authorities at the acquisition date. In the US FIRAZYR received a not approvable letter from the FDA in April 2008. The Company considers that these IPR&D assets have no alternative future use outside of their current development projects and the fair value of these IPR&D assets has therefore been charged to the consolidated statements of income (in accordance with the US GAAP for business combinations which completed prior to January 1, 2009).

The fair value of the FIRAZYR IPR&D assets was determined using the income approach applying the multi-period excess earnings method. The fair value of the IPR&D assets has been based on the incremental cash flows expected to be generated by the development projects after the deduction of contributory asset charges in respect of other assets employed in these research projects (including working capital, the assembled workforce and other fixed assets). These estimated future cash flows were then probability adjusted to take into account the stage of completion and the remaining risks and uncertainties surrounding the future development and commercialization of FIRAZYR. These estimated probability adjusted, after tax cash flows were then discounted at 17-18% to determine a present, or fair, value.

The major risks and uncertainties associated with the timely completion of the acquired IPR&D projects consist of the ability to confirm the efficacy of the technology based on data from the clinical trials, and obtaining the relevant regulatory approvals. The valuations have been based on information at the time of the acquisition and expectations and assumptions that (i) have been deemed reasonable by the Company's management, and (ii) are based on information, expectations and assumptions that would be available to and be made by a market participant. However, no assurance can be given that the underlying assumptions or events associated with such assets will occur as projected. For these reasons, among others, the actual cash flows may vary from forecast future cash flows.

*(c) Goodwill*

Goodwill of \$152.8 million (being \$121.0 million acquired as at August 6, 2008 and \$31.8 million in the subsequent step acquisitions) has been wholly allocated to the HGT operating segment and is not deductible for tax purposes.

*(d) Assets held-for-sale*

On acquisition of Jerini the Company and Jerini commenced a strategic review of the acquired assets to identify which of the assets were non core to the newly combined business. In October 2008 Jerini announced that its Supervisory and Management Boards had concluded that it was in the best interests of Jerini to divest Jerini Ophthalmic, Inc. ("JOI"), Jerini Peptide Technologies GmbH ("JPT") and Jerini's pre clinical projects. The Company presented the fair value less costs to sell of JOI and JPT as assets held-for-sale at the acquisition date. These held-for-sale assets were recorded at their aggregate fair value less costs to sell of \$27.8 million within the purchase price allocation, the carrying value being primarily represented by the fair value of IPR&D.

In May 2009 JPT was divested for cash consideration of \$6.7 million, resulting in a loss on disposal of \$0.5 million.

For the years to December 31, 2010, 2009 and 2008 the Company has presented JOI and JPT as discontinued operations, recording revenues and the pre-tax loss from these businesses within discontinued operations for the year to December 31, 2010 of \$nil and \$nil (2009: \$2.3 million and \$12.4 million; 2008: \$3.6 million and \$17.6 million) respectively. The loss from discontinued operations for the year to December 31, 2009 includes loss on disposal of JPT of \$0.5 million, and charges of \$5.9 million relating to re-measurement of JOI assets to fair value, as a result of the closure, rather than divestment, of JOI. The loss from discontinued operations in the year to December 31, 2008 also includes a charge of \$12.9 million arising on the re-measurement of assets held for sale to their fair value less costs to sell at December 31, 2008.

Further, in 2009, the Company adjusted the preliminary purchase price allocation to recognize assumed liabilities for onerous contract costs and employee involuntary termination costs incurred on closure of JOI and the pre-clinical projects totaling \$9.1 million (see Note 6). These adjustments were recognized as an increase in acquired goodwill.

[Table of Contents](#)*METAZYM acquisition*

On June 4, 2008 Shire completed the asset acquisition of the global rights to METAZYM from Zymenex A/S ("Zymenex") for \$135.0 million in cash, and recognized an IPR&D charge of \$135.0 million during 2008 for the acquired development project.

*Supplemental disclosure of pro forma information*

The following unaudited pro forma financial information presents the combined results of the operations of Shire, Movetis and Jerini as if the acquisition of Movetis, which occurred during 2010 had occurred at January 1, 2009 and the acquisition of Jerini, which occurred during 2008 had occurred at January 1, 2007 based upon Shire's ownership interest of 100% and 98.6% of Movetis and Jerini respectively. The unaudited pro forma financial information is not necessarily indicative of what the consolidated results of operations actually would have been had the acquisition been completed at the dates indicated. In addition, the unaudited pro forma financial information does not purport to project the future results of operations of the combined Company.

	2010 \$'M	2009 \$'M	2008 \$'M
Revenues	3,472.2	3,007.7	3,031.6
Net income from continuing operations	524.8	453.0	114.7
Net income attributable to Shire plc	524.8	440.6	97.1
Per share amounts:			
Net income from continuing operations per share - basic	96.1	83.8	21.2
Net income per ordinary share attributable to Shire plc – basic	96.1	81.5	18.0
Net income from continuing operations per share - diluted	94.2	82.7	21.0
Net income per ordinary share attributable to Shire plc – diluted	94.2	80.4	17.8

The unaudited pro forma financial information above reflects the following pro forma adjustments:

*Movetis*

- (i) an adjustment to decrease interest income/increase interest expense by \$2.7 million and \$3.6 million in the year to December 31, 2010 and 2009 respectively, to reflect the interest foregone on the Company's cash resources used to fund the acquisition of Movetis; and
- (ii) an adjustment to increase amortization expense by approximately \$17.7 million and \$23.6 million for the years to December 31, 2010 and 2009 respectively, to reflect amortization of intangible assets relating to the currently marketed product, over the estimated useful life of 14 years.
- (iii) In the year to December 31, 2010 the calculation of pro forma diluted earnings per share does not include the effect of the Company's convertible bond as it would be anti-dilutive on a pro forma basis.

*Jerini*

- (i) an adjustment to decrease interest income by \$9.1 million in the year to December 31, 2008 to reflect the interest foregone on the Company's cash resources used to fund the acquisition of a majority voting interest in Jerini; and
- (ii) an adjustment to increase amortization expense by approximately \$12.1 million for the year to December 31, 2008 to reflect amortization of intangible assets relating to the currently marketed product, over the estimated useful life of 17 years.

The unaudited pro forma financial information for the year to December 31, 2008 does not include the IPR&D charge of \$128.1 million in respect of FIRAZYR outside of the EU because the IPR&D charge is non-recurring in nature.

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#### 4. Termination of Duramed Pharmaceuticals, Inc. ("Duramed") collaboration agreement

In August 2006, Shire and Duramed, a subsidiary of Teva Pharmaceutical Industries Ltd, ("Teva") entered into an agreement related to SEASONIQUE, a number of products using Duramed's transvaginal ring technology and other oral products (the "Collaboration Products"). Under this agreement, Shire was required to reimburse Duramed for US development expenses incurred on Collaboration Products up to a maximum of \$140 million over eight years from September 2006, and Shire had the right to commercialize these products in a number of markets outside of North America, including the larger European markets.

On February 24, 2009 Shire and Duramed amended this agreement such that it terminated on December 31, 2009. Pursuant to this amendment, Shire agreed to return to Duramed its rights under the agreement effective February 24, 2009. Shire also agreed to reimburse Duramed for incurred US development expenditures in 2009 up to a maximum of \$30.0 million. Shire has no rights with respect to the products on which such development expenditures are incurred. In addition, Shire agreed to a one-time payment to Duramed of \$10.0 million, (which was paid during the first quarter of 2009), and to forego royalties receivable from Barr Laboratories, Inc. ("Barr") (a subsidiary of Teva) and cost of goods otherwise payable by Barr to Shire in 2009 under the License Agreement between the parties for the supply of authorized generic ADDERALL XR, up to a maximum of \$25.0 million. During the year to December 31, 2009 the Company recorded a charge of \$62.9 million to research and development, within the Specialty Pharmaceuticals segment, to reflect the cash payment made in the first quarter of 2009 and other termination related costs.

A reconciliation of the contract termination liability is presented below:

	Opening liability at January 1, 2010 \$'M	Amount paid \$'M	Closing liability at December 31, 2010 \$'M
Contract termination costs	10.0	(10.0)	-

#### 5. Divestment of product rights

During 2007 and 2008 the Company streamlined its operations through the divestment of certain non-core products. In 2007 the Company received cash consideration of \$234.4 million on the disposal of non core products, which included \$209.6 million from Laboratorios Almirall S.A ("Almirall") on the transfer of product licenses, including SOLARAZE and VANIQA, and in 2008 Shire received a further \$5.0 million in cash for the transfer of other non-core product rights. The Company recognizes gains in respect of these divested product rights when the relevant regulatory or other consents for the transfer of these product rights are obtained.

On October 1, 2010 the Company completed the divestment of DAYTRANA to Noven Pharmaceutical Inc. ("Noven") (Noven developed and manufactures DAYTRANA, and Shire licensed DAYTRANA from Noven in 2003). No consideration was received at the time of divestment, however future consideration is receivable from Noven dependent on DAYTRANA's future performance. On divestment Shire recorded the fair value of contingent consideration receivable from Noven within current and non-current assets, and during the fourth quarter of 2010 the Company recognized a gain of \$10.4 million due to changes in the fair value of this contingent consideration. At December 31, 2010 the Company has recorded a receivable based on the fair value of future contingent consideration totaling \$65.3 million, split between current assets (\$21.6 million) and non-current assets (\$43.7 million).

Accordingly Shire recognized gains of \$16.5 million, \$6.3 million and \$20.7 million in the years to December 31, 2010, 2009 and 2008 respectively on disposal of product rights. All assets disposed of during 2010, 2009 and 2008 formed part of the Specialty Pharmaceuticals segment.

#### 6. Reorganization costs

##### *Establishment of an International Commercial Hub in Switzerland*

In March 2010 the Company initiated plans to relocate certain commercial and R&D operations to Switzerland to support its HGT and Specialty Pharmaceuticals businesses outside the US. In the year to December 31, 2010, the Company incurred reorganization costs totaling \$21.3 million relating to employee involuntary termination benefits and other re-organization costs. The transition to the international commercial hub in Switzerland will be effected over 2010 and 2011. The Company estimates that further costs in respect of the transition of approximately \$9 million to 17 million will be expensed as incurred during 2011.

[Table of Contents](#)*Owings Mills*

In March 2009 the Company initiated plans to phase out operations and close its Specialty Pharmaceuticals manufacturing facility at Owings Mills, Maryland. Between 2009 and 2011, all products manufactured by Shire at this site will transition to DSM Pharmaceutical Products, and operations and employee numbers at the site will wind down over this period. In the year to December 31, 2010 the Company incurred reorganization costs of \$13.0 million which relate to employee involuntary termination benefits and other costs. The total reorganization costs incurred since March 2009 are \$25.7 million.

As a result of the decision to transfer manufacturing from the Owings Mills site the Company revised the useful life of property, plant and equipment in the facility and in the year to December 31, 2010 incurred accelerated depreciation of \$25.7 million, which has been charged to Cost of product sales. The reorganization costs and accelerated depreciation have been recorded within the Specialty Pharmaceuticals operating segment.

*Jerini non-core operations*

In the second quarter of 2009 the operations of JOI, and certain other non-core pre-clinical operations acquired through the acquisition of Jerini were closed down, and the Company recorded a closure costs liability of \$9.1 million, relating to employee involuntary termination benefits, contract termination costs and other closure costs. The Company paid all remaining closure costs during the year to December 31, 2010 and no liability for these closure costs remains at December 31, 2010.

The liability for reorganization costs arising on the establishment of the international commercial hub in Switzerland and transfer of manufacturing from Owings Mills at December 31, 2010 is as follows:

	Opening liability at January 1, 2010 \$'M	Amount charged to re- organization \$'M	Paid/Utilized \$'M	Closing liability at December 31, 2010 \$'M
Involuntary termination benefits	4.1	11.8	(5.8)	10.1
Contract termination costs	2.8	-	(2.8)	-
Other reorganization costs	-	22.5	(20.2)	2.3
	<u>6.9</u>	<u>34.3</u>	<u>(28.8)</u>	<u>12.4</u>

At December 31, 2010 the closing reorganization cost liability was recorded within accounts payable and accrued expenses (\$10.9 million) and other non-current liabilities (\$1.5 million).

**7. Accounts receivable, net**

Accounts receivable at December 31, 2010 of \$692.5 million (December 31, 2009: \$597.5 million), are stated net of a provision for discounts and doubtful accounts of \$23.4 million (December 31, 2009: \$20.8 million, December 31, 2008: \$20.2 million).

Provision for discounts and doubtful accounts:

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	<u>2010</u> <u>\$'M</u>	<u>2009</u> <u>\$'M</u>	<u>2008</u> <u>\$'M</u>
As at January 1,	20.8	20.2	9.8
Provision charged to operations	178.1	127.4	95.0
Provision utilization	(175.5)	(118.5)	(84.6)
Reclassification	-	(8.3)	-
As at December 31,	<u>23.4</u>	<u>20.8</u>	<u>20.2</u>

During the year to December 31, 2009 the Company reclassified its provision for Tricare Health Care Program rebates of \$8.3 million at January 1, 2009 from provisions for discounts and doubtful accounts to accounts payable and accrued expenses.

At December 31, 2010 accounts receivable included \$75.8 million (December 31, 2009: \$92.4 million) related to royalty income.

## 8. Inventories

Inventories are stated at the lower of cost or market value and comprise:

	<u>December 31,</u> <u>2010</u> <u>\$'M</u>	<u>December 31,</u> <u>2009</u> <u>\$'M</u>
Finished goods	91.9	50.9
Work-in-progress	113.9	102.1
Raw materials	<u>54.2</u>	<u>36.7</u>
	<u>260.0</u>	<u>189.7</u>

At December 31, 2010 inventories included \$4.1 million (December 31, 2009: \$18.8 million) of costs capitalized prior to regulatory approval of the related product or manufacturing process. Pre-approval inventory as at December 31, 2010 relate to product manufactured at the new manufacturing facility at Lexington Technology Park ("LTP"), which has not yet received regulatory approval. Pre-approval inventories at December 31, 2009 related to VPRIV, which was granted marketing approval by the FDA on February 26, 2010 and marketing authorization by the European Commission on August 26, 2010.

## 9. Prepaid expenses and other current assets

	<u>December 31,</u> <u>2010</u> <u>\$'M</u>	<u>December 31,</u> <u>2009</u> <u>\$'M</u>
Prepaid expenses	45.1	44.9
Income tax receivable	42.4	-
Value added taxes receivable	21.5	37.3
Other current assets	<u>59.4</u>	<u>33.0</u>
	<u>168.4</u>	<u>115.2</u>

[Table of Contents](#)**10. Investments**

	<b>December 31, 2010 \$'M</b>	<b>December 31, 2009 \$'M</b>
Investments in private companies	5.9	3.9
Available-for-sale securities	83.9	87.0
Equity method investments	11.8	14.8
	<u>101.6</u>	<u>105.7</u>

*Disposal of Virochem Pharma Inc ("Virochem")*

On March 12, 2009 the Company completed the disposal of its investment in Virochem to Vertex in a cash and stock transaction. The disposal was part of a transaction entered into by all the shareholders of Virochem with Vertex. The carrying amount of the Company's investment in Virochem on March 12, 2009 was \$14.8 million. In 2009 Shire received consideration of \$19.2 million in cash and 2 million Vertex shares (valued at \$50.8 million) from the disposal, recognizing a gain of \$55.2 million in other income/(expense), net in the year to December 31, 2009.

In the year to December 31, 2010 the Company received further consideration of \$2.0 million in cash and 0.2 million Vertex shares (valued at \$9.1 million) which had been held in escrow until certain substantive conditions expired in March 2010. The Company recognized an additional gain on disposal of \$11.1 million in other income/(expense), net in the year to December 31, 2010.

The Vertex stock received has been accounted for as an available-for-sale investment.

*Disposal of Questcor Pharmaceutical Inc ("Questcor")*

In the year to December 31, 2008 Other expenses / (income), net includes a gain of \$9.4 million from the disposal of the Company's available for sale investment in Questcor for cash consideration of \$10.3 million.

*Other-than-temporary impairment of available for sale securities*

The Company recorded other-than-temporary impairments of \$1.5 million, \$0.8 million and \$58.0 million against its available-for-sale securities in the years to December 31, 2010, 2009 and 2008 respectively.

During the year to December 31, 2008 the Company recognized impairment charges of \$44.3 million relating to its investment in Renovo Group plc, representing unrealized holding losses that were reclassified out of other comprehensive income into earnings in 2008, as management concluded that the impairment was other than temporary. The decline in the market value of the Company's investment in Renovo Group plc initially arose from the results of clinical trials for JUVISTA which were announced over 2007 and 2008. During the third quarter of 2008, in considering whether the decline in value was temporary or "other than temporary" the Company considered the following factors: the severity of the decline from historical cost (87%) and its duration (eleven months); market analysts' targets of Renovo Group plc's share price for the next 18-24 months; and the revised expected filing date for JUVISTA due to the adoption of a sequential rather than parallel Phase 3 development plan.

These factors, together with the significant decline in global equity markets during the third quarter of 2008 meant that the Company was unable to reasonably estimate the period over which a full recovery in the value of its investment in Renovo Group plc could occur. As such, the Company concluded that the decline in value was "other than temporary". Therefore the full difference between the book value of the investment and the fair (market) value was recognized as an other-than-temporary impairment. Accordingly the Company recognized an impairment charge of \$44.3 million for its investment in Renovo Group plc through the consolidated statements of income in the third quarter of 2008. For purposes of computing the impairment charge, fair value was assumed to be £0.26 per share, representing the closing price of Renovo Group plc securities on the London Stock Exchange on September 30, 2008.

[Table of Contents](#)**11. Property, plant and equipment, net**

	<b>December 31, 2010 \$'M</b>	<b>December 31, 2009 \$'M</b>
Land and buildings	689.9	398.7
Office furniture, fittings and equipment	304.9	280.5
Warehouse, laboratory and manufacturing equipment	119.4	114.5
Assets under construction	167.7	193.2
	1,281.9	986.9
Less: Accumulated depreciation	(428.5)	(310.1)
	<u>853.4</u>	<u>676.8</u>

Depreciation expense for the years to December 31, 2010, 2009 and 2008 was \$119.2 million, \$105.0 million, and \$77.2 million respectively. The expense included impairment losses of \$nil, \$6.3 million and \$2.2 million in the years to December 31, 2010, 2009 and 2008 respectively.

*Purchase of the Lexington Technology Park campus in Lexington, Massachusetts*

On June 30, 2010 Shire completed the purchase of certain properties on the Lexington Technology Park campus in Lexington, Massachusetts, some of which the Company had previously leased, for a cash purchase price of \$165.0 million. The purchase price of \$165.0 million has been allocated to the acquired properties and extinguishment of existing building finance obligations using a relative fair value approach: \$121.9 million has been recorded as Property, plant and equipment, being land (\$72.1 million) and buildings (\$49.8 million). The remaining \$43.1 million relates to the extinguishment of existing building finance obligations, and has been applied against the relevant financing obligations (see Note 17).

**12. Goodwill**

	<b>December 31, 2010 \$'M</b>	<b>December 31, 2009 \$'M</b>
Goodwill arising on businesses acquired	402.5	384.7

During the year to December 31, 2010 the Company acquired all the shares and warrants in Movetis for cash consideration of \$592.0 million, which resulted in goodwill of \$27.9 million (see Note 3). The goodwill has been assigned to the SP operating segment.

During the year to December 31, 2009 the Company acquired the worldwide rights (excluding the US, Canada and Barbados) to EQUASYM IR and XL for a total consideration of \$91.0 million, which resulted in goodwill of \$13.2 million (see Note 3). The goodwill has been assigned to the SP operating segment.

At December 31, 2010 goodwill of \$245.9 million (2009: \$214.5 million) is held in the SP segment and \$156.6 million (2009: \$170.2 million) in the HGT segment.

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	<u>2010</u> <u>\$'M</u>	<u>2009</u> <u>\$'M</u>
As at January 1,	384.7	350.8
Acquisitions (including finalization of purchase price allocation for Jerini in 2009)	27.9	27.1
Foreign currency translation	(10.1)	6.8
As at December 31,	<u>402.5</u>	<u>384.7</u>

**13. Other intangible assets, net**

	<u>December 31,</u> <u>2010</u> <u>\$'M</u>	<u>December 31,</u> <u>2009</u> <u>\$'M</u>
Intellectual property rights acquired		
Currently marketed products	2,516.4	2,351.6
IPR&D	139.7	6.1
Other intangible assets	22.0	8.7
	<u>2,678.1</u>	<u>2,366.4</u>
Less: Accumulated amortization	(699.2)	(575.7)
	<u>1,978.9</u>	<u>1,790.7</u>

At December 31, 2010 the net book value of intangible assets allocated to the SP segment was \$ 1,482.9 million (December 31, 2009: \$1,238.0 million) and in the HGT segment was \$ 496.0 million (December 31, 2009: \$552.7 million).

The change in the net book value of other intangible assets for the year to December 31, 2010 is shown in the table below:

	<b>Other intangible assets</b>	
	<u>2010</u> <u>\$'M</u>	<u>2009</u> <u>\$'M</u>
As at January 1,	1,790.7	1,824.9
Acquisitions	472.7	84.0
Amortization charged	(135.2)	(138.6)
Impairment on re-measurement of DAYTRANA to fair value less costs to sell	(42.7)	-
Divestment of DAYTRANA to Noven	(56.0)	-
Foreign currency translation	(50.6)	20.4
As at December 31,	<u>1,978.9</u>	<u>1,790.7</u>

In the year to December 31, 2010 the Company acquired intangible assets totaling \$472.7 million, principally relating to the RESOLOR currently marketed product (\$317.0 million) and IPR&D (\$139.0 million) acquired through the Movetis business combination, see Note 3 for further details. The weighted average amortization period for acquired currently marketed products is 14 years.

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Amortization charged for the years to December 31, 2010, 2009 and 2008 was \$135.2 million, \$138.6 million and \$127.9 million, respectively. The Company additionally recorded impairment losses of \$42.7 million, \$nil and \$97.1 million in the years to December 31, 2010, 2009 and 2008.

In the year to December 31, 2010 the Company divested DAYTRANA to Noven (see Note 5). On approval of the divestment in the third quarter of 2010, the Company recognized an impairment loss of \$42.7 million to record the DAYTRANA disposal group at the lower of its carrying amount or fair value less costs to sell. The impairment loss has been recorded to SG&A expenses in the year to December 31, 2010. The DAYTRANA disposal group formed part of the SP operating segment.

In the year to December 31, 2008 the Company recognized impairment charges of \$97.1 million, of which \$94.6 million related to the write-down of its DYNEPO intangible asset to its fair value (\$nil). Changes in the external environment, including the launch of several competing bio-similars at lower prices made DYNEPO uneconomic for the Company. Accordingly the Company decided to stop commercializing DYNEPO. Product sales were wound down over the second half of 2008 as all patients were transferred off DYNEPO by the end of 2008. The fair value of DYNEPO was determined using an expected present value technique. The impairment charges related to the SP operating segment.

Management estimates that the annual amortization charge in respect of intangible assets held at December 31, 2010 will be approximately \$147 million for each of the five years to December 31, 2015. Estimated amortization expense can be affected by various factors including future acquisitions, disposals of product rights, regulatory approval and subsequent amortization of the acquired IPR&D projects, foreign exchange movements and the technological advancement and regulatory approval of competitor products.

#### 14. Accounts payable and accrued expenses

	December 31, 2010 \$'M	December 31, 2009 \$'M
Trade accounts payable and accrued purchases	234.7	170.6
Accrued rebates – Medicaid	379.6	188.2
Accrued rebates – Managed care	170.3	153.4
Sales return reserve	69.8	62.7
Accrued bonuses	91.6	66.8
Accrued employee compensation and benefits payable	48.1	42.6
R&D accruals	60.7	53.1
Marketing accruals	26.5	31.5
Deferred revenue	13.7	52.2
Other accrued expenses	144.3	108.0
	1,239.3	929.1

Accrued Medicaid rebates have increased by \$191.4 million to \$379.6 million at December 31, 2010 (December 31, 2009: \$188.2 million) due to higher utilization and rebate levels, together with higher product sales.

There are potentially different interpretations as to how shipments of authorized generic ADDERALL XR to Teva and Impax should be included in the Medicaid rebate calculation pursuant to Medicaid rebate legislation, including the Deficit Reduction Act of 2005 (the "Medicaid rebate legislation"). As a result, more than one unit rebate amount ("URA") is calculable for the purposes of determining the Company's Medicaid rebate liability to the States after authorized generic launch. In the years to December 31, 2010 and 2009, the Company recorded its accrual for Medicaid rebates based on its best estimate of the rebate payable. This best estimate is consistent with (i) the Company's interpretation of the Medicaid rebate legislation, as amended in 2010 by the relevant provisions of the 2010 Affordable Care Act, (ii) the Company's repeated and consistent submission of price reporting to the Center for Medicare and Medicaid Services, ("CMS") using the Company's interpretation of the Medicaid rebate legislation, (iii) CMS calculating the URA based on that interpretation, (iv) States submitting Medicaid rebate invoices using this URA, and (v) Shire paying these invoices.

Shire believes that its interpretation of the Medicaid rebate legislation is reasonable and correct. In addition, the 2010 Affordable Care Act contained a provision, effective as of October 1, 2010, that provided further clarity, in a manner consistent with the Company's interpretation, as to how shipments of authorized generics should be included in Medicaid rebate calculations from October 1, 2010 forward.

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CMS has explicitly referred manufacturers with authorized generics to this new provision in making their branded rebate calculations, further supporting the Company's interpretation.

However, CMS could disagree with the Company's interpretation for determining Medicaid rebates payable for the period prior to October 1, 2010, require Shire to apply an alternative interpretation of the Medicaid rebate legislation and pay up to \$210 million above the recorded liability. For rebates in respect of 2009 prescriptions ("2009 rebates") this would represent a URA substantially in excess of the unit sales price of ADDERALL XR and accordingly in excess of the approximate amount of the full cost to the States of reimbursement for Medicaid prescriptions of ADDERALL XR. For rebates in respect of 2010 prescriptions, as a result of provisions in the 2010 Affordable Care Act, the URA would be limited to an amount approximating the unit sales price of ADDERALL XR.

Should CMS require Shire to apply an alternative interpretation of the Medicaid rebate legislation for the period prior to October 1, 2010, Shire could seek to limit any additional payment for 2009 rebates to a level approximating the full, un-rebated cost to the States of ADDERALL XR, or \$130 million above the recorded liability. Further, Shire believes it has a strong legal basis supporting its interpretation of the Medicaid rebate legislation, and that there would be a strong basis to initiate litigation to recover any amount paid in excess of the recorded liability. The result of any such litigation cannot be predicted and could result in additional rebate liability above Shire's current best estimate.

#### 15. Other current liabilities

	December 31, 2010 \$'M	December 31, 2009 \$'M
Income taxes payable	16.2	46.7
Value added taxes	9.9	10.3
Other accrued liabilities	23.5	31.0
	<u>49.6</u>	<u>88.0</u>

#### 16. Long-term debt

##### *Shire 2.75% Convertible Bonds due 2014*

On May 9, 2007 Shire issued \$1,100 million in principal amount of 2.75% convertible bonds due 2014 and convertible into fully paid ordinary shares of Shire plc (the "Bonds"). The net proceeds of issuing the Bonds, after deducting the commissions and other direct costs of issue, totaled \$1,081.7 million. In connection with the Scheme the Trust Deed was amended and restated in 2008 in order to provide that, following the substitution of Shire plc in place of Old Shire as the principal obligor and issuer of the Convertible Bonds, the Bonds would be convertible into ordinary shares of Shire plc.

The Bonds were issued at 100% of their principal amount, and unless previously purchased and cancelled, redeemed or converted, will be redeemed on May 9, 2014 (the "Final Maturity Date") at their principal amount.

The Bonds bear interest at 2.75% per annum, payable semi-annually in arrears on November 9 and May 9. The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, and rank pari passu and ratably, without any preference amongst themselves, and equally with all other existing and future unsecured and unsubordinated obligations of the Company.

The Bonds may be redeemed at the option of the Company, at their principal amount together with accrued and unpaid interest if: (i) at any time after May 23, 2012 if on no less than 20 dealing days in any period of 30 consecutive dealing days the value of Shire's ordinary shares underlying each Bond in the principal amount of \$100,000 would exceed \$130,000; or (ii) at any time conversion rights have been exercised, and/or purchases and corresponding cancellations, and/or redemptions effected in respect of 85% or more in principal amount of Bonds originally issued. The Bonds may also be redeemed at the option of the Bond holder at their principal amount including accrued but unpaid interest on May 9, 2012 (the "Put Option"), or following the occurrence of a change of control of Shire. The Bonds are repayable in US dollars, but also contain provisions entitling the Company to settle redemption amounts in Pounds sterling, or in the case of the Final Maturity Date and following exercise of the Put Option, by delivery of the underlying ordinary shares and a cash top-up amount.

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The Bonds are convertible into ordinary shares during the conversion period, being the period from June 18, 2007 until the earlier of: (i) the close of business on the date falling fourteen days prior to the Final Maturity Date; (ii) if the Bonds have been called for redemption by the Company, the close of business fourteen days before the date fixed for redemption; (iii) the close of business on the day prior to a Bond holder giving notice of redemption in accordance with the conditions; and (iv) the giving of notice by the trustee that the Bonds are accelerated by reason of the occurrence of an event of default.

Upon conversion, the Bond holder is entitled to receive ordinary shares at the conversion price of \$33.17 per ordinary share, (subject to adjustment as outlined below).

The conversion price is subject to adjustment in respect of (i) any dividend or distribution by the Company, (ii) a change of control and (iii) customary anti-dilution adjustments for, inter alia, share consolidations, share splits, spin-off events, rights issues, bonus issues and reorganizations. The initial conversion price of \$33.5879 was adjusted to \$33.17 with effect from March 11, 2009 as a result of cumulative dividend payments during the period from October 2007 to April 2009 inclusive. The ordinary shares issued on conversion will be delivered credited as fully paid, and will rank pari passu in all respects with all fully paid ordinary shares in issue on the relevant conversion date.

#### *Revolving Credit Facilities Agreement*

On November 23, 2010 the Company entered into a committed multicurrency revolving and swingline facilities agreement with a number of financial institutions, for which Abbey National Treasury Services Plc (trading as Santander Global Banking and Markets), Bank of America Securities Limited, Barclays Capital, Citigroup Global Markets Limited, Lloyds TSB Bank plc and The Royal Bank of Scotland plc acted as mandated lead arrangers and bookrunners (the "new RCF"). The new RCF is for an aggregate amount of \$1,200 million and cancelled the Company's existing committed revolving credit facility (the "old RCF"). The new RCF, which includes a \$250 million swingline facility, may be used for general corporate purposes and matures on November 23, 2015.

The interest rate on each loan drawn under the new RCF for each interest period is the percentage rate per annum which is the aggregate of the applicable margin (ranging from 0.90 to 2.25 per cent per annum) and LIBOR for the applicable currency and interest period. Shire also pays a commitment fee on undrawn amounts at 35 per cent per annum of the applicable margin.

Under the new RCF it is required that (i) Shire's ratio of Net Debt to EBITDA (as defined within the new RCF agreement) does not exceed 3.5 to 1 for either the 12 month period ending December 31 or June 30 unless Shire has exercised its option (which is subject to certain conditions) to increase it to 4.0 to 1 for two consecutive testing dates; (ii) the ratio of EBITDA to Net Interest (as defined in the new RCF agreement) must not be less than 4.0 to 1, for either the 12 month period ending December 31 or June 30, and (iii) additional limitations on the creation of liens, disposal of assets, incurrence of indebtedness, making of loans, giving of guarantees and granting security over assets.

On entering into the new RCF agreement the Company paid arrangement costs of \$8.0 million, which have been recorded as deferred charges and amortized from the fourth quarter of 2010 over the contractual term of the new RCF.

The availability of loans under the new RCF is subject to customary conditions.

#### **17. Other long-term debt**

During 2007 and 2009 Shire entered into certain multi-year leases for its HGT business unit at North Reading and Lexington, Massachusetts. For some of these leases Shire was considered the in substance owner of the related properties over their construction period and as a result Shire recorded assets (being the fair value of the building element at inception of the relevant lease) within property, plant and equipment and the corresponding building financing obligations were recorded within other long term debt. The land element of these leases was accounted for as an operating lease.

In the year to December 31, 2009, on entering into certain of these leases Shire extended the term of the existing leases at Lexington Technology Park. This lease extension was accounted for as a substantial modification of the existing building finance obligation, whereby the existing liability was derecognized and a building financing obligation based on the fair value of the liability under the revised lease terms recorded in its place. The substantial modification resulted in a non-cash gain of \$5.7 million in the year to December 31, 2009 which was recorded to other income/(expense), net.

On June 30, 2010, as outlined in Note 11, Shire completed the purchase of certain properties on the Lexington Technology Park campus, including the properties held under building finance obligations. Accordingly Shire applied \$43.1 million of the purchase price for the Lexington campus to extinguish the existing building finance obligations, recognizing a loss of \$3.6 million within other income/(expense), net in the year to December 31, 2010.

[Table of Contents](#)**18. Other non-current liabilities**

	December 31, 2010 \$'M	December 31, 2009 \$'M
Income taxes payable	130.0	170.4
Deferred revenue	14.1	20.0
Deferred rent	12.8	14.5
Insurance provisions	13.5	18.3
Other accrued liabilities	12.5	23.9
	<u>182.9</u>	<u>247.1</u>

**19. Commitments and contingencies****(a) Leases**

Future minimum lease payments under operating leases at December 31, 2010 are presented below:

	Operating leases \$'M
2011	34.2
2012	21.9
2013	19.8
2014	19.0
2015	16.3
Thereafter	39.0
	<u>150.2</u>

The Company leases land, facilities, motor vehicles and certain equipment under operating leases expiring through 2019. Lease and rental expense amounted to \$33.3 million, \$35.5 million and \$32.6 million for the years to December 31, 2010, 2009 and 2008 respectively, which is predominately included in SG&A expenses in the consolidated statements of income.

**(b) Letters of credit and guarantees**

At December 31, 2010 the Company had irrevocable standby letters of credit and guarantees with various banks totaling \$24.3 million, providing security for the Company's performance of various obligations. These obligations are primarily in respect of the recoverability of insurance claims, lease obligations and supply commitments. The Company has restricted cash of \$9.2 million, as required by these letters of credit.

**(c) Collaborative arrangements**

Details of significant collaborative arrangements are included below:

*In-licensing arrangements*

- (i) Collaboration with Acceleron Pharma Inc. ("Acceleron") for activin receptor type IIB ("ActRIIB") class of molecules

On September 9, 2010 Shire announced that it had expanded its HGT pipeline by acquiring an exclusive license in markets outside of North America for the ActRIIB class of molecules being developed by Acceleron. The collaboration will initially focus on further developing HGT-4510 (also called ACE-031), the lead ActRIIB drug candidate, which is in development for the treatment of patients with Duchenne muscular dystrophy ("DMD").

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The Phase 2a trial is on hold and clinical safety is under review. HGT-4510 and the other ActRIIB class of molecules have the potential to be used in other muscular and neuromuscular disorders with high unmet medical need.

In the year to December 31, 2010 Shire made an upfront payment of \$45 million to Acceleron which has been expensed to R&D. Shire will pay Acceleron up to a further \$165 million, subject to certain development, regulatory and sales milestones being met for HGT-4510 in DMD, up to an additional \$288 million for successful commercialization of other indications and molecules, and royalties on product sales.

Shire and Acceleron will conduct the collaboration through a joint steering committee, with subcommittees including a joint manufacture committee, and a joint patent committee to monitor the development of HGT-4510 and other compounds.

(ii) Research Collaboration with Santaris Pharma A/S ("Santaris") on Locked Nucleic Acid ("LNA") Drug Platform

On August 24, 2009 Shire announced that it had entered into a research collaboration with Santaris, to develop its proprietary LNA technology in a range of rare diseases. LNA technology has the benefit of shortened target validation and proof of concept, potentially increasing the speed and lowering the cost of development. As part of the joint research project Santaris will design, develop and deliver pre-clinical LNA oligonucleotides for Shire-selected orphan disease targets, and Shire will have the exclusive right to further develop and commercialize these candidate compounds on a worldwide basis.

In the year to December 31, 2009 Shire made an upfront payment to Santaris of \$6.5 million, for technology access and R&D funding, which was expensed to R&D.

In the year to December 31, 2010 Shire paid success milestones of \$3.0 million to Santaris, expensed to R&D. Shire has remaining obligations to pay Santaris \$10.5 million subject to certain success criteria, and development and sales milestones up to a maximum of \$72 million for each indication. Shire will also pay single or double digit tiered royalties on net sales of the product.

Shire and Santaris have formed a joint research committee to monitor R&D activities through preclinical lead candidate selection at which point all development and commercialization costs will be the responsibility of Shire.

(iii) JUVISTA

On June 19, 2007 Shire signed an agreement with Renovo Limited ("Renovo") to develop and commercialize JUVISTA, Renovo's novel drug candidate being investigated for the reduction of scarring in connection with surgery, outside of the EU. On March 1, 2010 the license agreement was revised.

In the revised license agreement, the rights to sell JUVISTA in all territories outside the US, Mexico and Canada were returned to Renovo. Milestone and royalty obligations remain unchanged from the original agreement except that Shire will pay Renovo an additional \$5 million milestone if Shire elects to commence a clinical trial following Shire's review of the clinical trial report from Renovo's first EU Phase 3 clinical trial. On February 11, 2011, Renovo announced its Phase 3 trial for JUVISTA in scar revision surgery did not meet its primary or secondary endpoints. Shire is currently considering the trial data and whether to exercise its rights to terminate the license agreement.

Shire has remaining obligations to pay Renovo \$25 million on the filing of JUVISTA with the FDA; up to \$150 million on FDA approval; royalties on net sales of JUVISTA; and up to \$525 million on the achievement of very significant sales targets. Under the revised agreement, each party is responsible for its own development costs but future development costs can be shared by agreement. Each party has free-of-charge access to the other party's data to support regulatory filings in their respective territories. In the year to December 31, 2010 Shire made a payment to Renovo of \$3.2 million (2009: \$3.9 million, 2008: \$7.4 million), being the final payment under the terms of the original license agreement, which has been charged by Shire to R&D.

*Out-licensing arrangements*

Shire has entered into various collaborative arrangements under which the Company has out-licensed certain product or intellectual property rights for consideration such as up-front payments, development milestones, sales milestones and/or royalty payments. In certain of these arrangements Shire and the licensee are both actively involved in the development and commercialization of the licensed product and have exposure to risks and rewards dependent on its commercial success. In the year to December 31, 2010 Shire received milestone payments totaling \$nil (2009: \$4.0 million; 2008: \$9.0 million). In the year to December 31, 2010 Shire recognized milestone income of \$8.4 million (2009: \$8.8 million; 2008: \$4.2 million) within other revenues and \$51.1 million (2009: \$29.4 million; 2008: \$24.3 million) within product sales for shipment of product to the relevant licensee.

*Co-promotion agreements - VYVANSE*

In the year to December 31, 2010, Shire terminated its co-promotion agreement for VYVANSE with GSK. Under the terms of the agreement, no termination payment or any other payments were made or are due to GSK since agreed-upon sales thresholds were not achieved. The Company does not believe that the termination of the co-promotion agreement will impact the future performance of VYVANSE in the United States. Following Shire's termination, GSK filed a lawsuit against Shire in the Philadelphia Court of Common Pleas relating to the co-promotion agreement. GSK is seeking compensation despite the failure to achieve the required sales thresholds. Shire believes that the lawsuit is frivolous and without merit, and Shire will vigorously defend itself.

**(d) Commitments****(i) Clinical testing**

At December 31, 2010 the Company had committed to pay approximately \$156.2 million (December 31, 2009: \$183.9 million) to contract vendors for administering and executing clinical trials. The timing of these payments is dependent upon actual services performed by the organizations as determined by patient enrollment levels and related activities.

**(ii) Contract manufacturing**

At December 31, 2010 the Company had committed to pay approximately \$108.6 million (December 31, 2009: \$152.3 million) in respect of contract manufacturing. The Company expects to pay \$58.6 million of these commitments in 2011.

**(iii) Other purchasing commitments**

At December 31, 2010 the Company had committed to pay approximately \$104.1 million (December 31, 2009: \$22.9 million) for future purchases of goods and services, predominantly relating to active pharmaceutical ingredients sourcing. The Company expects to pay \$98.4 million of these commitments in 2011.

**(iv) Investment commitments**

At December 31, 2010 the Company had outstanding commitments to subscribe for interests in companies and partnerships for amounts totaling \$5.7 million (December 31, 2009: \$5.4 million) which may all be payable in 2011, depending on the timing of capital calls.

**(v) Capital commitments**

At December 31, 2010 the Company had committed to spend \$76.0 million (December 31, 2009: \$41.4 million) on capital projects. This includes commitments for the expansion and modification of its offices and manufacturing facilities at the HGT campus in Lexington, Massachusetts.

**(e) Legal and other proceedings***General*

The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. Where the estimated loss lies within a range the Company records a loss contingency provision based on its best estimate of the probable loss. Where no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. These estimates are often developed substantially before the ultimate loss is known, so estimates are refined each accounting period, as additional information becomes known. In instances where the Company is unable to develop a reasonable estimate of loss, no litigation loss is recorded at that time. As information becomes known a loss provision is set up when a reasonable estimate can be made. The estimates are reviewed quarterly and the estimates are changed when expectations are revised. Any outcome upon settlement that deviates from the Company's estimate may result in an additional expense or release in a future accounting period. At December 31, 2010 provisions for litigation losses, insurance claims and other disputes totaled \$33.8 million (December 31, 2009: \$20.1 million).

[Table of Contents](#)*Specific**VYVANSE*

On February 24, 2009 Actavis Elizabeth LLC brought a lawsuit in the US District Court for the District of Columbia (the "District Court") against the FDA seeking to overturn the FDA's decision granting new chemical entity exclusivity to VYVANSE. Shire intervened in the lawsuit. On October 23, 2009, following a period for public comment, the FDA issued a letter setting forth its analysis of the legal and regulatory issues and reaffirming its decision that VYVANSE is entitled to new chemical entity exclusivity. A hearing on cross-motions for summary judgment was held on February 17, 2010. On March 4, 2010 the District Court upheld the FDA's decision that VYVANSE is entitled to 5-year market exclusivity and confirmed that the FDA's actions complied with federal administrative law standards as a reasonable exercise of the agency's scientific expertise. Actavis Elizabeth LLC appealed the District Court's ruling to the US Court of Appeals for the District of Columbia Circuit. On November 9, 2010 the US Court of Appeals for the District of Columbia circuit affirmed the rulings of the District Court and the FDA to grant 5-year new chemical entity exclusivity to VYVANSE.

*INTUNIV*

In March and April, 2010 Shire was notified that three separate ANDAs were submitted under the Hatch-Waxman Act seeking permission to market generic versions of 1mg, 2mg, 3mg, and 4mg strengths of INTUNIV. The notices were from Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries, Ltd (collectively, "Teva"); Actavis Elizabeth LLC and Actavis Inc. (collectively, "Actavis"); and Anchen Pharmaceuticals, Inc. and Anchen, Inc. (collectively, "Anchen"). Within the requisite 45 day period, Shire filed lawsuits in the US District Court of the District of Delaware against each of Teva, Actavis and Anchen for infringement of certain of Shire's INTUNIV patents. The filing of the lawsuits triggered a stay of approval of these ANDAs for up to 30 months. A Markman hearing is scheduled to occur on May 27, 2011. No trial date has been set.

On October 25, 2010 Shire received a Paragraph IV Notice Letter from Watson Pharmaceuticals, Inc. advising of the filing of an ANDA for a generic version of the 4mg strength of INTUNIV. On October 29, 2010 Shire received a Paragraph IV Notice Letter from Impax Laboratories, Inc. advising of the filing of an ANDA for a generic version of the 4mg strength of INTUNIV. Shire was subsequently advised that Impax amended its ANDA to include the 1mg, 2mg and 3mg strengths of INTUNIV. Within the requisite 45 day period, Shire filed a lawsuit in the US District Court of the Northern District of California against each of Watson Pharmaceuticals, Inc., Watson Laboratories, Inc.-Florida, Watson Pharma, Inc., ANDA, Inc. and Impax Laboratories, Inc. for infringement of certain of Shire's INTUNIV patents. The filing of the lawsuits triggered a stay of approval of these ANDAs for up to 30 months. No trial date has been set.

On February 9, 2011 Shire received a Paragraph IV Notice Letter from Mylan Pharmaceuticals, Inc. ("Mylan") advising of the filing of an ANDA for a generic version of the 4mg strength of INTUNIV. Shire is currently reviewing the details of Mylan's Paragraph IV Notice Letter which was directed to two of the three Orange Book listed patents for INTUNIV.

*REPLAGAL*

Mt. Sinai School of Medicine of New York University ("Mt. Sinai") initiated lawsuits against Shire in Sweden on April 14, 2010 and in Germany on April 20, 2010 alleging that Shire's ERT for Fabry disease, REPLAGAL, infringes Mt. Sinai's European Patent No. 1 942 189, granted April 14, 2010. Mt. Sinai is seeking an injunction against the use of REPLAGAL in these jurisdictions until expiration of the patent. Mt. Sinai has been granted a Supplementary Protection Certificate in respect of the patent which extends the patent until August 2016.

On January 18, 2011, the German Court found that REPLAGAL infringes Mt. Sinai's patent, and granted their request for an injunction. Shire will appeal this decision. As a result of the supply shortage for the only other ERT for Fabry Disease, Mt. Sinai has undertaken not to enforce the injunction in Germany prior to September 30, 2011 at the earliest. There have been no substantive proceedings in the Swedish case to date. Shire will continue to defend its right to commercialize REPLAGAL in these countries and will vigorously oppose the validity of this patent. Shire filed an opposition against Mt. Sinai's patent before the European Patent Office on July 23, 2010, and commenced an invalidation proceeding in the UK on December 8, 2010. Mt. Sinai has counterclaimed alleging infringement in the UK proceedings.

*FOSRENOL*

In February 2009 Shire was notified that three separate Abbreviated New Drug Applications ("ANDAs") were submitted under the Hatch-Waxman Act seeking permission to market generic versions of 500mg, 750mg and 1,000mg strengths of FOSRENOL.

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The notices were received from Barr; Mylan, Inc., Mylan Pharmaceuticals, Inc. and Matrix Laboratories, Inc. (collectively, "Mylan"); and Natco Pharma Limited ("Natco"). Within the requisite 45 day period, Shire filed lawsuits in the US District Court of the Southern District of New York against each of Barr, Mylan and Natco for infringement of certain of Shire's FOSRENOL patents. The filing of the lawsuits triggered a stay of approval of these ANDAs for up to 30 months. The lawsuits have been consolidated into a single case. A Markman hearing was held on June 17, 2010. No trial date has been set.

**LIALDA/MEZAVANT**

In May 2010 Shire was notified that an ANDA was submitted under the Hatch-Waxman Act seeking permission to market a generic version of LIALDA. The notice was received from Zydus Pharmaceuticals USA, Inc. ("Zydus"). Within the requisite 45 day period, Shire filed a lawsuit in the US District Court of the District of Delaware against Zydus and Cadila Healthcare Limited, doing business as Zydus Cadila. The filing of the lawsuits triggered a stay of approval of the ANDA for up to 30 months. No trial date has been set.

**ADDERALL XR**

On November 1, 2010 Impax filed suit against Shire claiming that Shire is in breach of its supply contract for the authorized generic version of ADDERALL XR. Shire has been supplying Impax with authorized generic ADDERALL XR since October 1, 2009. Shire's ability to supply this product, however, is limited by quota restrictions that the US Drug Enforcement Administration places on amphetamine, which is the product's active ingredient. Impax is seeking specific performance, equitable relief and unspecified damages. Shire will defend the action.

**Subpoena related to ADDERALL XR, DAYTRANA and VYVANSE**

On September 23, 2009 the Company received a subpoena from the US Department of Health and Human Services Office of Inspector General in coordination with the US Attorney for the Eastern District of Pennsylvania seeking production of documents related to the sales and marketing of ADDERALL XR, DAYTRANA and VYVANSE. The Company is cooperating with this investigation.

**20. Derivative instruments****Treasury policies and organization**

The Company's principal treasury operations are coordinated by its corporate treasury function. All treasury operations are conducted within a framework of policies and procedures approved annually by the Board. As a matter of policy, the Company does not undertake speculative transactions that would increase its currency or interest rate exposure.

**Interest rate risk**

The Company is exposed to interest rate risk on restricted cash, cash and cash equivalents and on foreign exchange contracts on which interest is at floating rates. This exposure is primarily to US dollar, Pounds Sterling, Euro and Canadian dollar interest rates. As the Company maintains all of its cash and liquid investments and foreign exchange contracts on a short term basis for liquidity purposes, this risk is not actively managed. In the year to December 31, 2010 the average interest rate received on cash and cash equivalents was less than 1% per annum. The largest proportion of these cash and cash equivalents was in US dollar money market and liquidity funds.

The Company incurs interest at a fixed rate of 2.75% on the Bonds due 2014. The building financing obligation of \$8.4 million is also subject to a fixed interest rate over the lease term on the amount outstanding.

During the year to December 31, 2010 the Company did not enter into any derivative instruments to manage interest rate exposure. The Company continues to review its interest rate risk and the policies in place to manage the risk.

**Market risk of investments**

At December 31, 2010 the Company had investment of \$101.6 million, comprising available-for-sale investments in publicly quoted companies (\$83.9 million), equity method investments (\$11.8 million) and cost method investments in private companies (\$5.9 million). The investments in publicly quoted companies and equity method investments, for certain investment funds which contain a mixed portfolio of public and private investments, are exposed to market risk. No financial instruments or derivatives have been employed to hedge this risk.

[Table of Contents](#)**Credit risk**

Financial instruments that potentially expose Shire to concentrations of credit risk consist primarily of short-term cash investments, trade accounts receivable (from product sales and royalty receipts) and derivative contracts. Cash is invested in short-term money market instruments, including money market and liquidity funds and bank term deposits. The money market and liquidity funds in which Shire invests are all triple A rated by both Standard & Poor's and by Moody's credit rating agencies.

The Company is exposed to the credit risk of the counterparties with which it enters into derivative contracts. The Company aims to limit this exposure through a system of internal credit limits which require counterparties to have a long term credit rating of A / A2 or better from the major rating agencies. The internal credit limits are approved by the Board and exposure against these limits is monitored by the corporate treasury function. The counterparties to the derivative contracts are major international financial institutions.

The Company's revenues from product sales are mainly governed by agreements with major pharmaceutical wholesalers and relationships with other pharmaceutical distributors and retail pharmacy chains. For the year to December 31, 2010 there were two customers in the US who accounted for 44% of the Company's product sales. However, such customers typically have significant cash resources and as such the risk from concentration of credit is considered minimal. The Company has taken positive steps to manage any credit risk associated with these transactions and operates clearly defined credit evaluation procedures.

**Foreign exchange risk**

The Company trades in numerous countries and as a consequence has transactional and translational foreign exchange exposure.

Transactional exposure arises where transactions occur in currencies different to the functional currency of the relevant subsidiary. The main trading currencies of the Company are the US dollar, the Canadian dollar, Pounds Sterling and the Euro. It is the Company's policy that these exposures are minimized to the extent practicable by denominating transactions in the subsidiary's functional currency.

Where significant exposures remain, the Company uses foreign exchange contracts (being spot, forward and swap contracts) to manage the exposure for balance sheet assets and liabilities that are denominated in currencies different to the functional currency of the relevant subsidiary. These assets and liabilities relate predominantly to intercompany financing and accruals for royalty receipts. The foreign exchange contracts have not been designated as hedging instruments.

Translational foreign exchange exposure arises on the translation into US dollars of the financial statements of non-US dollar functional subsidiaries.

At December 31, 2010 the Company had 31 swap and forward foreign exchange contracts outstanding to manage currency risk. The swaps and forward contracts mature within 90 days. The Company did not have credit risk related contingent features or collateral linked to the derivatives. These foreign exchange contracts were classified in the consolidated balance sheet as follows:

		Fair value December 31, 2010 \$'M	Fair value December 31, 2009 \$'M
Assets	Prepaid expenses and other current assets	3.7	5.4
Liabilities	Other current liabilities	2.7	1.2

Net losses (both realized and unrealized) arising on foreign exchange contracts have been classified in the consolidated statements of income as follows:

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Year to	Location of net gain/(loss) recognized in income	Amount of net gain/(loss) recognized in income	
		December 31, 2010 \$'M	December 31, 2009 \$'M
Foreign exchange contracts	Other income/(expense), net	24.8	(1.4)

These net foreign exchange gains/(losses) are offset within other income/(expense), net by net foreign exchange (losses)/gains arising on the balance sheet items that these contracts were put in place to manage.

## 21. Fair value measurement

Assets and liabilities that are measured at fair value on a recurring basis

At December 31, 2010 and 2009 the following financial assets and liabilities are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

At December 31, 2010	Carrying value	Total \$'M	Fair value		
	\$'M		Level 1 \$'M	Level 2 \$'M	Level 3 \$'M
Financial assets:					
Available-for-sale securities <sup>(1)</sup>	83.9	83.9	83.9	-	-
Contingent consideration receivable <sup>(2)</sup>	61.0	61.0	-	-	61.0
Foreign exchange contracts	3.7	3.7	-	3.7	-
Financial liabilities:					
Foreign exchange contracts	2.7	2.7	-	2.7	-
At December 31, 2009	Carrying value	Total \$'M	Fair value		
	\$'M		Level 1 \$'M	Level 2 \$'M	Level 3 \$'M
Financial assets:					
Available-for-sale securities <sup>(1)</sup>	87.0	87.0	87.0	-	-
Foreign exchange contracts	5.4	5.4	-	5.4	-
Financial liabilities:					
Foreign exchange contracts	1.2	1.2	-	1.2	-

(1) Available-for-sale securities are included within Investments in the consolidated balance sheet.

(2) Contingent consideration receivable is included within Prepaid expenses and other current assets and Other non-current assets in the consolidated balance sheet.

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Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown above are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company's intent or ability to dispose of the financial instrument.

The following methods and assumptions were used to estimate the fair value of each material class of financial instrument:

- Available-for-sale securities – the fair values of available-for-sale securities are estimated based on quoted market prices for those investments.
- Contingent consideration receivable – the fair value of the contingent consideration receivable has been estimated using the income approach (using a discounted cash flow method). This discounted cash flow approach uses significant unobservable inputs, such as future sales of the divested product, relevant contractual royalty rates, an appropriate discount rate and assumed weightings applied to potential scenarios in deriving a probability weighted fair value.
- Foreign exchange contracts – the fair values of the swap and forward foreign exchange contracts have been determined using an income approach based on current market expectations about the future cash flows.

*Assets and liabilities that have been measured at fair value on a non-recurring basis (after initial recognition)*

As outlined in Note 17, the building financing obligation for leased property in Lexington, Massachusetts was substantially modified in the year to December 31, 2009 by extension of the term of the relevant underlying lease on July 31, 2009. The existing liability of \$45.1 million was derecognized, and a building financing obligation of \$39.4 million was recorded, such liability measured using the fair value of the liability under the revised terms. This extension of the term of the building finance obligation was treated as a substantial modification resulting in a gain of \$5.7 million, which has been recorded within Other income/(expense), net in the year to December 31, 2009.

The fair value of the building financing obligation was estimated based on the present value of the contractual cash flows under the revised lease and the estimated residual value of the property at the end of the lease term, such payments being discounted at a risk-free interest rate adjusted for Shire's credit risk. The fair value measurement falls within Level 3 of the fair value hierarchy because the estimate of Shire's credit risk was based on a significant unobservable input.

	Fair Value at Measurement Date			
	Total \$'M	Level 1 \$'M	Level 2 \$'M	Level 3 \$'M
Building financing obligation	39.4	-	-	39.4

*Financial assets and liabilities that are not measured at fair value on a recurring basis*

The carrying amounts and estimated fair values as at December 31, 2010 and 2009 of the Company's financial assets and liabilities which are not measured at fair value on a recurring basis are as follows:

	December 31, 2010		December 31, 2009	
	Carrying amount \$'M	Fair value \$'M	Carrying amount \$'M	Fair value \$'M
Financial liabilities:				
Convertible bonds	1,100.0	1,139.8	1,100.0	1,067.0
Building financing obligation	8.4	8.2	46.7	47.3

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Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown above are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company's intent or ability to dispose of the financial instrument.

The following methods and assumptions were used to estimate the fair value of each material class of financial instrument:

- Convertible bonds – the fair value of Shire's \$1,100 million 2.75% convertible bonds due 2014 is determined by reference to the market price of the instrument as the convertible bonds are publicly traded.
- Building finance obligations - the fair value of building finance obligations are estimated based on the present value of future cash flows, and an estimate of the residual value of the underlying property at the end of the lease term, associated with these obligations.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses approximate to fair value because of the short-term maturity of these amounts.

## 22. Shareholders' equity

### Authorized common stock

The authorized stock of Shire plc as at December 31, 2010 was 1,000,000,000 ordinary shares and 2 subscriber ordinary shares.

### Dividends

Under Jersey law, Shire plc is entitled to make payments of dividends from its accumulated profits and other distributable reserves. At December 31, 2010 Shire plc's distributable reserves were approximately \$3.6 billion.

### Treasury stock

The Company records the purchase of its own shares by the ESOT as a reduction of shareholders' equity based on the price paid for the shares. At December 31, 2010, the ESOT held 4.4 million ordinary shares (2009: 5.8 million; 2008: 7.3 million) and 3.2 million ADSs (2009: 4.0 million; 2008: 4.5 million). During the year to December 31, 2010 a total of 0.02 million (2009: 0.1 million; 2008: 0.2 million) ordinary shares and 0.02 million (2009: 0.02 million; 2008: 2.8 million) ADSs had been purchased for total consideration of \$1.7 million (2009: \$1.0 million; 2008: \$146.6 million), including stamp duty and broker commission.

### Income Access Share Arrangements ("IAS Trust")

Shire has put into place income access arrangements which enable ordinary shareholders, other than ADS holders, to choose whether they receive their dividends from Shire, a company resident for tax purposes in the Republic of Ireland, or Shire Biopharmaceutical Holdings ("Old Shire"), from a Shire group company resident for tax purposes in the UK.

Old Shire has issued one income access share to the Income Access Trust (the "IAS Trust") which is held by the trustee of the IAS Trust (the "Trustee"). The mechanics of the arrangements are as follows:

- i) If a dividend is announced or declared by Shire plc on its ordinary shares, an amount is paid by Old Shire by way of a dividend on the income access share to the Trustee, and such amount is paid by the Trustee to ordinary shareholders who have elected (or are deemed to have elected) to receive dividends under these arrangements. The dividend which would otherwise be payable by Shire plc to its ordinary shareholders will be reduced by an amount equal to the amount paid to its ordinary shareholders by the Trustee.
- ii) If the dividend paid on the income access share and on-paid by the Trustee to ordinary shareholders is less than the total amount of the dividend announced or declared by Shire plc on its ordinary shares, Shire plc will be obliged to pay a dividend on the relevant ordinary shares equivalent to the amount of the shortfall. In such a case, any dividend paid on the ordinary shares will generally be subject to Irish withholding tax at the rate of 20% or such lower rate as may be applicable under exemptions from withholding tax contained in Irish law.
- iii) An ordinary shareholder is entitled to make an income access share election such that she/he will receive his/her dividends (which would otherwise be payable by Shire plc) under these arrangements from Old Shire.
- iv) An ordinary shareholder who holds 25,000 or fewer ordinary shares at the first record date after she/he first becomes an ordinary shareholder, and who does not make a contrary election, will be deemed to have made an election (pursuant to the Shire plc articles of association) such that she/he will receive his/her dividends under these arrangements from Old Shire.

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The ADS Depositary has made an election on behalf of all holders of ADSs such that they will receive dividends from Old Shire under the income access share arrangements. Dividends paid by Old Shire under the income access share arrangements will not, under current legislation, be subject to any UK or Irish withholding taxes. If a holder of ADSs does not wish to receive dividends from Old Shire under the income access share arrangements, she/he must withdraw his/her ordinary shares from the ADS program prior to the dividend record date set by the Depositary and request delivery of the Shire plc ordinary shares. This will enable him/her to receive dividends from Shire plc (if necessary, by making an election to that effect).

It is the expectation, although there can be no certainty, that Old Shire will distribute dividends on the income access share to the Trustee for the benefit of all ordinary shareholders who make (or are deemed to make) an income access share election in an amount equal to what would have been such ordinary shareholders' entitlement to dividends from Shire plc in the absence of the income access share election. If any dividend paid on the income access share and or paid to the ordinary shareholders is less than such ordinary shareholders' entitlement to dividends from Shire plc in the absence of the income access share election, the dividend on the income access share will be allocated pro rata among the ordinary shareholders and Shire plc will pay the balance to these ordinary shareholders by way of dividend. In such circumstances, there will be no grossing up by Shire plc in respect of, and Old Shire and Shire plc will not compensate those ordinary shareholders for, any adverse consequences including any Irish withholding tax consequences.

Shire will be able to suspend or terminate these arrangements at any time, in which case the full Shire plc dividend will be paid directly by Shire plc to those ordinary shareholders (including the Depositary) who have made (or are deemed to have made) an income access share election. In such circumstances, there will be no grossing up by Shire plc in respect of, and Old Shire and Shire plc will not compensate those ordinary shareholders for, any adverse consequences including any Irish withholding tax consequences.

In the year ended December 31, 2010 Old Shire paid dividends totaling \$58.3 million (2009: \$45.9 million; 2008: \$7.2 million) on the income access share to the Trustee in an amount equal to the dividend Shire ordinary shareholders would have received from Shire.

[Table of Contents](#)**23. Earnings per share**

The following table reconciles net income attributable to Shire plc and the weighted average ordinary shares outstanding for basic and diluted earnings per share for the periods presented:

Amounts attributable to Shire plc shareholders	<u>2010</u> <u>\$'M</u>	<u>2009</u> <u>\$'M</u>	<u>2008</u> <u>\$'M</u>
Income from continuing operations, net of taxes	588.0	503.8	170.0
Loss from discontinued operations	-	(12.4)	(17.6)
Net loss attributable to noncontrolling interest in subsidiaries	-	0.2	3.6
<b>Numerator for basic earnings per share</b>	<b>588.0</b>	<b>491.6</b>	<b>156.0</b>
Interest on convertible bonds, net of tax <sup>(1)</sup>	33.5	-	-
<b>Numerator for diluted earnings per share</b>	<b>621.5</b>	<b>491.6</b>	<b>156.0</b>
<b>Weighted average number of shares:</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>
Basic <sup>(2)</sup>	546.2	540.7	541.6
Effect of dilutive shares:			
Share based awards to employees <sup>(3)</sup>	10.9	7.3	3.8
Convertible bonds 2.75% due 2014 <sup>(4)</sup>	33.2	-	-
<b>Diluted</b>	<b>590.3</b>	<b>548.0</b>	<b>545.4</b>

(1) For the years to December 31, 2009 and 2008 interest on the convertible bond has not been added back as the effect would be anti-dilutive.

(2) Excludes shares purchased by the ESOT and presented by the Company as treasury stock.

(3) Calculated using the treasury stock method.

(4) Calculated using the 'if-converted' method.

<b>Year to December 31,</b>	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>
<b>Earnings per ordinary share - basic</b>			
Earnings from continuing operations attributable to Shire plc shareholders	107.7c	93.2c	32.1c
Loss from discontinued operations attributable to Shire plc shareholders	-	(2.3c)	(3.3c)
<b>Earnings per ordinary share attributable to Shire plc shareholders - basic</b>	<b>107.7c</b>	<b>90.9c</b>	<b>28.8c</b>

[Table of Contents](#)**Earnings per ordinary share - diluted**

Earnings from continuing operations attributable to Shire plc shareholders	105.3c	91.9c	31.8c
Loss from discontinued operations attributable to Shire plc shareholders	-	(2.2c)	(3.2c)
Earnings per ordinary share attributable to Shire plc shareholders – diluted	105.3c	89.7c	28.6c

The share equivalents not included in the calculation of the diluted weighted average number of shares are shown below:

	<b>2010</b> <sup>(1)</sup> <b>No. of shares</b> <b>Millions</b>	<b>2009</b> <sup>(1) (2)</sup> <b>No. of shares</b> <b>Millions</b>	<b>2008</b> <sup>(1) (2)</sup> <b>No. of shares</b> <b>Millions</b>
Share awards out of the money	5.4	16.4	17.3
Convertible bonds 2.75% due 2014	-	33.2	32.7

- (1) For the year to December 31, 2010, 2009 and 2008 certain stock options have been excluded from the calculation of diluted EPS because their exercise prices exceeded Shire plc's average share price during the calculation period.
- (2) For the year to December 31, 2009 and 2008 the ordinary shares underlying the convertible bonds have not been included in the calculation of the diluted weighted average number of shares, as the effect of their inclusion would be anti-dilutive.

[Table of Contents](#)**24. Segmental reporting**

Shire's internal financial reporting is in line with its business unit and management reporting structure and includes two segments: SP and HGT. The SP and HGT reportable segments represent the Company's revenues and costs for currently promoted and sold products, together with the costs of developing projects for future commercialization. 'All Other' has been included in the table below in order to reconcile the two operating segments to the total consolidated figures.

The Company evaluates performance based on revenue and operating income. The Company does not have inter-segment transactions. Assets that are directly attributable or allocable to the segments have been separately disclosed.

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2010	SP \$'M	HGT \$'M	All Other \$'M	Total \$'M
Product sales	2,219.2	909.0	-	3,128.2
Royalties	173.3	-	154.8	328.1
Other revenues	7.1	2.6	5.1	14.8
<b>Total revenues</b>	<b>2,399.6</b>	<b>911.6</b>	<b>159.9</b>	<b>3,471.1</b>
Cost of product sales <sup>(1)</sup>	332.1	129.3	2.0	463.4
Research and development <sup>(1)</sup>	348.9	312.2	0.4	661.5
Selling, general and administrative <sup>(1)</sup>	1,035.8	297.7	192.8	1,526.3
Gain on sale of product rights	(16.5)	-	-	(16.5)
Reorganization costs	13.0	-	21.3	34.3
Integration and acquisition costs	8.0	-	-	8.0
<b>Total operating expenses</b>	<b>1,721.3</b>	<b>739.2</b>	<b>216.5</b>	<b>2,677.0</b>
<b>Operating income/(loss)</b>	<b>678.3</b>	<b>172.4</b>	<b>(56.6)</b>	<b>794.1</b>
Total assets	2,483.5	1,786.9	1,117.2	5,387.6
Long-lived assets <sup>(2)</sup>	154.7	655.4	47.3	857.4
Capital expenditure on long-lived assets <sup>(2)</sup>	21.8	281.1	12.9	315.8

(1) Depreciation from manufacturing plants (\$38.1 million) and amortization of favorable manufacturing contracts (\$1.7 million) is included in Cost of product sales; depreciation of research and development assets (\$19.0 million) is included in Research and development; and all other depreciation, amortization and impairment charges (\$238.3 million) is included in Selling, general and administrative.

(2) Long-lived assets comprise all non-current assets (excluding goodwill and other intangible assets, deferred contingent consideration assets, deferred tax assets, investments, income tax receivable and financial instruments).

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<b>2009</b>	<b>SP</b> <b>\$'M</b>	<b>HGT</b> <b>\$'M</b>	<b>All Other</b> <b>\$'M</b>	<b>Total</b> <b>\$'M</b>
Product sales	2,138.2	555.5	-	2,693.7
Royalties	127.2	-	165.3	292.5
Other revenues	9.9	2.6	9.0	21.5
<b>Total revenues</b>	<b>2,275.3</b>	<b>558.1</b>	<b>174.3</b>	<b>3,007.7</b>
Cost of product sales <sup>(1)</sup>	299.3	88.7	-	388.0
Research and development <sup>(1)</sup>	375.0	257.2	6.1	638.3
Selling, general and administrative <sup>(1)</sup>	954.4	208.7	179.5	1,342.6
Gain on sale of product rights	(6.3)	-	-	(6.3)
IPR&D charge	-	1.6	-	1.6
Reorganization costs	12.7	-	-	12.7
Integration and acquisition costs	2.9	7.7	-	10.6
<b>Total operating expenses</b>	<b>1,638.0</b>	<b>563.9</b>	<b>185.6</b>	<b>2,387.5</b>
Operating income/(loss)	637.3	(5.8)	(11.3)	620.2
<b>Total assets</b>	<b>2,067.1</b>	<b>1,576.1</b>	<b>974.3</b>	<b>4,617.5</b>
Long-lived assets <sup>(2)</sup>	202.6	422.4	55.6	680.6
Capital expenditure on long-lived assets <sup>(2)</sup>	46.9	194.4	18.0	259.3

- (1) Depreciation from manufacturing plants (\$21.8 million) and amortization of favorable manufacturing contracts (\$1.7 million) is included in Cost of product sales; depreciation of research and development assets (\$15.5 million) is included in Research and development; and all other depreciation and amortization (\$204.7 million) is included in Selling, general and administrative.
- (2) Long-lived assets comprise all non-current assets, (excluding goodwill and other intangible assets, deferred tax assets, investments, income tax receivable and financial instruments).

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<b>2008</b>	<b>SP \$'M</b>	<b>HGT \$'M</b>	<b>All Other \$'M</b>	<b>Total \$'M</b>
Product sales	2,272.5	481.7	-	2,754.2
Royalties	1.5	-	244.0	245.5
Other revenues	8.2	4.0	10.3	22.5
<b>Total revenues</b>	<b>2,282.2</b>	<b>485.7</b>	<b>254.3</b>	<b>3,022.2</b>
Cost of product sales <sup>(1)</sup>	329.0	58.9	20.1	408.0
Research and development <sup>(1)</sup>	288.0	200.3	6.0	494.3
Selling, general and administrative <sup>(1)</sup>	1,118.5	172.7	164.0	1,455.2
In-process R&D charge	-	263.1	-	263.1
Gain on sale of product rights	(20.7)	-	-	(20.7)
Integration and acquisition costs	-	-	10.3	10.3
<b>Total operating expenses</b>	<b>1,714.8</b>	<b>695.0</b>	<b>200.4</b>	<b>2,610.2</b>
<b>Operating income/(loss)</b>	<b>567.4</b>	<b>(209.3)</b>	<b>53.9</b>	<b>412.0</b>
Total assets	2,161.2	1,107.7	664.8	3,933.7
Long-lived assets <sup>(2)</sup>	192.2	263.5	82.1	537.8
Capital expenditure on long-lived assets <sup>(2)</sup>	54.1	169.5	30.6	254.2

(1) Depreciation from manufacturing plants (\$16.2 million) and amortization of favorable manufacturing contracts (\$1.7 million) is included in Cost of product sales; depreciation of research and development assets (\$12.5 million) is included in Research and development; and all other depreciation, amortization and intangible asset impairment charges (\$271.9 million) are included in Selling, general and administrative.

(2) Long-lived assets comprise all non-current assets, (excluding goodwill and other intangible assets, deferred tax assets, investments and financial instruments).

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Revenues (based on the geographic location from which the sale originated):

<b>Year to December 31,</b>	<b>2010</b> \$'M	<b>2009</b> \$'M	<b>2008</b> \$'M
Ireland	21.1	19.5	17.8
United Kingdom	203.9	163.9	160.0
North America	2,333.1	2,141.3	2,299.6
Rest of World	913.0	683.0	544.8
<b>Total revenues</b>	<b>3,471.1</b>	<b>3,007.7</b>	<b>3,022.2</b>

Long-lived assets comprise all non-current assets, (excluding goodwill and other intangible assets, deferred contingent consideration assets, deferred tax assets, investments and financial instruments) based on the geographic location within which the economic benefits arise:

<b>Year to December 31,</b>	<b>2010</b> \$'M	<b>2009</b> \$'M
Ireland	-	0.7
United Kingdom	70.9	79.5
North America	777.8	593.5
Rest of World	8.7	6.9
<b>Total</b>	<b>857.4</b>	<b>680.6</b>

**Material customers**

In the periods set out below, certain customers, all within the SP operating segment, accounted for greater than 10% of the Company's total revenues:

<b>Year to December 31,</b>	<b>2010</b> \$'M	<b>2010</b> % revenue	<b>2009</b> \$'M	<b>2009</b> % revenue	<b>2008</b> \$'M	<b>2008</b> % revenue
Cardinal Health Inc.	791.2	25	797.0	27	888.7	29
McKesson Corp.	574.3	19	576.3	19	674.3	22

Amounts outstanding as at December 31, in respect of these material customers were as follows:

<b>December 31,</b>	<b>2010</b> \$'M	<b>2009</b> \$'M
Cardinal Health Inc.	143.3	113.0
McKesson Corp.	93.0	82.9

[Table of Contents](#)**Revenue by product**

In the periods set out below, revenues by major product were as follows:

	2010 \$'M	2009 \$'M	2008 \$'M
<b>Specialty Pharmaceuticals</b>			
VYVANSE	634.2	504.7	318.9
ADDERALL XR	360.8	626.5	1,101.7
INTUNIV	165.9	5.4	-
DAYTRANA	49.4	71.0	78.7
EQUASYM	22.0	22.8	-
LIALDA / MEZAVANT	293.4	235.9	140.4
PENTASA	235.9	214.8	185.5
RESOLOR	0.3	-	-
FOSRENOL	182.1	184.4	155.4
XAGRID	87.3	84.8	78.7
CARBATROL	82.3	82.4	75.9
REMINYL/REMINYL XL	42.9	42.4	34.4
CALCICHEW	38.9	43.7	52.8
Other	23.8	19.4	50.1
	<u>2,219.2</u>	<u>2,138.2</u>	<u>2,272.5</u>
<b>Human Genetic Therapies</b>			
ELAPRASE	403.6	353.1	305.1
REPLAGAL	351.3	193.8	176.1
VPRIV	143.0	2.5	-
FIRAZYR	11.1	6.1	0.5
	<u>909.0</u>	<u>555.5</u>	<u>481.7</u>
	<u>3,128.2</u>	<u>2,693.7</u>	<u>2,754.2</u>

**25. Interest expense**

Interest expense for the years to December 31, 2010, 2009 and 2008 was \$35.1 million, \$39.8 million and \$139.0 million respectively. Interest expense in the years to December 31, 2010 and 2009 primarily includes interest on Shire's convertible bond of \$33.5 million (2009: \$33.3 million; 2008: \$33.3 million).

Interest expense for the year to December 31, 2008 included \$87.3 million (2010: \$nil and 2009: \$nil) in respect to the TKT appraisal rights litigation. On November 5, 2008 Shire successfully settled all aspects of this litigation with all parties. Shire paid the same price of \$37 per share originally offered to all TKT shareholders at the time of the July 2005 merger, plus interest. The Delaware Chancery Court approved dismissal of the case and Shire made payment to the dissenting shareholders on November 7, 2008. The settlement represented a total payment of \$567.5 million, representing consideration at \$37 per share of \$419.9 million and an interest cost of \$147.6 million.

Prior to reaching this settlement, the Company accrued interest based on a reasonable estimate of the amount that may be awarded by the Court to those former TKT shareholders who requested appraisal. This estimate of interest was based on Shire's cost of borrowing. Between the close of the merger and November 5, 2008 the Company applied this interest rate on a quarterly compounding basis to the \$419.9 million of consideration to calculate its provision for interest.

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Upon reaching agreement in principle with all the dissenting shareholders, the Company determined that settlement had become the probable manner through which the appraisal rights litigation would be resolved. Under current law, (although not applicable in this case because the merger was entered into before the relevant amendment to the law became effective) the court presumptively awarded interest in appraisal rights cases at a statutory rate that is 5 percentage points above the Federal Reserve discount rate (as it varies over the duration of the case). In connection with the settlement, the Company agreed to an interest rate that approximates to this statutory rate. Based on the settlement, the Company amended the method of determining its interest provision to reflect this revised manner of resolution and upon reaching settlement with the dissenting shareholders recorded an additional interest expense of \$73.0 million in its consolidated financial statements for the year to December 31, 2008.

**26. Other income/(expense), net**

Year to December 31,	2010 \$'M	2009 \$'M	2008 \$'M
Impairment of non-current investments (see Note 10)	(1.5)	(0.8)	(58.0)
Gain on sale of non-current investments (see Note 10)	11.1	55.2	9.4
Loss on extinguishment/gain on substantial modification of building finance obligation (see Note 17)	(3.6)	5.7	-
Other	1.9	0.6	15.7
	<u>7.9</u>	<u>60.7</u>	<u>(32.9)</u>

**27. Retirement benefits**

The Company makes contributions to defined contribution retirement plans that together cover substantially all employees. The level of the Company's contribution is fixed at a set percentage of employee's pay.

Company contributions to personal defined contribution pension plans totaled \$31.8 million, \$27.9 million and \$26.3 million for the years to December 31, 2010, 2009 and 2008, respectively, and were charged to operations as they became payable.

**28. Taxation**

The components of pre tax income from continuing operations are as follows:

Year to December 31,	2010 \$'M	2009 \$'M	2008 \$'M
Republic of Ireland	(170.0)	(232.3)	(83.5)
UK	35.4	62.8	39.2
US	745.5	552.2	238.7
IPR&D (in the Republic of Ireland and other jurisdictions)	-	(1.6)	(263.1)
Other jurisdictions	158.4	261.9	334.3
	<u>769.3</u>	<u>643.0</u>	<u>265.6</u>

The provision for income taxes by location of the taxing jurisdiction for the years to December 31, 2010, 2009 and 2008 consisted of the following:

[Table of Contents](#)**Year to December 31,**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>\$'M</b>	<b>\$'M</b>	<b>\$'M</b>
Current income taxes:			
US federal tax	176.4	154.3	12.0
US state and local taxes	6.6	14.4	6.4
UK corporation tax	-	-	0.3
Other	25.9	16.8	(10.8)
<b>Total current taxes</b>	<b>208.9</b>	<b>185.5</b>	<b>7.9</b>
Deferred taxes:			
Republic of Ireland	-	(1.0)	(1.3)
US federal tax	(6.0)	(24.5)	75.2
US state and local taxes	(9.8)	(32.2)	(17.2)
UK corporation tax	(0.1)	6.1	29.8
Other	(10.3)	4.6	3.6
<b>Total deferred taxes</b>	<b>(26.2)</b>	<b>(47.0)</b>	<b>90.1</b>
<b>Total income taxes<sup>(1)</sup></b>	<b>182.7</b>	<b>138.5</b>	<b>98.0</b>

<sup>(1)</sup> Total income taxes relate solely to continuing operations as there is no tax provision/(benefit) relating to discontinued operations for the years to December 31, 2010, 2009 or 2008.

The reconciliation of income from continuing operations before income taxes, noncontrolling interests and equity in earnings of equity method investees at the statutory tax rate to the provision for income taxes is shown in the table below:

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## Year to December 31,

	2010 \$'M	2009 \$'M	2008 \$'M
Income from continuing operations before income taxes and equity in earnings of equity method investees	769.3	643.0	265.6
Statutory tax rate <sup>(1)</sup>	25.0%	25.0%	25.0%
Adjustments to derive effective rate:			
Non-deductible items:			
IPR&D	-	-	12.1%
Other permanent differences:			
US R&D credit	(5.7%)	(5.2%)	(9.1%)
Effect of the convertible bond	1.8%	2.0%	(5.0%)
Intangible asset amortization <sup>(2)</sup>	-	0.1%	(6.5%)
Intra-group items <sup>(3)</sup>	(12.0%)	(11.8%)	6.2%
Other permanent items	0.8%	2.2%	1.4%
Other items:			
Change in valuation allowance	5.1%	1.3%	12.4%
Difference in taxation rates	11.0%	8.5%	3.1%
Change in provisions for uncertain tax positions	2.2%	2.3%	1.9%
Prior year adjustment	(4.2%)	(2.7%)	(9.2%)
Change in tax rates	-	1.9%	(0.2%)
Other	(0.2%)	(2.1%)	4.8%
Provision for income taxes on continuing operations	23.8%	21.5%	36.9%

(1) In addition to being subject to the Irish Corporation tax rate of 25%, in 2010 the Company is also subject to income tax in other territories in which the Company operates, including: Canada (19.5%); France (33.3%); Germany (15%); Italy (27.5%); Malta (35%); the Netherlands (25.5%); Belgium (33.99%); Spain (30%); Sweden (28%); Switzerland (8.5%); United Kingdom (28.0%) and the US (35%). The rates quoted represent the headline federal income tax rates in each territory, and do not include any state taxes or equivalents or surtaxes or other taxes charged in individual territories, and do not purport to represent the effective tax rate for the Company in each territory.

(2) The permanent difference results from tax deductible amortization available following inter-company asset transfers for which the recognition of a deferred tax asset is prohibited.

(3) Intra-group items principally relate to the effect of inter-company dividends, capital receipts (either taxable or non-taxable) and other intra-territory eliminations, the pre-tax effect of which has been eliminated in arriving at the Company's consolidated income from continuing operations before income taxes, noncontrolling interests and equity in earnings/(losses) of equity method investees.

*Provisions for uncertain tax positions*

The Company files income tax returns in the Republic of Ireland, the UK, the US (both federal and state) and various other jurisdictions (see footnote (1) to the table above for major jurisdictions). With few exceptions, the Company is no longer subject to income tax examinations by tax authorities for years before 1999. Tax authorities in various jurisdictions are in the process of auditing the Company's tax returns for fiscal periods from 1999; these tax audits cover a range of issues, including transfer pricing, potential restrictions on the utilization of net operating losses, potential taxation of overseas dividends and controlled foreign companies' rules.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

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	<u>2010</u> <u>\$'M</u>	<u>2009</u> <u>\$'M</u>	<u>2008</u> <u>\$'M</u>
Balance at January 1	254.0	228.7	292.2
Increases based on tax positions related to the current year	12.4	4.2	30.5
Decreases based on tax positions taken in the current year	(1.7)	(0.2)	-
Increases for tax positions taken in prior years	18.0	25.2	3.9
Decreases for tax positions taken in prior years	(3.2)	(19.4)	(17.4)
Decreases resulting from settlements with the taxing authorities	(6.5)	(16.1)	(16.6)
Decreases as a result of expiration of the statute of limitations	-	-	(13.8)
Foreign currency translation adjustments <sup>(1)</sup>	17.8	31.6	(50.1)
Balance at December 31 <sup>(2)</sup>	<u>290.8</u>	<u>254.0</u>	<u>228.7</u>

(1) Recognized within Other Comprehensive Income

(2) The full amount of which would affect the effective rate if recognized

The Company considers it reasonably possible that the total amount of unrecognized tax benefits recorded at December 31, 2010 could decrease by approximately \$6.5 million in the next twelve months as a result of the conclusion of audits currently being conducted by various tax authorities. While tax audits remain open, the Company also considers it reasonably possible that issues may be raised by tax authorities resulting in increases to the balance of unrecognized tax benefits, however an estimate of such an increase cannot be made.

The Company is required in certain tax jurisdictions to make advance deposits to tax authorities on receipt of a tax assessment. These payments have been offset against the income tax liability within the balance sheet but have not reduced the provision for unrecognized tax benefits.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits within income taxes. During the years ended December 31, 2010, 2009 and 2008, the Company recognized \$1.0 million, \$21.3 million and \$26.1 million in interest and penalties and the Company had a liability of \$110.5 million and \$111.5 million for the payment of interest and penalties accrued at December 31, 2010 and 2009, respectively.

#### Deferred taxes

The significant components of deferred tax assets and liabilities and their balance sheet classifications, as at December 31, are as follows:

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	December 31, 2010 \$'M	December 31, 2009 \$'M
Deferred tax assets:		
Deferred revenue	9.2	24.6
Inventory & warranty provisions	33.1	28.4
Losses carried forward (including tax credits)	314.3	278.5
Provisions for sales deductions and doubtful accounts	101.3	66.9
Restructuring	1.1	1.5
Intangible assets	14.7	17.8
Share-based compensation	42.5	45.0
Excess of tax value over book value of fixed assets	24.3	26.4
Other	28.6	26.1
<b>Gross deferred tax assets</b>	<b>569.1</b>	<b>515.2</b>
Less: valuation allowance	(200.0)	(149.2)
	369.1	366.0
Deferred tax liabilities:		
Intangible assets	(433.2)	(448.4)
<b>Net deferred tax liabilities</b>	<b>(64.1)</b>	<b>(82.4)</b>
Balance sheet classifications:		
Deferred tax assets - current	182.0	135.8
Deferred tax assets - non-current	110.4	79.0
Deferred tax liabilities - current	(4.4)	(2.9)
Deferred tax liabilities - non-current	(352.1)	(294.3)
	(64.1)	(82.4)

At December 31, 2010, the Company had a valuation allowance of \$200.0 million (2009: \$149.2 million) to reduce its deferred tax assets to estimated realizable value. These valuation allowances related primarily to operating loss, capital loss and tax-credit carry-forwards in Ireland (2010: \$77.2 million; 2009: \$56.3 million); the US (2010: \$44.5 million; 2009: \$40.6 million); Germany (2010: \$49.0 million; 2009: \$24.2 million); and other foreign tax jurisdictions (2010: \$29.3 million; 2009: \$28.1 million).

The net increase in valuation allowances of \$50.8 million is principally due to increases of \$45.9 million and \$4.9 million in respect of losses and other temporary differences in European jurisdictions and US affiliates outside the Company's US consolidated tax group, respectively, as the Company's management considers that there is insufficient future taxable income, taxable temporary differences and feasible tax-planning strategies to overcome cumulative losses and therefore it is more likely than not that the relevant deferred tax assets will not be realized in full.

At December 31, 2010, based upon a consideration in combination of the profit history of the relevant affiliates, projections of future taxable income over the periods in which temporary differences are anticipated to reverse, any restrictions on uses of loss carryforwards and prudent and feasible tax-planning strategies, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowances. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if these factors are revised in future periods.

The approximate NOLs, capital losses and tax credit carry-forwards as at December 31, are as follows:

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	<b>2010</b>	<b>2009</b>
	<b>\$'M</b>	<b>\$'M</b>
US federal tax NOLs	41.9	31.2
US state tax NOLs	47.8	57.0
UK NOLs	101.3	103.3
Republic of Ireland NOLs	515.8	319.9
Foreign tax jurisdictions	471.5	168.4
R&D tax credits	<u>106.2</u>	<u>124.6</u>

The NOLs, capital losses and tax credit carry-forwards shown above have the following expiration dates:

	<b>December 31,</b>
	<b>2010</b>
	<b>\$'M</b>
Within 1 year	3.0
Within 1 to 2 years	0.1
Within 4 to 5 years	1.0
Within 5 to 6 years	1.7
After 6 years	200.0
Indefinitely	1,078.6

At December 31, 2010 the Company had not recorded deferred taxes on approximately \$5.8 billion (2009: \$6.2 billion) of un-remitted earnings of the Company's foreign subsidiaries. At December 31, 2010 these earnings are expected to be permanently reinvested overseas. It is not practical to compute the estimated deferred tax liability on these earnings.

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## 29. Share-based compensation plans

The following table shows the total share-based compensation expense (see below for types of share-based awards) included in the consolidated statements of income:

	2010 \$'M	2009 \$'M	2008 \$'M
Cost of product sales	7.0	4.4	3.9
Research and development	16.8	20.1	18.9
Selling, general and administrative	38.4	41.2	42.4
<b>Total</b>	<b>62.2</b>	<b>65.7</b>	<b>65.2</b>
Less tax	(17.2)	(19.4)	(15.3)
	<b>45.0</b>	<b>46.3</b>	<b>49.9</b>

There were no capitalized share-based compensation costs at December 31, 2010 and 2009.

At December 31, 2010 \$94.8 million (2009: \$74.3 million) of total unrecognized compensation cost relating to non-vested awards is expected to be recognized over a period of 3 years.

At December 31, 2010 \$73.1 million (2009: \$52.5 million) of total unrecognized compensation cost relating to non-vested in the money awards, is expected to be recognized over a weighted average period of 1.8 years (2009: 1.9 years). The total fair value of in the money awards vested during the period at December 31, 2010 was \$49.3 million (2009: \$24.9 million).

### Share-based compensation plans

The Company grants stock-settled share appreciation rights ("SARs") and performance share awards over ordinary shares and ADSs to directors and employees under the Shire Portfolio Share Plan (Parts A and B) to Executive Directors and employees. In the year to December 31, 2010 the Company amended the rules of the Shire Portfolio Share Plan effective on a prospective basis for newly granted awards (the "Amendments"). After the Amendment SARs and PSAs granted under the Shire Portfolio Share Plan (Part A & B) to Executive Directors are exercisable subject to performance and service criteria.

The Amendments had the following principal effect on the terms and conditions of SARs and PSAs: (i) the contractual life of SARs has been extended from five to seven years, (ii) the vesting period of SARs and PSAs granted to employees below the level of Executive Vice President allows for graded vesting rather than mandatory cliff vesting, and (iii) awards granted to Executive Directors contain performance conditions based on growth in return on invested capital ("ROIC") and earnings before interest, taxation depreciation and amortization as defined in the Amendments ("Non-GAAP EBITDA"), rather than the previous market based condition of total shareholder return.

The Company also operates an Employee Share Purchase Plan and a Sharesave Scheme.

The following awards were outstanding as at December 31, 2010:

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	<b>Compensation type</b>	<b>Number of awards<sup>*</sup></b>	<b>Expiration period from date of issue</b>	<b>Vesting period</b>
Portfolio Share Plan - Part A	SARs	26,889,520	5 - 7 years	3 years cliff and graded vesting, subject to market or performance criteria for executive directors only
Sharesave Scheme	Stock options	338,314	6 months after vesting	3 or 5 years
Stock Purchase Plan	Stock options	702,878	On vesting date	1 to 5 months
Legacy Plans	Stock options	1,614,872	7 to 10 years	3-10 years, subject to market or performance criteria
<b>Stock-settled SARs and stock options</b>		<b>29,545,584</b>		
Portfolio Share Plan - Part B	Performance share awards	6,391,007	3 years	3 years cliff and graded vesting, subject to market or performance criteria for executive directors only
<b>Performance share awards</b>		<b>6,391,007</b>		

\* Number of awards are stated in terms of ordinary share equivalents.

### **Stock settled SARs and stock options**

#### **(a) Portfolio Share Plan – Part A**

Stock-settled share appreciation rights granted under the Portfolio Share Plan – Part A prior to the Amendments are exercisable subject to certain market and service criteria. Stock-settled share appreciation rights granted under the Portfolio Share Plan – Part A subsequent to the Amendments are exercisable subject to performance and service criteria.

In respect of any awards made to executive directors prior to the Amendments the market conditions are based on relative total shareholder return. Vesting of awards granted to executive directors will depend on relative total shareholder return performance against two comparator groups. For one-third of the award, the comparator group will be the Financial Times Stock Exchange 100 constituents (excluding financial institutions) and for two-thirds of the award the comparator group will be a group of international companies from the pharmaceutical sector. In addition, before awards granted to executive directors will vest, the Remuneration Committee must be satisfied that the underlying performance of the Company is sufficient to justify this. Where median performance is achieved, 33 1/3 per cent of stock-settled share appreciation rights will vest, rising on a straight-line basis to full vesting at upper quartile performance.

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In respect of any award made to executive directors subsequent to Amendments performance criteria are based on Non-GAAP EBITDA and ROIC targets. These performance measures provide increased alignment to the core activities and strategy of the Company.

Awards granted to employees below executive director level are not subject to market or performance conditions, and are only subject to service conditions.

Once awards have vested, participants will have until the fifth anniversary (for awards granted prior to the Amendments) or seventh anniversary (for awards granted subsequent to the Amendments) of the date of grant to exercise their awards.

**(b) Shire Sharesave Scheme (Sharesave Scheme)**

Options granted under the Sharesave Scheme are granted with an exercise price equal to 80% of the mid-market price on the day before invitations are issued to employees. Employees may enter into three or five-year savings contracts. No performance conditions apply.

**(c) Shire Employee Stock Purchase Plan (Stock Purchase Plan)**

Under the Stock Purchase Plan, options are granted with an exercise price equal to 85% of the fair market value of a share on the enrolment date (the first day of the offering period) or the exercise date (the last day of the offering period), whichever is the lower. Employees agree to save for a period up to 27 months. No performance conditions apply.

**(d) Legacy plans – Principally the Shire 2000 Executive Share Option Scheme**

Options granted under this scheme were subject to certain performance criteria, which were based on the Company's share price or diluted EPS growth compared to a fixed growth rate. At December 31, 2010 all stock options outstanding under this scheme had met the required conditions and were exercisable.

A summary of the status of the Company's SARs and stock options as at December 31, 2010 and of the related transactions during the periods then ended is presented below:

Year to December 31, 2010	Weighted average exercise price £	Number of shares	Intrinsic Value £' M
Outstanding as at beginning of period	8.72	34,382,933	
Granted	14.20	8,875,087	
Exercised	4.43	(11,324,216)	
Expired	10.96	(2,388,220)	
Outstanding as at end of period	10.36	29,545,584	149.8
Exercisable as at end of period	7.96	8,259,830	61.7

The weighted average grant date fair value of SARs and stock options granted in the year ended December 31, 2010 was £3.97.

SARs and stock options outstanding as at December 31, 2010 have the following characteristics:

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Number of awards outstanding	Exercise prices	Weighted Average remaining contractual term (Years)	Weighted average exercise price of awards outstanding	Number of awards exercisable	Weighted average exercise price of awards exercisable
	£		£		£
904,224	3.38-6.00	7.1	5.27	892,884	5.3
20,906,669	6.01-11.00	2.3	9.29	5,984,914	7.6
7,734,691	11.01-15.87	7.6	13.9	1,382,032	11.1
<u>29,545,584</u>				<u>8,259,830</u>	

**Performance shares****Portfolio Share Plan – Part B**

Performance share awards granted to executive directors under the Portfolio Share Plan – Part B are exercisable subject to certain market, performance and service criteria.

In respect of any award granted to executive directors prior to the Amendments the market conditions are based on relative total shareholder return. Vesting will depend on relative total shareholder return performance against two comparator groups. For one-third of an award, the comparator group will be the Financial Times Stock Exchange 100 constituents (excluding financial institutions) and for two-thirds of the award the comparator group will be a group of international companies from the pharmaceutical sector. In addition, before awards granted to executive directors will vest, the Committee must be satisfied that the underlying performance of the Company is sufficient to justify this. Where median performance is achieved, 33 1/3 per cent of performance shares will vest, rising on a straight-line basis to full vesting at upper quartile performance.

In respect of any award granted to executive directors subsequent to the Amendments, the performance criteria are based on Non-GAAP EBITDA and ROIC targets.

Awards granted to employees below executive director level are not subject to market or performance conditions, and are only subject to service conditions.

A summary of the status of the Company's performance share awards as at December 31, 2010 and of the related transactions during the periods then ended is presented below:

Performance share awards	Number of shares	Aggregate intrinsic value £'M	Weighted average remaining life
Outstanding as at beginning of period	5,209,621		
Granted	2,123,414		
Exercised	(568,608)		
Expired	(373,420)		
Outstanding as at end of period	<u>6,391,007</u>	98.6	2.7
Exercisable as at end of period	<u>-</u>	N/A	N/A

The weighted-average grant date fair value of performance share awards granted in the year to December 31, 2010 is £14.47.

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### Exercises of employee share-based awards

The total intrinsic values of share-based awards exercised for the years to December 31, 2010, 2009 and 2008 were \$70.3 million, \$43.8 million and \$23.8 million, respectively. The total cash received from employees as a result of employee share option exercises for the period to December 31, 2010, 2009 and 2008 was approximately \$11.2 million, \$14.6 million and \$11.4 million, respectively. In connection with these exercises, the excess tax benefit/(deficit) credited/(charged) to additional paid-in capital for the years to December 31, 2010, 2009 and 2008 was \$2.9 million credit, \$16.8 million credit and \$3.8 million charge respectively.

The Company will settle future employee share award exercises with either newly listed common shares or with shares held in the ESOT. The number of shares to be purchased by the ESOT during 2011 will be dependent on the number of employee share awards granted and exercised during the year and Shire plc's share price. At December 31, 2010 the ESOT held 4.4 million ordinary shares and 3.2 million ADSs.

### Valuation methodologies

The Company estimates the fair value of its share-based awards using a Black-Scholes valuation model. Key input assumptions used to estimate the fair value of share-based awards include the grant price of the award, the expected stock-based award term, volatility of the Company's share price, the risk-free rate and the Company's dividend yield. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in estimating the fair values of Shire's stock-based awards. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company under guidance issued by the FASB on share based payment transactions.

The fair value of share awards granted was estimated using the following assumptions:

Period ended December 31,	2010	2009	2008
Risk-free interest rate <sup>1</sup>	0.5-3.0%	0.5-2.7%	1.3-5.3%
Expected dividend yield	0-0.6%	0-0.7%	0-0.5%
Expected life	1-5 years	3-4 years	3-4 years
Weighted average volatility	32%	33%	29%
Forfeiture rate	5-7%	5%	5%

(1) Risk free interest rate is for UK and US grants

The following assumptions were used to value share-based awards:

- risk-free interest rate – For awards granted over ADSs, the US Federal Reserve treasury constant maturities rate with a term consistent with the expected life of the award is used. For awards granted over ordinary shares, the yield on UK government bonds with a term consistent with the expected life of the award is used;
- expected dividend yield – measured as the average annualized dividend estimated to be paid by the Company over the expected life of the award as a percentage of the share price at the grant date;
- expected life – estimated based on the contractual term of the awards and the effects of employees' expected exercise and post-vesting employment termination behaviour;
- weighted average expected volatility – measured using historical daily price changes of the Company's share price over the respective expected life of the share-based awards at the date of the award; and
- the forfeiture rate is estimated using historical trends of the number of awards forfeited prior to vesting.

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The following table presents summarized unaudited quarterly results for the years to December 31, 2010 and 2009:

<b>2010</b>	<b>Q1</b> <b>\$'M</b>	<b>Q2</b> <b>\$'M</b>	<b>Q3</b> <b>\$'M</b>	<b>Q4</b> <b>\$'M</b>
Total revenues	816.2	849.4	874.3	931.2
Operating income	217.8	224.4	155.8	196.1
Net income attributable to Shire plc	165.9	160.5	96.3	165.3
Earnings per share - basic	30.5c	29.4c	17.6c	30.1c
Earnings per share - diluted	29.7c	28.6c	17.3c	29.4c
<b>2009</b>	<b>Q1</b> <b>\$'M</b>	<b>Q2</b> <b>\$'M</b>	<b>Q3</b> <b>\$'M</b>	<b>Q4</b> <b>\$'M</b>
Total revenues	817.8	629.7	667.0	893.2
Operating income	225.8	34.7	91.8	267.8
Net income attributable to Shire plc	213.6	44.1	59.6	174.3
Earnings per share - basic	39.6c	8.2c	11.0c	32.1c
Earnings per share - diluted	38.5c	8.1c	10.9c	31.2c

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[Table of Contents](#)**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****To Lloyds TSB Offshore Trust Company Limited, Trustee of the Shire Income Access Share Trust and the Board of Directors and Stockholders of Shire plc**

We have audited the accompanying balance sheets of the Shire Income Access Share Trust (the "Trust") as at December 31, 2010 and 2009 and the related statements of income, statements of changes in equity and statements of cash flows for the years ended December 31, 2010 and 2009 and the period from August 29, 2008 to December 31, 2008. These financial statements are the responsibility of the Trustee and Shire plc's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Trust is not required to have an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Trust's internal control over financial reporting. Accordingly, we express no such separate opinion. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shire Income Access Share Trust at December 31, 2010 and 2009, and the results of its operations and cash flows for the years to December 31, 2010 and 2009 and the period from August 29, 2008 to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE LLP  
London, United Kingdom

February 23, 2011

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**SHIRE INCOME ACCESS SHARE TRUST  
BALANCE SHEETS**

	Notes	December 31, 2010 \$'M	December 31, 2009 \$'M
<b>ASSETS</b>			
Total assets		-	-
<b>LIABILITIES AND EQUITY</b>			
Total liabilities		-	-
Equity:			
Total equity		-	-
Total liabilities and equity		-	-

The notes on pages F-77 to F-78 are an integral part of these financial statements.

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**SHIRE INCOME ACCESS SHARE TRUST  
STATEMENTS OF INCOME**

Notes	Year to December 31, 2010 \$'M	Year to December 31, 2009 \$'M	Period to December 31, 2008 \$'M
Dividend income	58.3	45.9	7.2
Net income	58.3	45.9	7.2

The notes on page F-74 to F-75 are an integral part of these financial statements.

**SHIRE INCOME ACCESS SHARE TRUST  
STATEMENTS OF CHANGES IN EQUITY**

	Capital account \$'M	Revenue account \$'M	Total equity \$'M
At August 29, 2008	-	-	-
Net income for the period	-	7.2	7.2
Distributions made	-	(7.2)	(7.2)
At December 31, 2008	-	-	-
Net income for the year	-	45.9	45.9
Distributions made	-	(45.9)	(45.9)
As at December 31, 2009	-	-	-
Net income for the year	-	58.3	58.3
Distributions made	-	(58.3)	(58.3)
As at December 31, 2010	-	-	-

The notes on page F-74 to F-75 are an integral part of these financial statements.

**SHIRE INCOME ACCESS SHARE TRUST  
STATEMENTS OF CASHFLOWS**

	Notes	Year to December 31, 2010 \$'M	Year to December 31, 2009 \$'M	Period to December 31, 2008 \$'M
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income		58.3	45.9	7.2
Net cash provided from operating activities(A )		58.3	45.9	7.2
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Net cash provided by investing activities(B)	1	-	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Distributions made	1	(58.3)	(45.9)	(7.2)
Net cash used in financing activities(C)		(58.3)	(45.9)	(7.2)
Net increase in cash and cash equivalents (A+B+C)		-	-	-
Cash and cash equivalents at beginning of period	1	-	-	-
Cash and cash equivalents at end of period	1	-	-	-

The notes on page F-74 to F-75 are an integral part of these financial statements.

**NOTES TO THE SHIRE INCOME ACCESS SHARE TRUST FINANCIAL STATEMENTS****(a) The Trust**

The Shire Income Access Share Trust (the "Trust") was established on August 29, 2008 by Shire Biopharmaceuticals Holdings (formerly Shire plc) ("Old Shire"). The Trust is governed by the applicable laws of England and Wales and is resident in Jersey. The Trustee of the Trust is Lloyds TSB Offshore Trust Company Limited, 25 New Street, St Helier, Jersey, JE4 8RG.

The Trust was established as part of the Income Access Share mechanism, as outlined in Note 22 in this Annual Report on Form 10-K of Shire plc and its subsidiaries (collectively referred to as either "Shire" or the "Company").

**(b) Basis of preparation**

The financial statements of the Trust have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with US GAAP requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies. Actual results may differ from these estimates.

The results of operations, and the financial position and cash flows of the Trust are also consolidated in the Company's financial statements, as contained on pages F-71 to F-73.

**(c) Summary of significant accounting policies****i) Functional currency**

The functional currency of the Trust is US dollars.

**ii) Foreign currency translation**

Income and expense items denominated in currencies other than the functional currency are translated into the functional currency at the rate ruling on their transaction date. Monetary assets and liabilities recorded in currencies other than the functional currency have been expressed in the functional currency at the rates of exchange ruling at the respective balance sheet dates. Differences on translation are included in the consolidated statements of income.

**iii) Dividend income**

Interim dividends declared on the Income Access Share are recognized on a paid basis unless the dividend has been confirmed by a general meeting of Shire, in which case income is recognized on the record date of the dividend by Shire on its ordinary shares.

**(d) Capital account**

The Capital account is represented by the Income Access Share of 5 pence settled in the Trust by Old Shire.

**(e) Distributions made**

Distributions are made to those shareholders of Shire who have elected to receive dividends from the Trust in accordance with the Trust Deed. Unclaimed dividends are not included in distributions made. There were no unclaimed dividends at December 31, 2010. Amounts are recorded as distributed once a wire transfer or check is issued. All checks are valid for one year from the date of issue. Any wire transfers that are not completed are replaced by cheques. To the extent that cheques expire or are returned unrepresented, the Trust records a liability for unclaimed dividends and a corresponding amount of cash.

[Table of Contents](#)**(f) Financial instruments**

The Trust, in its normal course of business, is not subject to market risk, credit risk or liquidity risk. The Trustees do not consider that any foreign exchange exposure will materially affect the operations of the Trust.

[Table of Contents](#)**Schedule II – Valuation and Qualifying Accounts**

	Beginning balance \$'M	Provision charged to income <sup>(1)</sup> \$'M	Costs incurred/ utilization <sup>(1)</sup> \$'M	Ending balance \$'M
<b>Provision for sales rebates, returns and coupons</b>				
2010 :				
Accrued rebates – Medicaid and HMOs	341.6	711.0	(502.7)	549.9
Sales returns reserve	62.7	30.8	(23.7)	69.8
Accrued coupons	3.8	1.6	(0.2)	5.2
	<u>408.1</u>	<u>743.4</u>	<u>(526.6)</u>	<u>624.9</u>
2009 :				
Accrued rebates – Medicaid and HMOs	222.5	630.8	(511.7)	341.6
Sales returns reserve	47.1	41.4	(25.8)	62.7
Accrued coupons	4.0	38.6	(38.8)	3.8
	<u>273.6</u>	<u>710.8</u>	<u>(576.3)</u>	<u>408.1</u>
2008 :				
Accrued rebates – Medicaid and HMOs	146.6	396.9	(321.0)	222.5
Sales returns reserve	39.5	38.2	(30.6)	47.1
Accrued coupons	9.0	32.5	(37.5)	4.0
	<u>195.1</u>	<u>467.6</u>	<u>(389.1)</u>	<u>273.6</u>

(1) In the analysis above, due to systems limitations, it is not practical and has not been necessary to break out current versus prior year activity. When applicable, Shire has performed general ledger reviews of sales deduction provisions charged to income, and the utilization of these provisions in subsequent years. Shire has determined that adjustments made in each year as a result of changes to estimates that related to prior year sales, and adjustments made as a result of differences between prior period provisions and actual payments, did not have a material impact on the Company's financial performance or position either in each individual year, or in the Company's performance over the reported period.

[Table of Contents](#)**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHIRE PLC

(the "Registrant")

Date: February 23, 2011

By: /s/ Angus Russell

Angus Russell, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Matthew Emmens MATTHEW EMMENS	Non-Executive Chairman	February 23, 2011
/s/ Angus Russell ANGUS RUSSELL	Chief Executive Officer	February 23, 2011
/s/ Graham Hetherington GRAHAM HETHERINGTON	Chief Financial Officer and Principal Accounting Officer	February 23, 2011
/s/ David Kappler DAVID KAPPLER	Non-Executive Director	February 23, 2011
/s/ Patrick Langlois PATRICK LANGLOIS	Non-Executive Director	February 23, 2011
/s/ Bill Burns BILL BURNS	Non-Executive Director	February 23, 2011
/s/ Jeffrey Leiden JEFFREY LEIDEN	Non-Executive Director	February 23, 2011
/s/ David Stout DAVID STOUT	Non-Executive Director	February 23, 2011
/s/ Dr David Gainsburg DAVID GAINSBURG	Non-Executive Director	February 23, 2011
/s/ Anne Minto ANNE MINTO	Non-Executive Director	February 23, 2011

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**SHIRE PLC**

as the Company

**ABBEY NATIONAL TREASURY SERVICES PLC**  
(trading as Santander Global Banking and Markets)

**BANC OF AMERICA SECURITIES LIMITED**

**BARCLAYS CAPITAL**

**CITIGROUP GLOBAL MARKETS LIMITED**

**LLOYDS TSB BANK PLC**

**THE ROYAL BANK OF SCOTLAND PLC**

as mandated lead arrangers and bookrunners

**CREDIT SUISSE AG, LONDON BRANCH**

**DEUTSCHE BANK AG, LONDON BRANCH**

**GOLDMAN SACHS INTERNATIONAL**

**MORGAN STANLEY BANK, N.A.**

**SUMITOMO MITSUI BANKING CORPORATION, BRUSSELS BRANCH**

as arrangers

with

**BARCLAYS BANK PLC**

as Facility Agent, Euro Swingline Agent and Dollar Swingline Agent

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**US\$ 1,200,000,000**

**MULTICURRENCY REVOLVING AND SWINGLINE  
FACILITIES AGREEMENT**

**DATED 23 NOVEMBER 2010**

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SLAUGHTER AND MAY  
One Bunhill Row  
London  
EC1Y 8YY

(REL/KYH)  
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**THIS AGREEMENT** is dated 23 November 2010 and made between:

- (1) **SHIRE PLC**, a registered public company incorporated in Jersey under the Companies (Jersey) Law 1991 with registered number 99854 (the "**Company**", the "**Original Guarantor**" and an Original Borrower);
- (2) **THE SUBSIDIARIES** of the Company listed in Part I of Schedule 1 (*The Parties*) as Original Borrowers;
- (3) **ABBEY NATIONAL TREASURY SERVICES PLC (TRADING AS SANTANDER GLOBAL BANKING AND MARKETS), BANC OF AMERICA SECURITIES LIMITED, BARCLAYS CAPITAL, CITIGROUP GLOBAL MARKETS LIMITED, LLOYDS TSB BANK PLC and THE ROYAL BANK OF SCOTLAND PLC** as mandated lead arrangers and bookrunners and **CREDIT SUISSE AG, LONDON BRANCH, DEUTSCHE BANK AG, LONDON BRANCH, GOLDMAN SACHS INTERNATIONAL, MORGAN STANLEY BANK, N.A., and SUMITOMO MITSUI BANKING CORPORATION, BRUSSELS BRANCH** as arrangers (the mandated lead arrangers and bookrunners and arrangers, whether acting individually or together, the "**Arrangers**");
- (4) **THE FINANCIAL INSTITUTIONS** listed in Part II of Schedule 1 (*The Parties*) as revolving lenders (the "**Original Revolving Lenders**");
- (5) **THE FINANCIAL INSTITUTIONS** listed in Part III of Schedule 1 (*The Parties*) as dollar swingline lenders (the "**Original Dollar Swingline Lenders**");
- (6) **THE FINANCIAL INSTITUTIONS** listed in Part IV of Schedule 1 (*The Parties*) as euro swingline lenders (the "**Original Euro Swingline Lenders**");
- (7) **BARCLAYS BANK PLC** as facility agent of the other Finance Parties (in this capacity, the "**Facility Agent**");
- (8) **BARCLAYS BANK PLC** as euro swingline agent of the other Finance Parties (in this capacity, the "**Euro Swingline Agent**"); and
- (9) **BARCLAYS BANK PLC** as dollar swingline agent of the other Finance Parties (in this capacity, the "**Dollar Swingline Agent**").

**IT IS AGREED** as follows:

## **SECTION 1 INTERPRETATION**

### **1. DEFINITIONS AND INTERPRETATION**

#### **1.1 Definitions**

In this Agreement:

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**"2007 Agreement"** means the multicurrency term and revolving facilities agreement dated 20 February 2007, as amended and restated on 19 July 2007 and as further amended and restated on 23 May 2008 between, among others, the Parent Company, ABN Amro Bank N.V., Barclays Capital, Citigroup Global Markets Limited, and The Royal Bank of Scotland plc.

**"Acceptable Bank"** means a bank or financial institution which has a rating for its long term unsecured and non-credit enhanced debt obligations of A or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or A2 or higher by Moody's Investor Services Limited or a comparable rating from an internationally recognised credit rating agency.

**"Accession Letter"** means a document substantially in the form set out in Schedule 6 (*Form of Accession Letter*).

**"Additional Borrower"** means each company which becomes an Additional Borrower in accordance with Clause 30 (*Changes to the Obligors*).

**"Additional Cost Rate"** has the meaning given to it in Schedule 4 (*Mandatory Cost formulae*).

**"Additional Guarantor"** means each company which becomes an Additional Guarantor in accordance with Clause 30 (*Changes to the Obligors*).

**"Additional Obligor"** means an Additional Borrower or an Additional Guarantor.

**"Affiliate"** means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company, provided that, in relation to The Royal Bank of Scotland plc, the term "Affiliate" shall include The Royal Bank of Scotland N.V. and each of its Affiliates, but shall not include (i) the UK government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof) or (ii) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including HM Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings.

**"Agents"** means the Dollar Swingline Agent, the Euro Swingline Agent and the Facility Agent, and **"Agent"** means, as the context may require, any of them.

**"Anti-Terrorism/Anti-Money Laundering Laws"** means each of:

- (a) the Executive Order;
- (b) the USA Patriot Act;
- (c) the US Money Laundering Control Act of 1986, Public Law 99-570; and
- (d) any similar executive order issued or law enacted in the United States after the date of this Agreement.

**"Assignment Agreement"** means an agreement substantially in the form set out in Part 1 of Schedule 5 (*Form of Assignment Agreement*).

**"Authorisation"** means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

**"Availability Period"** means, in relation to the Revolving Facility, the period from and including the date of this Agreement to the date which is one week prior to the Termination Date.

**"Available Commitment"** means a Lender's Commitment minus:

- (a) the Base Currency Amount of its participation in any outstanding Loans; and
- (b) in relation to any proposed Utilisation, the Base Currency Amount of its participation in any Loans that are due to be made under that Facility on or before the proposed Utilisation Date,

other than, in either case, a Revolving Lender's participation in any Revolving Loans that are due to be repaid or prepaid on or before the proposed Utilisation Date.

**"Available Facility"** means, in relation to a Facility, the aggregate for the time being of each Lender's Available Commitment in respect of that Facility.

**"Base Currency"** means US Dollars.

**"Base Currency Amount"** means, in relation to a Loan, the amount specified in the Utilisation Request delivered by a Borrower (or the Parent Company on behalf of a Borrower) for that Loan (or, if the amount requested is not denominated in the Base Currency, that amount converted into the Base Currency at the Facility Agent's Spot Rate of Exchange on the date which is, subject as otherwise provided, three Business Days before the Utilisation Date or, if later, on the date the Facility Agent receives the Utilisation Request) adjusted to reflect any repayment, prepayment, consolidation or division of the Loan.

**"Borrower"** means an Original Borrower or an Additional Borrower, unless it has ceased to be a Borrower in accordance with Clause 30 (*Changes to the Obligors*).

**"Break Costs"** means the amount (if any) by which:

- (a) the interest excluding the Margin which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the total sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

**"Business Day"** means a day (other than a Saturday or Sunday) on which banks are open for general business in London and:

- (a) (in relation to any date for payment or purchase of a currency other than euro) the principal financial centre of the country of that currency; or
- (b) (in relation to any date for payment or purchase of euro) any TARGET Day.

**"Code"** means, at any date, the US Internal Revenue Code of 1986 and the regulations promulgated thereunder as in effect at such date.

**"Commitment"** means a Revolving Facility Commitment or a Swingline Commitment.

**"Compliance Certificate"** means a certificate substantially in the form set out in Schedule 8 (*Form of Compliance Certificate*).

**"Confidential Information"** means all information relating to the Parent Company, any member of the Group, the Group, the Finance Documents or a Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or a Facility from either:

- (a) any member of the Group or any of its advisers; or
- (b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any member of the Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

- (i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 41 (*Confidentiality*); or
- (ii) is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or
- (iii) is known by that Finance Party before the date the information is disclosed to it in accordance with paragraph (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

**"Confidentiality Undertaking"** means a confidentiality undertaking substantially in the form as set out in Schedule 12 (*Form of Confidentiality Undertaking*) or in any other form agreed between the Parent Company and the Facility Agent.

"**CTA**" means the Corporation Tax Act 2009.

"**Default**" means an Event of Default or any event or circumstance specified in Clause 28 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing with an event or circumstance specified in Clause 28 (*Events of Default*)) be an Event of Default.

"**Defaulting Lender**" means any Lender:

- (a) which has failed to make its participation in a Loan available or has notified any Agent or Obligor or has indicated publicly that it will not make its participation in a Loan available by the Utilisation Date of that Loan in accordance with Clause 5.4 (*Lenders' participation*) or Clause 6.4 (*Swingline Lenders' participation*), as applicable;
- (b) which has otherwise rescinded or repudiated a Finance Document; or
- (c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
  - (A) administrative or technical error; or
  - (B) a Disruption Event; and

payment is made within three Business Days of its due date;

- (ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question; or
- (iii) the circumstances contemplated by Clause 11.1 (*Illegality*) apply in respect of that Lender and the Lender has given notice thereof to the Facility Agent in accordance with such Clause.

"**Designated Person**" means a person:

- (a) listed in the annex to, or otherwise known by a member of the Group to be subject to the provisions of, territorial economic sanctions administered by OFAC;
- (b) named as a "Specially Designated Nationals and Blocked Person" on the most current list published by OFAC on its official website or any replacement website or other replacement official publication of such list; or
- (c) designated by the US President or Secretary of State as the subject of sanctions pursuant to the US Iran Sanctions Act of 1966, Public Law 104-172,

as amended by the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, Public Law 111-195.

**"Disruption Event"** means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facilities (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event which results in a disruption (including without limitation, disruption of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
  - (i) from performing its payment obligations under the Finance Documents; or
  - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

**"Dollar Swingline Facility"** means the dollar swingline facility as described in paragraph (A) of Clause 7.1 (*Swingline*).

**"Dollar Swingline Lender"** means:

- (a) an Original Dollar Swingline Lender; and
- (b) any other person that becomes a Dollar Swingline Lender after the date of this Agreement in accordance with Clause 2.2 (*Increase*) or Clause 29 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

**"Dollar Swingline Loan"** means a loan to be made under the Dollar Swingline Facility or the principal amount outstanding for the time being of that loan.

**"Employee Plan"** means an employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which a US Obligor or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"ERISA" means, at any date, the United States Employee Retirement Income Security Act of 1974 and the regulations promulgated and rulings issued under it, all as the same may be in effect at such date.

"ERISA Affiliate" means any person that for the purposes of Title I and Title IV of ERISA and Section 412 of the Code would be deemed at any relevant time to be a single employer with an Obligor, pursuant to Section 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

"ERISA Event" means:

- (a) any reportable event, as defined in Section 4043 of ERISA and the regulations promulgated thereunder, with respect to an Employee Plan, as to which PBGC has not by regulation waived the requirement of Section 4043(a) of ERISA that it be notified of such event;
- (b) the filing of a notice of intent to terminate any Employee Plan, if such termination would require material additional contributions in order to be considered a standard termination within the meaning of Section 4041(b) of ERISA, the filing under Section 4041(c) of ERISA of a notice of intent to terminate any Employee Plan or the termination of any Employee Plan under Section 4041(c) of ERISA;
- (c) the institution of proceedings under Section 4042 of ERISA by the PBGC for the termination of, or the appointment of a trustee to administer, any Employee Plan;
- (d) with respect to any Employee Plan the failure to satisfy the minimum funding standard within the meaning of Section 412 of the Code or Section 303 of ERISA or the filing of any request for a minimum funding waiver under Section 412 of the Code with respect to any Employee Plan or Multiemployer Plan;
- (e) an engagement in a non-exempt prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA;
- (f) the complete or partial withdrawal of any US Obligor or any ERISA Affiliate from a Multiemployer Plan; and
- (g) an Obligor or an ERISA Affiliate incurring any liability under Title IV of ERISA with respect to any Employee Plan (other than premiums due and not delinquent under Section 4007 of ERISA).

"Euro Swingline Facility" means the euro swingline facility as described in paragraph (B) of Clause 7.1 (*Swingline*).

"Euro Swingline Lender" means:

- (a) an Original Euro Swingline Lender; and

- (b) any other person that becomes a Euro Swingline Lender after the date of this Agreement in accordance with Clause 2.2 (*Increase*) or Clause 29 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

**"Euro Swingline Loan"** means a loan to be made under the Euro Swingline Facility or the principal amount outstanding for the time being of that loan.

**"EURIBOR"** means, in relation to any Loan in euro:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request quoted by the Reference Banks to leading banks in the European interbank market,

as of the Specified Time on the Quotation Day for the offering of deposits in euro for a period comparable to the Interest Period of the relevant Loan.

**"Event of Default"** means any event or circumstance specified as such in Clause 28 (*Events of Default*).

**"Executive Order"** means the US Executive Order No 13224 on Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit or Support Terrorism, which came into effect on 24 September 2001, as amended.

**"Existing Financial Indebtedness"** means the existing Financial Indebtedness listed in Schedule 11 (*Existing Financial Indebtedness*).

**"Existing Loans"** means the existing loans listed in Schedule 10 (*Existing Loans*).

**"Existing Security"** means the existing Security listed in Schedule 9 (*Existing Security*).

**"Facility"** means the Revolving Facility or the Swingline Facility.

**"Facility Agent's Spot Rate of Exchange"** means the Facility Agent's spot rate of exchange for the purchase of the relevant currency with the Base Currency in the London foreign exchange market at or about 11:00 a.m. on a particular day.

**"Facility Office"** means:

- (a) in relation to a Revolving Lender, the office identified as such opposite such Lender's name in Part II of Schedule 1 (*The Parties*) or such other office as it may from time to time select;
- (b) in relation to a Dollar Swingline Lender, the office identified as such opposite such Swingline Lender's name in Part III of Schedule 1 (*The Parties*) or such

other office in the United States of America (in the same time zone as New York City, or elsewhere provided that such office of such Lender can operate in full in accordance with New York City time zone hours) in each case as it may from time to time select;

- (c) in relation to a Euro Swingline Lender, the office identified as such opposite such Swingline Lender's name in Part IV of Schedule 1 (*The Parties*) or such other office as it may from time to time select; and
- (d) in relation to a New Lender, the office notified by that New Lender to the Facility Agent in writing on or before the date it becomes a Lender as the office through which it will perform its obligations under this Agreement (including as may be notified at the end of the Transfer Certificate to which it is party as a transferee), or such other office as it may from time to time select.

"**FATCA**" means Sections 1471 through 1474 of the Code, as in effect at the date hereof, and any current or future regulations promulgated thereunder or official interpretations thereof.

"**Fee Letter**" means any letter or letters dated on or about the date of this Agreement between the Arrangers and the Parent Company (or an Agent and the Parent Company) setting out any of the fees referred to in Clause 17 (*Fees*).

"**Finance Document**" means this Agreement, any Fee Letter, any Accession Letter, any Resignation Letter, any Utilisation Request and any other document designated as such by the Facility Agent and the Parent Company.

"**Finance Party**" means any Agent, Arranger or Lender.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with US GAAP, be treated as a finance or capital lease (but excluding the amount of any liability in respect of any lease or hire purchase contract which would not, in accordance with US GAAP as at the date of this Agreement, be treated as a finance or capital lease);
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (i) any amount raised by the issue of redeemable shares which are redeemable prior to the fifth anniversary of the date of this Agreement other than redeemable shares issued by a Subsidiary of the Parent Company where such redeemable shares are acquired by another member of the Group as consideration for, or in connection with, an issue by a member of the Group of equity securities or, to the extent not so acquired, are redeemed within 30 days after the date of their issue;
- (j) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into such agreement is to raise finance (excluding, for the avoidance of doubt, milestone and deferred consideration payments in respect of acquisitions of shares or other assets which are the subject of any acquisition); and
- (k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above.

"**Fraudulent Transfer Law**" means any applicable US Bankruptcy Law or any applicable US state fraudulent transfer or conveyance law.

"**Group**" means the Parent Company and its Subsidiaries for the time being.

"**Guarantor**" means the Original Guarantor and any Additional Guarantor, unless it has ceased to be a Guarantor in accordance with Clause 30 (*Changes to the Obligors*).

"**Guidelines**" means, together, guideline S-02.123 in relation to interbank loans of 22 September 1986 (*Merkblatt "Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)" vom 22. September 1986*), guideline S-02.122.1 in relation to bonds of April 1999 (*Merkblatt "Obligationen" vom April 1999*), guideline S-02.130.1 in relation to money market instruments and book claims of April 1999 (*Merkblatt vom April 1999 betreffend Geldmarktpapiere und Buchforderungen inländischer Schuldner*), guideline S-02.128 in relation to syndicated credit facilities of January 2000 (*Merkblatt "Steuerliche Behandlung von Konsortialdarlehen, Schuld-scheindarlehen, Wechseln und Unterbeteiligungen" vom January 2000*), guideline S-02.122.2 in relation to deposits of April 1999 (*Merkblatt "Kundenguthaben" vom April 1999*) and the circular letter No. 15 of 7 February 2007 (1-015-DVS-2007) in relation to bonds and derivative financial instruments as subject matter of taxation of Swiss federal income tax, Swiss Withholding Tax and Swiss Stamp Taxes, in each case as issued, amended or replaced from time to time, by the Swiss Federal Tax Administration or as substituted or superseded and overruled by any law, statute, ordinance, court decision, regulation or the like as in force from time to time.

**"Holding Company"** means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

**"Impaired Agent"** means an Agent at any time when:

- (a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;
- (b) such Agent otherwise rescinds or repudiates a Finance Document;
- (c) (if such Agent is also a Lender) it is a Defaulting Lender under paragraph (a) or (b) of the definition of "*Defaulting Lender*"; or
- (d) an Insolvency Event has occurred and is continuing with respect to such Agent;

unless, in the case of paragraph (a) above:

- (i) its failure to pay is caused by:
  - (A) administrative or technical error; or
  - (B) a Disruption Event; andpayment is made within five Business Days of its due date; or
- (ii) such Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

**"Increase Confirmation"** means a confirmation substantially in the form set out in Schedule 14 (*Form of Increase Confirmation*).

**"Increase Lender"** has the meaning given to that term in Clause 2.2 (*Increase*).

**"Insolvency Event"** means, in relation to a Finance Party:

- (a) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of that Finance Party or all or substantially all of that Finance Party's assets;
- (b) that Finance Party suspends making payments on all or substantially all of its debts or publicly announces an intention to do so; or
- (c) any analogous procedure or step is taken in any jurisdiction with respect to that Finance Party.

**"Interest Period"** means, in relation to a Loan (not being a Swingline Loan), each period determined in accordance with Clause 15 (*Interest Periods*), in relation to an Unpaid Sum, each period determined in accordance with Clause 14.3 (*Default interest*)

and, in relation to a Swingline Loan, the period determined in accordance with paragraph (A) of Clause 6.3 (*Completion of a Utilisation Request for Swingline Loans*).

"**Ireland**" means the Republic of Ireland.

"**IRS**" means the United States Internal Revenue Service or any successor.

"**Lender**" means a Swingline Lender and/or a Revolving Lender, as the context requires.

"**LIBOR**" means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the currency or Interest Period of that Loan) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request quoted by three Reference Banks to leading banks in the London interbank market,

as of the Specified Time on the Quotation Day for the offering of deposits in the currency of that Loan and for a period comparable to the Interest Period for that Loan.

"**Loan**" means a Revolving Loan or a Swingline Loan.

"**Luxembourg**" means the Grand Duchy of Luxembourg.

"**Luxembourg Borrower**" means a Borrower which is incorporated in Luxembourg or (without prejudice to any other term of this Agreement) has validly transferred its registered office and central administration to Luxembourg.

"**Luxembourg Guarantor**" means a Guarantor which is incorporated in Luxembourg or (without prejudice to any other term of this Agreement) has validly transferred its registered office and central administration to Luxembourg.

"**Luxembourg Obligor**" means a Luxembourg Borrower or a Luxembourg Guarantor.

"**Majority Lenders**" means, subject to Clause 40.3 (*Disenfranchisement of Defaulting Lenders*):

- (a) if there are no Loans then outstanding, a Lender or Lenders whose Commitments aggregate not less than 66<sup>2/3</sup> per cent. of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated not less than 66<sup>2/3</sup> per cent. of the Total Commitments immediately prior to the reduction); or
- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate not less than 66<sup>2/3</sup> per cent. of all the Loans then outstanding.

**"Mandatory Cost"** means the percentage rate per annum calculated by the Facility Agent in accordance with Schedule 4 (*Mandatory Cost formulae*).

**"Margin"** means:

(a) subject to paragraph (b) below:

- (i) 0.90 per cent. per annum prior to receipt by the Facility Agent of the first Compliance Certificate required to be delivered after the date of this Agreement pursuant to Clause 25.2 (*Compliance Certificate*); and
- (ii) at all other times when the ratio of Net Debt to EBITDA in respect of the most recently completed financial year or financial half year is within the range set out below, the rate set out opposite such range in the table below:

<b>Ratio of Net Debt to EBITDA</b>	<b>Margin (per cent. per annum)</b>
Greater than 3.5:1	2.25
Greater than 3.0:1 but less than or equal to 3.5:1	1.80
Greater than 2.5:1 but less than or equal to 3.0:1	1.50
Greater than 2.0:1 but less than or equal to 2.5:1	1.25
Greater than 1.5:1 but less than or equal to 2.0:1	1.10
Greater than 1.0:1 but less than or equal to 1.5:1	1.00
Less than or equal to 1.0:1	0.90

and any reduction or increase in the Margin in the table above shall take effect five Business Days after receipt by the Facility Agent of the relevant Compliance Certificate pursuant to Clause 25 (*Information undertakings*). For the purpose of determining the Margin, "Net Debt" and "EBITDA" shall be determined in accordance with Clause 26.1 (*Financial definitions*); or

- (b) if and for so long as (x) an Event of Default under Clause 28.2 (*Financial covenants*) is continuing or (y) if the Parent Company is in default of its obligations under Clause 25 (*Information undertakings*) to provide a Compliance Certificate or relevant financial statements and the Parent Company has failed to remedy such default within five Business Days following notification by the Facility Agent, the Margin will be:
  - (i) at any time covered by the election of an increased Leverage Ratio under paragraph (A) of Clause 26.2 (*Financial condition*), 2.25 per cent.; and

- (ii) at any other time, 1.80 per cent. per annum,  
for so long as such default continues.

**"Margin Stock"** means margin stock or "margin security" within the meaning of Regulations U and X.

**"Material Adverse Effect"** means a:

- (a) material adverse change in the business, operations, assets or financial condition of the Group taken as a whole which is likely to have a material adverse effect on the ability of the Obligors taken as a whole or the Parent Company to perform their respective payment obligations under the Finance Documents; or
- (b) material adverse effect on the validity or enforceability of the Finance Documents or the rights or remedies of any Finance Party under the Finance Documents.

**"Material Company"** means, at any time:

- (a) an Obligor; or
- (b) a Subsidiary of the Parent Company which has EBITDA (as defined in Clause 26.1 (*Financial definitions*) but calculated as though it applied to it) representing 10 per cent. or more of the EBITDA of the Group.

Compliance with such conditions shall be determined by reference to the most recent Compliance Certificate supplied by the Parent Company and/or the latest audited financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Group.

A report by the auditors of the Parent Company that a Subsidiary is or is not a Material Company (determined in accordance with the preceding paragraph) shall, in the absence of manifest error, be conclusive and binding on all Parties.

**"Month"** means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one or, if there is not, on the immediately preceding Business Day;
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and

- (c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period.

**"Multiemployer Plan"** means a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) in respect of which a US Obligor or any ERISA Affiliate is an "employer" as defined in Section 3(5) of ERISA.

**"Newco Scheme"** means a scheme of arrangement or analogous proceeding (each, a **"Scheme"**, and including any modification, addition or condition thereto approved by the relevant court) which effects, in accordance with Clause 27.10 (*Top Newco*), the interposition of one or more limited liability companies (each, a **"Newco"**) between:

- (a) in relation to the first Scheme following the date of this Agreement, the shareholders immediately prior to that Scheme of the Company and the Company; or
- (b) in relation to any subsequent Scheme, the Newco interposed by the previous Scheme and its shareholders (provided that, where more than one Newco was interposed as part of the previous Scheme, only the top such Newco shall constitute Newco for these purposes).

**"Newco Scheme Date"** means the date of completion of any Newco Scheme.

**"Non-Qualifying Bank"** means any person who does not qualify as a Qualifying Bank.

**"Non-Restricted Sub-Participation"** means a sub-participation in respect of the rights and/or obligations of a Lender under this Agreement which is substantially in the form recommended from time to time by the LMA where such form includes a provision on status of participation substantially in the form set out in Clause 6.1 (*Status of Participation*) of the LMA Funded Participation (PAR) form as at the date of this Agreement or Clause 7.1 (*Status of Participation*) of the LMA Risk Participation (PAR) form as at the date of this Agreement, as applicable.

**"Obligor"** means a Borrower or a Guarantor.

**"Obligor's Agent"** means SGF, appointed to act on behalf of each Obligor in relation to the Finance Documents pursuant to Clause 2.4 (*Obligors' Agent*).

**"Optional Currency"** means a currency (other than the Base Currency) which complies with the conditions set out in Clause 4.3 (*Conditions relating to Optional Currencies*).

**"Original Financial Statements"** means, in relation to the Parent Company, the audited consolidated financial statements of the Group for the financial year ended 31 December 2009.

**"Original Obligor"** means an Original Borrower or the Original Guarantor.

"**Parent Company**" means the Company or, after completion of any Newco Scheme in accordance with the terms of this Agreement, the most recently interposed Top Newco.

"**Participating Member State**" means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

"**Party**" means a party to this Agreement.

"**PBGC**" means the US Pension Benefit Guaranty Corporation, or any entity succeeding to all or any of its functions under ERISA.

"**Permitted Securitisation**" means any arrangements forming part of a transaction involving the securitisation or other financing of assets or cash flows (or both) relating to royalty income **provided that**, while the aggregate amount of the Total Commitments of all the Revolving Lenders in respect of the Revolving Facility is greater than US\$ 500,000,000, the Parent Company provides a certificate to the Facility Agent signed by two directors (one of which is the finance director of the Parent Company) confirming that the proceeds of that securitisation or other financing are to be applied upon receipt such that there has been a permanent reduction of the Revolving Facility of an amount equivalent to the net amount anticipated to be received by the Group from such securitisation or other financings upon entering into of such arrangement in accordance with Clauses 11.2 (*Voluntary cancellation*) and 11.3 (*Voluntary prepayment of Loans*).

"**Qualifying Bank**" means any person or entity, including any commercial bank or financial institution (irrespective of its jurisdiction or organisation), which is licensed as a bank by the banking laws in force in its jurisdiction of incorporation and any branch of a legal entity, which is licensed as a bank by the banking laws in force in the jurisdiction where such branch is situated, and which, in each case, exercises as its main purpose a true banking activity, having bank personnel, premises, communication devices of its own and authority of decision making, all in accordance with the Guidelines.

"**Qualifying Lender**" has the meaning given to it in Clause 18 (*Tax gross-up and indemnities*).

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined:

- (a) (if the currency is sterling) the first day of that period;
- (b) (if the currency is euro) two TARGET Days before the first day of that period; or
- (c) (for any other currency) two Business Days before the first day of that period,

unless market practice differs in the Relevant Interbank Market for a currency, in which case the Quotation Day for that currency will be determined by the Facility Agent in accordance with market practice in the Relevant Interbank Market (and, if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

**"Reference Banks"** means, in relation to LIBOR, the principal London offices of Lloyds TSB Bank plc, The Royal Bank of Scotland plc, Barclays Bank PLC and Citibank, N.A., London Branch or such other banks as may be appointed by the Facility Agent in consultation with the Parent Company.

**"Register"** has the meaning given to that term in Clause 31.19 (*The Register*).

**"Regulation T", "Regulation U" or "Regulation X"** means, respectively, Regulation T, U or X of the Board of Governors of the Federal Reserve System of the United States (or any successor) as now and from time to time in effect from the date of this Agreement and all official rulings and interpretations thereof and thereunder.

**"Relevant Interbank Market"** means, in relation to euro, the European Interbank Market and, in relation to any other currency, the London interbank market.

**"Repeating Representations"** means each of the representations set out in Clauses 24.2 (*Status*) to 24.7 (*Governing law and enforcement*), Clause 24.10 (*No default*), Clause 24.13 (*Pari passu ranking*), and Clause 24.14 (*ERISA and Multiemployer Plans*) to Clause 24.18 (*Compliance with Twenty Non-Bank Rule*).

**"Representative"** means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

**"Resignation Letter"** means a letter substantially in the form set out in Schedule 7 (*Form of Resignation Letter*).

**"Restricted Sub-Participation"** means a sub-participation, including by way of risk participation of the rights and/or the obligations of a Lender under this Agreement which is not a Non-Restricted Sub-Participation.

**"Revolving Facility"** means the revolving facility made available under this Agreement as described in Clause 2.1 (*Grant of Revolving Facility*).

**"Revolving Facility Commitment"** means:

- (a) in relation to an Original Revolving Lender, the amount in the Base Currency set opposite its name under the heading "Revolving Facility Commitment" in Part II of Schedule 1 (*The Parties*) to this Agreement and the amount of any other Revolving Facility Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*); and
- (b) in relation to any other Revolving Lender, the amount in the Base Currency of any Revolving Facility Commitment transferred to it under this Agreement, or assumed by it in accordance with Clause 2.2 (*Increase*),

to the extent not cancelled, reduced or transferred by it under this Agreement.

**"Revolving Lender"** means:

- (a) an Original Revolving Lender; and

- (b) any bank or financial institution which has become a Revolving Lender after the date of this Agreement in accordance with Clause 2.2 (*Increase*) or Clause 29 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

**"Revolving Loan"** means a loan to be made under the Revolving Facility or the principal amount outstanding for the time being under that loan.

**"Rollover Loan"** means one or more Revolving Loans (other than Swingline Loans):

- (a) made or to be made on the same day that a maturing Revolving Loan is due to be repaid;
- (b) the aggregate amount of which is equal to or less than the maturing Revolving Loan;
- (c) in the same currency as the maturing Revolving Loan (unless it arose as a result of the operation of Clause 8.3 (*Revocation of currency*)); and
- (d) made or to be made to the same Borrower for the purpose of refinancing a maturing Revolving Loan.

**"Screen Rate"** means:

- (a) in relation to LIBOR, the British Bankers' Association Interest Settlement Rate for the relevant currency and period; and
- (b) in relation to EURIBOR, the percentage rate per annum determined by the Banking Federation of the European Union for the relevant period,

displayed on the appropriate page of the Reuters screen. If the agreed page is replaced or service ceases to be available, the Facility Agent may specify a reasonable alternative page or service displaying the appropriate rate after consultation with the Parent Company and the Lenders.

**"SEC"** means the United States Securities and Exchange Commission or any successor thereto.

**"Security"** means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

**"Separate Loan"** has the meaning given to that term in Clause 10.1 (*Repayment of Revolving Loans*).

**"SGF"** means Shire Global Finance, a private unlimited company incorporated in England with registered number 05418960.

**"Specified Time"** means a time determined in accordance with Schedule 13 (*Timetables*).

**"Subsidiary"** means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

**"Swingline Agent"** means the Dollar Swingline Agent or the Euro Swingline Agent.

**"Swingline Commitment"** means:

- (a) in relation to an Original Dollar Swingline Lender or an Original Euro Swingline Lender, the amount in the Base Currency set opposite its name under the heading "Swingline Commitment" in Part III or Part IV, respectively, of Schedule 1 (*The Parties*) of this Agreement and the amount of any other Swingline Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*); or
- (b) in relation to any other Swingline Lender, the amount in the Base Currency of any Swingline Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*),

to the extent not cancelled, reduced or transferred by it under this Agreement.

**"Swingline Facility"** means the swingline facility made available under this Agreement comprising the Dollar Swingline Facility and the Euro Swingline Facility.

**"Swingline Lender"** means a Dollar Swingline Lender or a Euro Swingline Lender.

**"Swingline Loan"** means a Dollar Swingline Loan or a Euro Swingline Loan.

**"Swiss Federal Tax Administration"** means the federal tax administration office within the federal department of finance of the Swiss Confederation (*Eidgenössische Steuerverwaltung (ESTV)*).

**"Swiss Obligor"** means an Obligor incorporated in Switzerland and/or having its registered office in Switzerland and/or qualifying as a Swiss resident pursuant to Art. 9 of the Swiss Withholding Tax Act and/or Art. 4 of the Swiss Stamp Tax Act.

**"Swiss Stamp Tax"** means a Tax imposed under the Swiss Stamp Tax Act.

**"Swiss Stamp Tax Act"** means the Swiss Federal Act on Stamp Taxes of 27 June 1973 (*Bundesgesetz über die Stempelabgaben*) together with the related ordinances, regulations and guidelines, all as amended and applicable from time to time.

**"Swiss Withholding Tax"** means Taxes imposed under the Swiss Withholding Tax Act.

**"Swiss Withholding Tax Act"** means the Swiss Federal Act on the Withholding Tax of 13 October 1965 (*Bundesgesetz über die Verrechnungssteuer*), together with the related ordinances, regulations and guidelines, all as amended and applicable from time to time.

**"TARGET2"** means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

**"TARGET Day"** means any day on which TARGET2 is open for the settlement of payments in euro.

**"Tax"** means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

**"Termination Date"** means the date which is the fifth anniversary of the date of this Agreement.

**"Top Newco"** means the top Newco most recently interposed by any Newco Scheme from time to time.

**"Total Commitments"** means the aggregate of the Revolving Facility Commitments, being US\$ 1,200,000,000 at the date of this Agreement.

**"Transfer Certificate"** means a certificate substantially in the form set out in Part 2 of Schedule 5 (*Form of Transfer Certificate*) or any other form agreed between the Facility Agent and the Parent Company.

**"Transfer Date"** means, in relation to an assignment or a transfer, the later of:

- (a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and
- (b) the date on which the Facility Agent executes the relevant Assignment Agreement or Transfer Certificate.

**"Twenty Non-Bank Rule"** means the rule that (without duplication) the aggregate number of creditors (including the Lenders), other than Qualifying Banks, of a Swiss Borrower under all its outstanding debts relevant for classification as a debenture (*Kassenobligation*) (including debt arising under this Agreement and intragroup loans (if and to the extent intragroup loans are not exempt in accordance with the ordinance of the Swiss Federal Council of 18 June 2010 amending the Swiss Federal Ordinance on withholding tax and the Swiss Federal Ordinance on stamp duties with effect as of 1 August 2010)) facilities and / or private placements must not at any time exceed twenty, all in accordance with the meaning of the Guidelines or legislation or explanatory notes addressing the same issues which are in force at such time.

**"UK Borrower"** means a Borrower which is incorporated in the United Kingdom.

**"Unfunded Pension Liability"** means the excess of an Employee Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that plan's assets, determined in accordance with the assumptions used for funding the Employee Plan pursuant to Section 430 of the Code for the applicable plan year.

**"Unpaid Sum"** means any sum due and payable but unpaid by an Obligor under the Finance Documents.

**"US"** and **"United States"** means the United States of America, its territories, possessions and other areas subject to the jurisdiction of the United States of America.

**"US Bankruptcy Law"** means the United States Bankruptcy Code of 1978 (Title 11 of the United States Code) or any other United States federal or state bankruptcy, insolvency or similar law.

**"US Borrower"** means a Borrower whose jurisdiction of creation or organisation is a state of the United States of America or the District of Columbia.

**"US GAAP"** means generally accepted accounting principles in the United States of America.

**"US Guarantor"** means a Guarantor whose jurisdiction of creation or organisation is a state of the United States of America or the District of Columbia.

**"US Lender"** means any Lender that is:

- (a) organised under the laws of the United States or a state thereof;
- (b) a branch or agency licensed under the laws of the United States or a state thereof; or
- (c) controlled by a person described in paragraph (a) above.

**"US Obligor"** means a US Borrower or a US Guarantor.

**"USA Patriot Act"** means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 of the United States, as amended.

**"Utilisation"** means a utilisation of a Facility.

**"Utilisation Date"** means the date of a Utilisation, being the date on which the relevant Loan is to be made.

**"Utilisation Request"** means a notice substantially in the form set out in Part I (*Utilisation Request – Revolving Loan*) or Part II (*Utilisation Request – Swingline Loan*) of Schedule 3 (*Requests*).

**"VAT"** means, in respect of the United Kingdom, value added tax as provided for in the Value Added Tax Act 1994, in respect of Ireland, the Value Added Tax Act 1972 and, in each case, any regulations promulgated thereunder and any other Tax of a similar nature.

## 1.2 Construction

- (A) Unless a contrary indication appears any reference in this Agreement to:
- (i) an "**Agent**", the "**Facility Agent**", the "**Euro Swingline Agent**", the "**Dollar Swingline Agent**", the "**Arrangers**", any "**Finance Party**", any "**Lender**", any "**Obligor**", "**SGF**" or the "**Obligors' Agent**", or any "**Party**" shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
  - (ii) "**assets**" includes present and future properties, revenues and rights of every description;
  - (iii) a "**company**" shall be construed so as to include any corporation or other body corporate, wherever and however incorporated or established;
  - (iv) a "**Finance Document**" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
  - (v) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
  - (vi) a "**person**" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) of two or more of the foregoing;
  - (vii) a "**regulation**" includes any regulation, rule, official directive or guideline (whether or not having the force of law but if not having the force of law being of a type which any person to which it applies is accustomed to comply) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other similar authority or organisation;
  - (viii) a provision of law or regulation (including an accounting standard) is a reference to that provision as amended or re-enacted;
  - (ix) a time of day is a reference to London time; and
  - (x) "**Barclays Capital**" means the investment banking division of Barclays Bank PLC.
- (B) Section, Clause and Schedule headings are for ease of reference only.
- (C) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance

Document has the same meaning in that Finance Document or notice as in this Agreement.

(D) A Default or an Event of Default is "**continuing**" if it has not been remedied or waived.

### 1.3 Currency symbols and definitions

"\$", "**dollars**", "**US Dollars**" and "**US\$**" denote the lawful currency for the time being of the United States of America.

"**EUR**" and "**euro**" means the single currency unit of the Participating Member States.

"**£**" and "**sterling**" denote the lawful currency for the time being of the United Kingdom.

### 1.4 Third party rights

(A) Unless expressly provided to the contrary in a Finance Document, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this Agreement.

(B) Notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

### 1.5 Irish terms

(A) an "**administration**" includes an examinership within the meaning of the Companies (Amendment) Act 1990 of Ireland (as amended); and

(B) an "**administrator**" includes an examiner within the meaning of the Companies (Amendment) Act 1990 of Ireland (as amended).

### 1.6 Luxembourg terms

In this Agreement, where relating to a Luxembourg Borrower or Luxembourg Guarantor, a reference to:

(A) "**insolvency proceeding**" includes, without limitation, bankruptcy (*faillite*) proceedings within the meaning of Articles 437 ff. of the Luxembourg Commercial Code, insolvency proceedings pursuant to EU Insolvency Regulation (1346/2000), voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*) within the meaning of the law of 14 April 1886 on arrangements to prevent insolvency, as amended, reprieve from payment (*sursis de paiement*) within the meaning of Articles 593 ff. of the Luxembourg commercial code and, controlled management (*gestion contrôlée*) within the meaning of the grand ducal regulation of 24 May 1935 on controlled management; and

- (B) a “**receiver**”, “**administrative receiver**”, “**administrator**” or the like includes, without limitation, a *juge-délégué*, *commissaire*, *juge-commissaire*, *liquidateur* or *curateur*.

## SECTION 2 FACILITIES

### 2. THE FACILITIES

#### 2.1 Grant of Revolving Facility

- (A) Subject to the terms of this Agreement, the Revolving Lenders make available to the Borrowers a multicurrency revolving loan facility in an aggregate amount equal to the Total Commitments.
- (B) The Revolving Facility incorporates the Swingline Facility as set out in Clause 6 (*Utilisation – Swingline Loans*) and Clause 7 (*Swingline Loans*).

#### 2.2 Increase

- (A) The Parent Company may by giving prior notice to the Facility Agent by no later than 30 days after the effective date of a cancellation of:
  - (i) the Available Commitments of a Defaulting Lender (and, if applicable, of any Affiliate of that Lender which is a Swingline Lender) in accordance with Clause 11.4 (*Right of repayment and cancellation in relation to a single Lender or Defaulting Lender*); or
  - (ii) the Commitments of a Lender in accordance with Clause 11.1 (*Illegality*) or paragraph (A) of Clause 11.4 (*Right of repayment and cancellation in relation to a single Lender or Defaulting Lender*),

request that the Total Commitments be increased (and the Total Commitments shall be so increased) in an aggregate amount in the Base Currency of up to the amount of the Available Commitments or Commitments so cancelled, as follows:

- (a) the increased Commitments will be assumed by one or more Lenders or other banks, financial institutions, trusts, funds or other entities which (in each case) is or are Qualifying Banks and shall not be a member of the Group (each an "**Increase Lender**") selected by the Parent Company and each of which confirms in writing its willingness to assume (whether in the Increase Confirmation or otherwise) and does assume all the obligations of a Lender corresponding to that part of the increased Commitments which it is to assume, as if it had been an Original Lender;
- (b) each of the Obligors and any Increase Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the rights and obligations owed by each Obligor and the Lender whose Commitment has been cancelled (the "**Cancelled Lender**") to each other only insofar as that Obligor and the Increase Lender have assumed and/or

acquired the same in place of that Obligor and the Cancelled Lender;

- (c) each Increase Lender shall become a Party as a "**Lender**" and any Increase Lender and each of the other Finance Parties shall assume obligations towards one another and acquire rights against one another which differ from the rights and obligations owed by the Cancelled Lender and each of the other Finance Parties to each other only insofar as the Increase Lender and those Finance Parties have assumed and/or acquired the same in place of the Cancelled Lender and those Finance Parties;
  - (d) the Commitments of the other Lenders shall continue in full force and effect; and
  - (e) any increase in the Total Commitments shall take effect on the date specified by the Parent Company in the notice referred to above or any later date on which the conditions set out in paragraph (B) below are satisfied.
- (B) An increase in the Total Commitments will be effective only on:
- (i) the execution by the Facility Agent of an Increase Confirmation from the relevant Increase Lender;
  - (ii) in relation to an Increase Lender which is not a Lender immediately prior to the relevant increase, the performance by the Facility Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assumption of the increased Commitments by that Increase Lender, the completion of which the Facility Agent shall promptly notify to the Parent Company and the Increase Lender.
- (C) Each Increase Lender, by executing the Increase Confirmation, confirms (for the avoidance of doubt) that the Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the increase becomes effective.
- (D) The Parent Company shall, on the date upon which the increase takes effect, pay to the Facility Agent (for its own account) a fee of US\$ 3,000 and the Parent Company shall promptly on demand pay the Facility Agent the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with any increase in Commitments under this Clause 2.2.
- (E) Clause 29.4 (*Limitation of responsibility of Existing Lenders*) shall apply *mutatis mutandis* in this Clause 2.2 in relation to an Increase Lender as if references in that Clause to:

- (i) an "**Existing Lender**" were references to all the Lenders immediately prior to the relevant increase;
- (ii) the "**New Lender**" were references to that "Increase Lender"; and
- (iii) a "**re-transfer**" and "**re-assignment**" were references to, respectively, a "**transfer**" and "**assignment**".

### 2.3 Finance Parties' rights and obligations

- (A) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (B) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt.
- (C) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

### 2.4 Obligors' Agent

- (A) Each Obligor (other than SGF) by its execution of this Agreement or an Accession Letter irrevocably appoints SGF to act on its behalf as its agent in relation to the Finance Documents and irrevocably authorises:
  - (i) SGF on its behalf to supply all information concerning itself contemplated by this Agreement to the Finance Parties and to give all notices and instructions (including, in the case of a Borrower, Utilisation Requests), to execute on its behalf any Accession Letter, to make such agreements and to effect the relevant amendments, supplements and variations capable of being given, made or effected by any Obligor notwithstanding that they may affect the Obligor, without further reference to or the consent of that Obligor; and
  - (ii) each Finance Party to give any notice, demand or other communication to that Obligor pursuant to the Finance Documents to SGF, and in each case the Obligor shall be bound as though the Obligor itself had given the notices and instructions (including, without limitation, any Utilisation Requests) or executed or made the agreements or effected the amendments, supplements or variations, or received the relevant notice, demand or other communication.
- (B) Every act, omission, agreement, undertaking, settlement, waiver, amendment, supplement, variation, notice or other communication given or made by the

Obligors' Agent or given to the Obligors' Agent under any Finance Document on behalf of another Obligor or in connection with any Finance Document (whether or not known to that or any other Obligor and whether occurring before or after such other Obligor became an Obligor under any Finance Document) shall be binding for all purposes on that Obligor as if that Obligor had expressly made, given or concurred with it. In the event of any conflict between any notices or other communications of the Obligors' Agent and any other Obligor, those of the Obligors' Agent shall prevail.

### 3. PURPOSE

#### 3.1 Purpose

Each Borrower shall apply all amounts borrowed by it under the Revolving Facility towards financing the general corporate purposes of the Group.

#### 3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

### 4. CONDITIONS OF UTILISATION

#### 4.1 Initial conditions precedent

No Borrower (nor the Parent Company) may deliver a Utilisation Request unless the Facility Agent has received all of the documents and other evidence listed in Part I of Schedule 2 (*Conditions precedent*) in form and substance satisfactory to the Facility Agent (acting reasonably). The Facility Agent shall notify the Parent Company and the Lenders promptly upon being so satisfied.

#### 4.2 Further conditions precedent

- (A) The Lenders will be obliged to comply with Clause 5.4 (*Lenders' participation*) in relation to a Loan only if on the date of the Utilisation Request and on the proposed Utilisation Date:
- (B) in the case of a Rollover Loan, no Event of Default has occurred and is continuing or would result from the proposed Loan and, in the case of any other Loan, no Default is continuing or will result from the proposed Loan; and
- (C) the Repeating Representations to be made by each Obligor are true in all material respects.

**4.3 Conditions relating to Optional Currencies**

- (A) A currency will constitute an Optional Currency in relation to a Revolving Loan if it is sterling or euro or it is:
- (i) readily available in the amount required and freely convertible into the Base Currency in the Relevant Interbank Market on the Quotation Day and the Utilisation Date for that Revolving Loan; and
  - (ii) a currency which has been approved by the Facility Agent (acting on the instructions of all the Revolving Lenders acting reasonably) on or prior to receipt by the Facility Agent of the relevant Utilisation Request for that Revolving Loan.
- (B) If the Facility Agent has received a written request from the Parent Company for a currency to be approved under paragraph (A) above, the Facility Agent will confirm to the Parent Company by the Specified Time:
- (i) whether or not the Revolving Lenders have granted their approval; and
  - (ii) if approval has been granted, the minimum amount for any subsequent Utilisation in that currency which will be an amount equivalent to US\$ 10,000,000 (rounded to the nearest 1,000,000).

**4.4 Maximum number of Loans**

- (A) A Borrower may not deliver a Utilisation Request if, as a result of the proposed Utilisation, seventeen or more Loans would be outstanding, unless otherwise agreed by the Parent Company and the Facility Agent.
- (B) Any Loan made by a single Lender under Clause 8.3 (*Revocation of Currency*) shall not be taken into account in this Clause 4.4.
- (C) Any Separate Loan shall not be taken into account in this Clause 4.4.

**4.5 Maximum number of currencies**

A Borrower may not deliver a Utilisation Request if, as a result of the proposed Utilisation, Loans denominated in seven or more currencies would be outstanding, unless otherwise agreed by the Parent Company and the Facility Agent.

**SECTION 3  
UTILISATION**

**5. UTILISATION - REVOLVING LOANS**

**5.1 Delivery of a Utilisation Request**

A Borrower may utilise the Revolving Facility (other than for the purpose of drawing Swingline Loans which may be drawn in accordance with Clause 6.2 (*Delivery of a Utilisation Request for Swingline Loans*)) by delivery by it (or the Parent Company on behalf of the Borrower) to the Facility Agent of a duly completed Utilisation Request not later than the Specified Time.

**5.2 Completion of a Utilisation Request**

- (A) Each Utilisation Request delivered to the Facility Agent pursuant to Clause 5.1 (*Delivery of a Utilisation Request*) is irrevocable and will not be regarded as having been duly completed unless:
- (i) it specifies that it is for a Revolving Loan;
  - (ii) the proposed Utilisation Date is a Business Day within the Availability Period applicable to the Revolving Facility;
  - (iii) the currency and amount of the Utilisation comply with Clause 5.3 (*Currency and amount*); and
  - (iv) the proposed Interest Period complies with Clause 15 (*Interest Periods*).
- (B) Only one Revolving Loan may be requested in each Utilisation Request delivered to the Facility Agent pursuant to Clause 5.1 (*Delivery of a Utilisation Request*).

**5.3 Currency and amount**

- (A) The currency specified in a Utilisation Request delivered to the Facility Agent pursuant to Clause 5.1 (*Delivery of a Utilisation Request*) for the purpose of drawing Revolving Loans must be the Base Currency or an Optional Currency.
- (B) The amount of the proposed Revolving Loan must be:
- (i) if the currency selected is the Base Currency, a minimum of US\$ 10,000,000 or, if less, the Available Facility; or
  - (ii) if the currency selected is euro, a minimum of the euro equivalent of US\$ 10,000,000 (rounded to the nearest 1,000,000) or, if the currency selected is sterling, a minimum of the sterling equivalent of US\$ 10,000,000 (rounded to the nearest 1,000,000) or, if the currency selected is an Optional Currency other than euro or sterling, the

minimum amount specified by the Facility Agent pursuant to paragraph (B)(ii) of Clause 4.3 (*Conditions relating to Optional Currencies*) or, if less, the Available Facility.

#### 5.4 Lenders' participation

- (A) If the conditions set out in this Agreement have been met, each Revolving Lender shall make its participation in each Revolving Loan available by the Utilisation Date through its Facility Office.
- (B) Subject to Clause 8.3 (*Revocation of Currency*), the amount of each Revolving Lender's participation in each Revolving Loan (not being a Swingline Loan) will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Revolving Loan.
- (C) The Facility Agent shall determine the Base Currency Amount of each Revolving Loan which is to be made in an Optional Currency and shall notify each Revolving Lender of the amount, currency and the Base Currency Amount of each Revolving Loan and the amount of its participation in that Revolving Loan, in each case by the Specified Time.

### 6. UTILISATION - SWINGLINE LOANS

#### 6.1 General

- (A) In this Clause 6 and Clause 7 (*Swingline Loans*):
  - (i) "**Available Swingline Commitment**" of a Swingline Lender means (but without limiting paragraph (E) of Clause 6.4 (*Swingline Lenders' participation*) and Clause 6.5 (*Relationship with Revolving Facility*)) that Lender's Swingline Commitment minus:
    - (a) the Base Currency Amount of its participation in any outstanding Swingline Loans; and
    - (b) in relation to any proposed Utilisation under the Swingline Facility, the Base Currency Amount of its participation in any Swingline Loans that are due to be made under the Swingline Facility on or before the proposed Utilisation Date,  
  
other than that Lender's participation in any Swingline Loans that are due to be repaid or prepaid on or before the proposed Utilisation Date.
  - (ii) "**Available Swingline Facility**" means the aggregate for the time being of each Swingline Lender's Available Swingline Commitment.
  - (iii) "**Euro Swingline Business Day**" means any TARGET Day which is also a Business Day.

- (iv) **"Euro Swingline Rate"** means, in relation to a Euro Swingline Loan, the percentage rate per annum which is the aggregate of:
- (a) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Euro Swingline Agent at its request quoted by the Reference Banks to leading banks in the European interbank market as at the time the Euro Swingline Agent notifies the relevant Swingline Lenders of details of the participation of the relevant Swingline Lenders in accordance with paragraph (D) of Clause 6.4 (*Swingline Lenders' participation*) on the Utilisation Date for that Euro Swingline Loan for the offering of deposits in euro for a period comparable to the Interest Period for the relevant Euro Swingline Loan and for settlement on that day;
  - (b) the Margin; and
  - (c) Mandatory Cost (if any).

For the purposes of this paragraph, the "Reference Banks" are the principal offices in London of the Reference Banks, or such other banks as may be appointed by the Euro Swingline Agent in consultation with the Parent Company.

- (v) **"Federal Funds Rate"** means, in relation to any day, the rate per annum equal to:
- (a) the weighted average of the rates on overnight Federal funds transactions with members of the US Federal Reserve System arranged by Federal funds brokers, as published for that day (or, if that day is not a New York Business Day, for the immediately preceding New York Business Day) by the Federal Reserve Bank of New York; or
  - (b) if a rate is not so published for any day which is a New York Business Day, the average of the quotations for that day on such transactions received by the Dollar Swingline Agent from three Federal funds brokers of recognised standing selected by the Dollar Swingline Agent.
- (vi) **"New York Business Day"** means a day (other than a Saturday or Sunday) on which banks are open for general business in New York City.
- (vii) **"Overall Commitment"** of a Lender means:
- (a) its Revolving Facility Commitment; or

(b) in the case of a Swingline Lender which does not have a Revolving Facility Commitment, the Revolving Facility Commitment of a Lender which is its Affiliate.

(viii) "**Total Swingline Commitments**" means the aggregate of the Swingline Commitments, being US\$ 250,000,000 at the date of this Agreement.

For the avoidance of doubt, the amounts set out in Part III of Schedule 1 (*The Parties*) and Part IV of Schedule 1 (*The Parties*) are not double counted and operate in the alternative subject to paragraph (E) of Clause 6.4 (*Swingline Lenders' participation*), such that in aggregate across the Dollar Swingline Facility and the Euro Swingline Facility no more than an amount equal to the Total Swingline Commitments (or the euro equivalent thereof) may be drawn at any time.

(B) Any reference in this Agreement to:

(i) an "**Interest Period**" includes each period determined under this Agreement by reference to which interest on a Swingline Loan is calculated; and

(ii) a "**Lender**" includes a Dollar Swingline Lender and a Euro Swingline Lender unless the context otherwise requires.

(C) (i) Clauses 4.2 (*Further conditions precedent*) and 4.3 (*Conditions relating to Optional Currencies*);

(ii) Clause 5 (*Utilisation – Revolving Loans*);

(iii) Clause 8 (*Selection of currencies*);

(iv) Clause 14 (*Interest*) as it applies to the calculation of interest on a Loan but not default interest on an overdue amount;

(v) Clause 15 (*Interest Period*); and

(vi) Clause 16 (*Changes to the calculation of interest*),

do not apply to Swingline Loans.

## 6.2 Delivery of a Utilisation Request for Swingline Loans

(A) A Borrower may utilise the Swingline Facility by delivery by it (or the Parent Company on behalf of a Borrower) to the relevant Swingline Agent (copied to the Facility Agent) of a duly completed Utilisation Request in the form of Part II of Schedule 3 (*Requests*) not later than the Specified Time.

(B) Each Utilisation Request:

- (i) for a Dollar Swingline Loan must be sent to the Dollar Swingline Agent to the address in New York notified by the Dollar Swingline Agent for this purpose; and
- (ii) for a Euro Swingline Loan must be sent to the Euro Swingline Agent to the address in London notified by the Euro Swingline Agent for this purpose.

### 6.3 Completion of a Utilisation Request for Swingline Loans

- (A) Each Utilisation Request for a Swingline Loan is irrevocable and will not be regarded as having been duly completed unless:
  - (i) it identifies the Borrower;
  - (ii) it specifies that it is for a Dollar Swingline Loan or a Euro Swingline Loan;
  - (iii) the proposed Utilisation Date is:
    - (a) in relation to a Dollar Swingline Loan, a New York Business Day; and
    - (b) in relation to a Euro Swingline Loan, a Euro Swingline Business Day, within the Availability Period applicable to the Revolving Facility;
  - (iv) the Swingline Loan is:
    - (a) in relation to a Dollar Swingline Loan, denominated in US Dollars; and
    - (b) in relation to a Euro Swingline Loan, denominated in euro;
  - (v) the amount of the proposed Swingline Loan is an amount whose Base Currency Amount is not more than the Available Swingline Facility and is a minimum of US\$ 10,000,000 or, if less, the Available Swingline Facility; and
  - (vi) the proposed Interest Period:
    - (a) does not overrun the Termination Date;
    - (b) is a period of not more than five New York Business Days (in relation to a Dollar Swingline Loan) or five Euro Swingline Business Days (in relation to a Euro Swingline Loan); and

(c) ends on a New York Business Day (in relation to a Dollar Swingline Loan) or a Euro Swingline Business Day (in relation to a Euro Swingline Loan).

(B) Only one Swingline Loan may be requested in each Utilisation Request.

#### 6.4 Swingline Lenders' participation

(A) If the conditions set out in this Agreement have been met, each Swingline Lender shall make its participation in each Swingline Loan available through its relevant Facility Office.

(B) The Swingline Lenders will only be obliged to comply with paragraph (A) above if on the date of the Utilisation Request and on the proposed Utilisation Date:

(i) no Default is continuing or would result from the proposed Utilisation; and

(ii) the Repeating Representations to be made by each Obligor are true in all material respects.

(C) The amount of each Swingline Lender's participation in each Swingline Loan will be equal to the proportion borne by its Available Swingline Commitment to the Available Swingline Facility immediately prior to making the Swingline Loan, adjusted to take account of any limit applying under Clause 6.5 (*Relationship with Revolving Facility*).

(D) The relevant Swingline Agent shall determine the Base Currency Amount of each relevant Swingline Loan and notify each relevant Swingline Lender of the amount of each relevant Swingline Loan and its participation in that relevant Swingline Loan by the Specified Time.

(E) Utilisation by a Borrower of the Euro Swingline Facility shall reduce the Available Swingline Commitment in respect of the Dollar Swingline Facility rateably by an amount equivalent to the Base Currency Amount of that Utilisation. Utilisation by a Borrower of the Dollar Swingline Facility shall reduce the Available Swingline Commitment in respect of the Euro Swingline Facility rateably by an amount equivalent to the Base Currency Amount of that Utilisation.

#### 6.5 Relationship with Revolving Facility

(A) This Clause applies when a Swingline Loan is outstanding or is to be borrowed.

(B) The Revolving Facility may be used by way of Swingline Loans. The Swingline Facility is not independent of the Revolving Facility.

(C) Notwithstanding any other term of this Agreement, a Lender is only obliged to participate in a Revolving Loan or a Swingline Loan to the extent that it would not result in the Base Currency Amount of its participation and that of a Lender

which is its Affiliate in the Revolving Loans, the Dollar Swingline Loans and the Euro Swingline Loans exceeding its Overall Commitment.

- (D) Where, but for the operation of paragraph (C) above, the Base Currency Amount of a Lender's participation and that of a Lender which is its Affiliate in the Revolving Loans, the Dollar Swingline Loans and the Euro Swingline Loans would have exceeded its Overall Commitment, the excess will be apportioned among the other Lenders participating in the relevant Loan pro rata according to their relevant Commitments. This calculation will be applied as often as necessary until the Loan is apportioned among the relevant Lenders in a manner consistent with paragraph (C) above.
- (E) The amount of a proposed Dollar Swingline Loan or, as the case may be, the Base Currency Amount of a proposed Euro Swingline Loan must not, when aggregated with the Base Currency Amount of all outstanding Swingline Loans, exceed the Total Swingline Commitments.

## 7. SWINGLINE LOANS

### 7.1 Swingline

Subject to the terms of this Agreement, the Swingline Lenders make available to the Borrowers a swingline loan facility comprising:

- (A) a dollar swingline loan facility in an aggregate amount equal to the Total Swingline Commitments; and
- (B) a euro swingline loan facility in an aggregate amount equal to the euro equivalent of the Total Swingline Commitments.

### 7.2 Purpose

Each Borrower shall apply all amounts borrowed by it under each of the Dollar Swingline Facility and the Euro Swingline Facility towards general corporate purposes. A Swingline Loan may not be applied in repayment or prepayment of another Swingline Loan.

### 7.3 Repayment

- (A) Each Borrower that has drawn a Swingline Loan shall repay that Swingline Loan on the last day of its Interest Period.
- (B) Subject to paragraph (D) below, if a Swingline Loan is not repaid in full on its due date and the repayment of which is not otherwise funded under the Revolving Facility, the relevant Swingline Agent shall (if requested to do so in writing by any affected Swingline Lender) set a date (the "**Loss Sharing Date**") on which payments shall be made between the Lenders to re-distribute the unpaid amount between them. The relevant Swingline Agent shall give at least three Business Days' notice to each affected Lender of the Loss Sharing Date and notify it of the amounts to be paid or received by it.

- (C) Subject to paragraph (D) below, on the Loss Sharing Date each Lender must pay to the relevant Swingline Agent its Proportion of the Unpaid Amount minus its (or its Affiliate's) Unpaid Swingline Participation (if any). If this produces a negative figure for a Lender no amount need be paid by that Lender.
- (D) On the Loss Sharing Date, if any Lender is a Defaulting Lender, then, in accordance with the provisions of paragraph (C) of Clause 40.3 (*Disenfranchisement of Defaulting Lenders*), such Lender shall continue to be obliged to make the payments contemplated in paragraph (C) above and the calculation of Proportion or Unpaid Swingline Participation shall not be adjusted by virtue of the provisions of Clause 40.3, provided that if such Defaulting Lender does not in fact make the applicable payment to the Swingline Agent on the Loss Sharing Date in accordance with paragraph (C) above:
- (i) such Defaulting Lender (or its Affiliate) in its capacity as a Swingline Lender) shall not be entitled to any payment from amounts received by the Swingline Agent or directly from any Lender pursuant to paragraphs (B) and (C) above;
  - (ii) all other Lenders (or any Affiliate) shall be entitled to receive their payment from amounts received by the Swingline Agent or directly from any other Lender pursuant to paragraphs (B) and (C) above, notwithstanding any other provision of this Agreement to the contrary, and
  - (iii) the Defaulting Lender's (or its Affiliate's) participation in the Swingline Loan shall be deemed to be remaining outstanding and unpaid.
- (E) Out of the funds received by the relevant Swingline Agent pursuant to paragraph (C) the relevant Swingline Agent shall pay to each Swingline Lender an amount equal to the Shortfall (if any) of that Swingline Lender.
- (F) If the amount actually received by the relevant Swingline Agent from the Lenders is insufficient to pay the full amount of the Shortfall of all Dollar Swingline Lenders or, as the case may be, all Euro Swingline Lenders then the amount actually received will be distributed amongst the Dollar Swingline Lenders or, as the case may be, all Euro Swingline Lenders pro rata to the Shortfall of each Dollar Swingline Lender or, as the case may be, Euro Swingline Lender.
- (G) (i) On a payment under paragraphs (B) to (F) above, the paying Lender will be subrogated to the rights of the Swingline Lenders which have shared in the payment received.
- (ii) If and to the extent a paying Lender is not able to rely on its rights under paragraph i above, the relevant Borrower shall be liable to the paying Lender for a debt equal to the amount the paying Lender has paid under paragraphs (B) to (F) above.

- (iii) Any payment under paragraphs (B) to (E) above does not reduce the obligations in aggregate of any Obligor.
- (H) In this Clause 7.3:
  - (i) The "**Proportion**" of a Lender means the proportion borne by:
    - (a) its Revolving Facility Commitment (or, if the Total Commitments are then zero, its Revolving Facility Commitment immediately prior to their reduction to zero) minus the Base Currency Amount of its participation (or that of a Lender which is its Affiliate) in any outstanding Revolving Loans (but ignoring its (or its Affiliate's) participation in the unpaid Swingline Loan); to
    - (b) the Total Commitments (or, if the Total Commitments are then zero, the Total Commitments immediately prior to their reduction to zero) minus any outstanding Revolving Loans (but ignoring the unpaid Swingline Loan).
  - (ii) The "**Shortfall**" of a Swingline Lender is an amount equal to its Unpaid Swingline Participation minus its (or its Affiliate's) Proportion of the Unpaid Amount.
  - (iii) "**Unpaid Amount**" means, in relation to a Swingline Loan, any principal not repaid and/or any interest accrued but unpaid on that Swingline Loan calculated from the Utilisation Date to the Loss Sharing Date.
  - (iv) The "**Unpaid Swingline Participation**" of a Lender means that part of the Unpaid Amount (if any) owed to that Lender (or its Affiliate) (before any redistribution under this Clause 7.3 (*Repayment*)).

#### 7.4 Voluntary prepayment of Swingline Loans

- (A) The Borrower to which a Swingline Loan has been made may prepay at any time the whole of that Swingline Loan.
- (B) Unless a contrary indication appears in this Agreement, any part of the Swingline Facility which is prepaid may be reborrowed in accordance with the terms of this Agreement.

#### 7.5 Interest

- (A) The rate of interest on each Dollar Swingline Loan for any day during its Interest Period is the higher of:
  - (i) the prime commercial lending rate in US Dollars announced by the Dollar Swingline Agent at the Specified Time and in force on that day; and

- (ii) 0.5 per cent. per annum over the rate per annum determined by the Dollar Swingline Agent to be the Federal Funds Rate (as published by the Federal Reserve Bank of New York) for that day.
- (B) The rate of interest on each Euro Swingline Loan for its Interest Period is the Euro Swingline Rate.
- (C) The Dollar Swingline Agent or, as the case may be, the Euro Swingline Agent shall promptly notify the Dollar Swingline Lenders or, as the case may be, the Euro Swingline Lenders and the relevant Borrower of the determination of the rate of interest under paragraph (A) or (B) above.
- (D) If any day during an Interest Period for a Dollar Swingline Advance is not a New York Business Day, the rate of interest on such Dollar Swingline Loan on that day will be the rate applicable to the immediately preceding New York Business Day.
- (E) Each Borrower shall pay accrued interest on each Swingline Loan made to it on the last day of its Interest Period.

#### **7.6 Interest Period**

- (A) Each Swingline Loan has one Interest Period only.
- (B) The Interest Period for a Swingline Loan must be selected in the relevant Utilisation Request.

#### **7.7 Dollar Swingline Agent, Euro Swingline Agent**

- (A) Each Swingline Agent may perform its duties in respect of the Dollar Swingline Facility or the Euro Swingline Facility, as the case may be, through an Affiliate or Affiliates acting as its agent.
- (B) Notwithstanding any other term of this Agreement and without limiting the liability of any Obligor under the Finance Documents, each Euro Swingline Lender shall (in proportion to its share of the Total Swingline Commitments or, if the Total Swingline Commitments are then zero, to its share of the Total Swingline Commitments immediately prior to their reduction to zero) pay to or indemnify the Euro Swingline Agent, within three Business Days of demand, for or against any cost, loss or liability incurred by the Euro Swingline Agent or any Affiliate of the Euro Swingline Agent (other than by reason of the Euro Swingline Agent's or such Affiliate's gross negligence or wilful misconduct) in acting as the Euro Swingline Agent (unless the Euro Swingline Agent or such Affiliate has been reimbursed by an Obligor pursuant to this Agreement).
- (C) Notwithstanding any other term of this Agreement and without limiting the liability of any Obligor under the Finance Documents, each Dollar Swingline Lender shall (in proportion to its share of the Total Swingline Commitments or, if the Total Swingline Commitments are then zero, to its share of the Total Swingline Commitments immediately prior to their reduction to zero) pay to or

indemnify the Dollar Swingline Agent, within three Business Days of demand, for or against any cost, loss or liability incurred by the Dollar Swingline Agent or any Affiliate of the Dollar Swingline Agent (other than by reason of the Dollar Swingline Agent's or such Affiliate's gross negligence or wilful misconduct) in acting as the Dollar Swingline Agent (unless the Dollar Swingline Agent or such Affiliate has been reimbursed by an Obligor pursuant to this Agreement).

#### **7.8 Conditions of assignment or transfer**

Notwithstanding any other term of this Agreement, each Lender shall ensure that at all times its Overall Commitment is not less than:

- (A) its Swingline Commitment; or
- (B) if it does not have a Swingline Commitment, the Swingline Commitment of a Lender which is its Affiliate.

#### **8. SELECTION OF CURRENCIES**

##### **8.1 Availability of Optional Currencies**

A Borrower may request that a Revolving Loan be denominated in an Optional Currency in accordance with the provisions of Clause 4.3 (*Conditions relating to Optional Currencies*).

##### **8.2 Selection**

- (A) A Borrower (or the Parent Company on behalf of a Borrower) may select the currency of a Revolving Loan for an Interest Period in the relevant Utilisation Request.
- (B) The Facility Agent shall notify each Revolving Lender of the proposed currency or currencies of each Revolving Loan promptly after it is ascertained.

##### **8.3 Revocation of currency**

Notwithstanding Clause 8.1 (*Availability of Optional Currencies*), and without prejudice to Clause 16.2 (*Market disruption*) or Clause 11.1 (*Illegality*), if, before the Specified Time on any Quotation Day, the Facility Agent receives notice from a Revolving Lender that:

- (A) the Optional Currency (other than sterling or euro) requested is not readily available to it in the amount required; or
- (B) compliance with its obligation to participate in the Revolving Loan in the proposed Optional Currency would contravene a law or regulation applicable to it,

the Facility Agent shall give notice to the relevant Borrower and to the Revolving Lenders to that effect before the Specified Time on that day. In this event, any Revolving

Lender that gives notice pursuant to this Clause 8.3 will be required to participate in the Revolving Loan in the Base Currency (in an amount equal to that Revolving Lender's proportion of the Base Currency Amount of the Revolving Loan that is due to be made) and its participation will be treated as a separate Revolving Loan denominated in the Base Currency during that Interest Period.

**9. AMOUNT OF OPTIONAL CURRENCIES**

**9.1 Drawdowns**

If a Revolving Loan is to be drawn down in an Optional Currency, the amount of each Revolving Lender's participation in that Revolving Loan will be determined by converting into that currency the Revolving Lender's participation in the Base Currency Amount of that Revolving Loan.

**9.2 Notification**

The Facility Agent shall notify the Revolving Lenders and the Parent Company of Optional Currency amounts (and the Facility Agent's applicable Spot Rate of Exchange) promptly after they are ascertained.

**SECTION 4  
REPAYMENT, PREPAYMENT AND CANCELLATION**

**10. REPAYMENT**

**10.1 Repayment of Revolving Loans**

- (A) Subject to paragraphs (B) to (F) below, each Borrower which has drawn a Revolving Loan shall repay that Revolving Loan on the last day of its Interest Period.
- (B) Without prejudice to each Borrower's obligation under paragraph (A) above, if one or more Revolving Loans are to be made available to a Borrower:
- (i) on the same day that a maturing Revolving Loan is, or maturing Revolving Loans are, due to be repaid by that Borrower;
  - (ii) in the same currency as the maturing Revolving Loan or maturing Revolving Loans (unless it or they arose as a result of the operation of Clause 8.3 (*Revocation of currency*)); and
  - (iii) in whole or in part for the purpose of refinancing the maturing Revolving Loan or maturing Revolving Loans,

the aggregate amount of the new Revolving Loans shall, unless the Parent Company notified the Facility Agent to the contrary in its Utilisation Request, be treated as if applied in or towards repayment of the maturing Revolving Loan or maturing Revolving Loans, so that:

- (a) if the aggregate amount of the maturing Revolving Loan or maturing Revolving Loans exceeds the aggregate amount of the new Revolving Loans:
- (1) the relevant Borrower will only be required to pay an amount in cash in accordance with Clause 34.1 (*Payments to each Agent*) in the relevant currency equal to that excess; and
  - (2) each Lender's participation (if any) in the new Revolving Loans shall be treated as having been made available and applied by the Borrower in or towards repayment of that Lender's participation (if any) in the maturing Revolving Loan or maturing Revolving Loans and that Lender will not be required to make its participation in the new Revolving Loans available in cash in accordance with Clause 34.1 (*Payments to each Agent*); and
- (b) if the aggregate amount of the maturing Revolving Loan or maturing Revolving Loans is equal to or less than the aggregate amount of the new Revolving Loans:

- (1) the relevant Borrower will not be required to make any payment in cash in accordance with Clause 34.1 (*Payments to each Agent*); and
  - (2) each Lender will be required to make its participation in the new Revolving Loans available in accordance with Clause 34.1 (*Payments to each Agent*) only to the extent that its participation (if any) in the new Revolving Loans exceeds that Lender's participation (if any) in the maturing Revolving Loan and the remainder of that Lender's participation in the new Revolving Loans shall be treated as having been made available and applied by the Borrower in or towards repayment of that Lender's participation in the maturing Revolving Loan.
- (C) Subject to Clause 11.4 (*Right of repayment and cancellation in relation to a single Lender or Defaulting Lender*), at any time when a Lender becomes a Defaulting Lender, the maturity date of each of the participations of that Lender in the Revolving Loans (other than Swingline Loans) then outstanding will be automatically extended to the Termination Date and will be treated as separate Revolving Loans (each, a "**Separate Loan**") denominated in the currency in which the relevant participations are outstanding.
- (D) A Borrower to whom a Separate Loan is outstanding may prepay that Loan by giving not less than five Business Days' (or such shorter period as the relevant Defaulting Lender may agree) prior notice to the Facility Agent. The Facility Agent will forward a copy of a prepayment notice received in accordance with this paragraph (D) to the Defaulting Lender concerned as soon as practicable on receipt.
- (E) Interest in respect of a Separate Loan will accrue for successive Interest Periods selected by the Borrower by the time and date specified by the Facility Agent (acting reasonably) and will be payable by that Borrower to the Facility Agent for the account of that Defaulting Lender in accordance with Clause 34.1 (*Payments to each Agent*) on the last day of each Interest Period of that Loan.
- (F) The terms of this Agreement relating to Revolving Loans (other than Swingline Loans) generally shall continue to apply to Separate Loans other than to the extent inconsistent with paragraphs (C) to (E) above, in which case those paragraphs shall prevail in respect of any Separate Loan.

## 11. ILLEGALITY, VOLUNTARY PREPAYMENT AND CANCELLATION

### 11.1 Illegality

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan, that Lender shall promptly notify the Facility Agent upon becoming aware of that event and shall also notify the Facility Agent that it requires either or both of the following:

- (A) upon the Facility Agent notifying the Parent Company, the Commitment of that Lender will be immediately cancelled; and/or
- (B) each Borrower shall repay that Lender's participation in the Loans made to that Borrower on the last day of the Interest Period for each Loan occurring after the Facility Agent has notified the Parent Company or, if earlier, the date specified by the Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

#### 11.2 Voluntary cancellation

- (A) The Parent Company may, if it gives the Facility Agent not less than five Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, cancel the whole or any part (being a minimum amount of US\$ 10,000,000) of an Available Facility. Any cancellation under this Clause 11.2 shall reduce the Commitments of the Lenders rateably under the relevant Facility.
- (B) If, as a result of any cancellation of the Available Revolving Facility in relation to the Revolving Facility, the Total Commitments in relation to the Revolving Facility would be less than the Total Swingline Commitments, then the amount of the Total Swingline Commitments shall reduce so that they equal the Total Commitments. Any such cancellation of the Total Swingline Commitments shall reduce the Swingline Commitments of the Lenders rateably.

#### 11.3 Voluntary prepayment of Loans

The Borrower to which a Loan has been made may, if it gives the Facility Agent not less than five Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of a Loan (but, if in part, being an amount that reduces the Base Currency Amount of the Loan by a minimum amount of US\$ 10,000,000).

#### 11.4 Right of repayment and cancellation in relation to a single Lender or Defaulting Lender

- (A) If:
  - (i) any sum payable to any Lender by an Obligor is required to be increased under paragraph (D) of Clause 18.2 (*Tax gross-up*) or Clause 14.5 (*Minimum interest*);
  - (ii) the Parent Company receives a demand from the Facility Agent under Clause 18.3 (*Tax indemnity*) or Clause 19.1 (*Increased Costs*); or
  - (iii) a Lender becomes a Defaulting Lender,

the Parent Company may, while the circumstance under paragraphs (i) or (iii) above or the circumstance giving rise to the demand or notice under paragraph (ii) above continues, give the Facility Agent notice of cancellation of the

Commitment of that Lender (and, if applicable, of any Affiliate of that Lender which is a Swingline Lender) and its intention to procure the repayment of that Lender's participation (and, if applicable, of the participation of any Affiliate of that Lender which is a Swingline Lender) in the Loans.

- (B) On receipt of a notice from the Parent Company referred to in paragraph (A) above the Commitment of that Lender shall immediately be reduced to zero.
- (C) On the last day of each Interest Period which ends after the Parent Company has given notice under paragraph (A) above (or, if earlier, the date specified by the Parent Company in that notice), each Borrower to which a Loan is outstanding shall repay that Lender's participation (and, if applicable, the participation of any Affiliate of that Lender which is a Swingline Lender) in that Loan.

## 12. MANDATORY PREPAYMENT

12.1 If any person or group of persons acting in concert gains control of the Parent Company (other than pursuant to a Newco Scheme):

- (A) the Parent Company shall promptly notify the Facility Agent upon becoming aware of that event;
- (B) a Lender shall not be obliged to fund a Utilisation (except for a Rollover Loan); and
- (C) if a Lender so requires, the Facility Agent shall, by not less than 30 days' notice to the Parent Company, cancel that Lender's Commitments and declare all outstanding Loans due to such Lender, together with accrued interest, and all other amounts accrued under the Finance Documents immediately due and payable, whereupon that Lender's Commitment will be cancelled and all such outstanding amounts will become immediately due and payable.

12.2 For the purpose of Clause 12.1 above "**control**" means:

- (A) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to cast, or control the casting of, more than one-half of the maximum number of votes that may be cast at a general meeting of the Parent Company; or
- (B) the holding of more than one-half of the issued share capital of the Parent Company (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital).

12.3 For the purpose of Clause 12.1 above "**acting in concert**" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them, either directly or indirectly, of shares in the Parent Company, to obtain or consolidate control of the Parent Company.

12.4 If a date for prepayment of a Loan falls otherwise than on the last day of an Interest Period, such prepayment may be made on the last day of that Loan's then current Interest Period (unless the relevant Lender instead requires prepayment upon expiry of the notice to the Parent Company pursuant to Clause 12.1(C) (or such longer period as that Lender and the Parent Company may agree), provided that in such case no Break Costs shall be payable in relation thereto).

### 13. RESTRICTIONS

#### 13.1 Notices of cancellation and prepayment

Any notice of cancellation or prepayment given by any Party under Clause 11 (*Illegality, voluntary prepayment and cancellation*) or Clause 12 (*Mandatory prepayment*) shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.

#### 13.2 Interest and other amounts

Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

#### 13.3 Reborrowing of Revolving Facility

Unless a contrary indication appears in this Agreement, any part of a Revolving Facility which is prepaid may be reborrowed in accordance with the terms of this Agreement.

#### 13.4 Prepayment in accordance with Agreement

The Borrowers shall not repay or prepay all or any part of the Loans or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.

#### 13.5 No reinstatement of Commitments

(For the avoidance of doubt, subject to Clause 2.2 (*Increase*)) no amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

#### 13.6 Facility Agent's receipt of notices

If the Facility Agent receives a notice under Clause 11 (*Illegality, voluntary prepayment and cancellation*) or Clause 12 (*Mandatory prepayment*) it shall promptly forward a copy of that notice to either the Parent Company or the affected Lender, as appropriate.

**SECTION 5  
COSTS OF UTILISATION**

**14. INTEREST**

**14.1 Calculation of interest**

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (A) Margin;
- (B) LIBOR or, in relation to any Loan in euro, EURIBOR; and
- (C) Mandatory Cost, if any.

**14.2 Payment of interest**

The Borrower to which a Loan has been made shall pay accrued interest on that Loan on the last day of each Interest Period (and, if the Interest Period is longer than six Months, on the dates falling at six Monthly intervals after the first day of the Interest Period).

**14.3 Default interest**

- (A) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (B) below, is one per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Facility Agent (acting reasonably). Any interest accruing under this Clause 14.3 shall be immediately payable by the Obligor on demand by the Facility Agent.
- (B) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
  - (i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
  - (ii) the rate of interest applying to the overdue amount during that first Interest Period shall be one per cent. higher than the rate which would have applied if the overdue amount had not become due.
- (C) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

#### 14.4 Notification of rates of interest

The Facility Agent shall promptly notify the Lenders and the Parent Company of the determination of a rate of interest under this Agreement.

#### 14.5 Minimum interest

- (A) When entering into this Agreement, the Parties have assumed that the interest payable at the rates set out in this Clause 14 (*Interest*), or in other Clauses of this Agreement, is not, and will not become, subject to any Tax Deduction (as defined in Clause 18.1 (*Definitions*)) on account of Swiss Withholding Tax. Notwithstanding that the Parties do not anticipate that any payment of interest will be subject to a Tax Deduction on account of Swiss Withholding Tax will be required by law in respect of any interest payable, they agree that, in the event that:
- (i) a Tax Deduction on account of Swiss Withholding Tax is required by law in respect of any interest payable by an Obligor under the Finance Documents; and
  - (ii) it is unlawful for that Obligor to comply with Clause 18.2 (*Tax gross-up*) for any reason (where this would otherwise be required by the terms of Clause 18.2 (*Tax gross-up*)),
- then:
- (a) the applicable interest rate in relation to that interest payment shall be (x) the interest rate which would have applied to that interest payment (as provided for in Clause 14.1 (*Calculation of interest*)) in the absence of this paragraph, divided by (y) 1 minus the rate at which the relevant Tax Deduction is required to be made (where the rate at which the relevant Tax Deduction is required to be made is for this purpose expressed as a fraction of 1); and
  - (b)
    - (1) the Obligor shall be obliged to pay the relevant interest at the adjusted rate in accordance with this paragraph;
    - (2) the Obligor shall make the Tax Deduction (within the time allowed and in the minimum amount required by law) on the interest so recalculated; and
    - (3) all references in the Finance Documents to a rate of interest applicable to the relevant Loan under the Finance Documents shall be construed accordingly.
- (B) (i) To the extent that interest payable by the Obligor under a Finance Document becomes subject to Swiss Withholding Tax, each relevant Lender and each Obligor shall co-operate in completing any procedural formalities (including submitting forms and documents required by the

appropriate Tax authority) to the extent possible and necessary for that Obligor to obtain authorisation):

- (a) to make interest payments without them being subject to Swiss Withholding Tax; or
  - (b) to be subject to Swiss Withholding Tax at a rate reduced under applicable double taxation treaties.
- (ii) In the event Swiss Withholding Tax is refunded to a Lender by the Swiss Federal Tax Administration after such Lender has received an increased payment under paragraph (A) above, the relevant Lender shall forward, after deduction of costs, such amount to the Obligor to the extent such Lender would otherwise have received more interest than payable to it under the Finance Documents.
- (C) An Obligor shall not be required to make any increased payment to a specific Lender under paragraph (A) above if the Obligor is able to demonstrate that the interest payment could have been made to such Lender without Tax Deduction (or at a lower rate) had such Lender complied with its obligations under paragraph (B) above.

## **15. INTEREST PERIODS**

### **15.1 Selection of Interest Periods**

- (A) A Borrower (or the Parent Company on behalf of a Borrower) may select an Interest Period for a Loan in the Utilisation Request for that Loan.
- (B) Subject to this Clause 15, a Borrower (or the Parent Company) may select an Interest Period of one week, one, two, three or six Months or any other period agreed between the Parent Company and the Facility Agent (acting on the instructions of all the Lenders), provided that the Borrowers (or the Parent Company) may select a maximum of five one-week interest periods in aggregate per year.
- (C) An Interest Period for a Loan shall not extend beyond the Termination Date.

### **15.2 Overrunning of the Termination Date**

If an Interest Period in respect of a Loan borrowed would otherwise overrun the Termination Date, it shall be shortened so that it ends on the Termination Date.

**15.3 Other adjustments**

- (A) If an Interest Period is not a period of a number of Months and it would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).
- (B) The Facility Agent (after prior consultation with the Lenders) and the Parent Company may enter into such other arrangements as they may agree for the adjustment of Interest Periods.

**15.4 Notification**

The Facility Agent shall notify the relevant Borrower and the Lenders of the duration of each Interest Period promptly after ascertaining its duration.

**16. CHANGES TO THE CALCULATION OF INTEREST****16.1 Absence of quotations**

Subject to Clause 16.2 (*Market disruption*), if LIBOR or, if applicable, EURIBOR is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by the Specified Time on the Quotation Day, the applicable LIBOR or EURIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

**16.2 Market disruption**

- (A) If a Market Disruption Event occurs in relation to a Loan (not being a Swingline Loan) for any Interest Period, then the rate of interest on each Lender's share of that Loan for the Interest Period shall be the rate per annum which is the sum of:
  - (i) the Margin;
  - (ii) the rate notified to the Facility Agent by that Lender as soon as practicable, and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it may reasonably select; and
  - (iii) the Mandatory Cost, if any, applicable to that Lender's participation in the Loan.
- (B) In this Agreement "**Market Disruption Event**" means:
  - (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Facility Agent to determine LIBOR or, if applicable, EURIBOR for the relevant currency and Interest Period; or

- (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Facility Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 50 per cent. of that Loan) that the cost to it of obtaining matching deposits in the Relevant Interbank Market would be in excess of LIBOR or, if applicable, EURIBOR.
- (iii) If a Market Disruption Event occurs, the Facility Agent shall promptly notify the Parent Company thereof, together with notice of the funding rates selected by the Lenders under paragraph (A)(ii) above.

### 16.3 Alternative basis of interest or funding

- (A) If a Market Disruption Event occurs and the Facility Agent or the Parent Company so requires, the Facility Agent and the Parent Company shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.
- (B) Any alternative basis agreed pursuant to paragraph (A) above shall, with the prior consent of all the Lenders and the Parent Company, be binding on all Parties.

### 16.4 Break Costs

- (A) Each Borrower shall, within five Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by that Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (B) Each Lender shall, as soon as reasonably practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

## 17. FEES

### 17.1 Commitment fee

- (A) The Parent Company shall pay to the Facility Agent (for the account of each Lender) a fee in the Base Currency computed at the rate of 35 per cent. per annum of the applicable Margin on that Lender's Available Commitment under the Revolving Facility for the Availability Period.
- (B) The accrued commitment fee is payable quarterly in arrear on the last day of each successive period of three Months which ends during the Availability Period, on the last day of the Availability Period and, if cancelled in full, on the cancelled amount of the relevant Lender's Commitment at the time the cancellation is effective.

- (C) No commitment fee is payable to the Facility Agent (for the account of a Lender) on any Available Commitment of that Lender for any day on which that Lender is a Defaulting Lender.

#### 17.2 Utilisation fee

- (A) The Parent Company shall pay to the Facility Agent (for the account of each Lender) a fee in the Base Currency computed at the rate of:
- (i) if and to the extent the aggregate Base Currency Amount of all outstanding Loans is an amount exceeding US\$ 500,000,000 (the amount by which such amount exceeds US\$ 500,000,000, the "**First Exceeding Amount**") but equal to or less than US\$ 850,000,000, 0.20 per cent. per annum of the Base Currency Amount of that Lender's participation in such First Exceeding Amount of outstanding Loans (and, for the avoidance of doubt, no utilisation fee shall be payable under this paragraph (i) on any amount of outstanding Loans to the extent exceeding US\$ 850,000,000); and
  - (ii) if and to the extent the aggregate Base Currency Amount of all outstanding Loans is an amount exceeding US\$ 850,000,000 (the amount by which such amount exceeds US\$ 850,000,000, the "**Second Exceeding Amount**"), 0.40 per cent. per annum of the Base Currency Amount of that Lender's participation in such Second Exceeding Amount of outstanding Loans.
- (B) The accrued utilisation fee is payable quarterly in arrear on the last day of each successive period of three Months which ends during the Availability Period, on the Termination Date and, if the Facilities are prepaid and cancelled in full, on the date of such prepayment and cancellation.

#### 17.3 Front end fee

The Parent Company shall pay to the Facility Agent (for the account of the Arrangers) a front end fee in the amount and at the times agreed in a Fee Letter.

#### 17.4 Agency fee

The Parent Company shall pay to the Facility Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

**SECTION 6  
ADDITIONAL PAYMENT OBLIGATIONS**

**18. TAX GROSS-UP AND INDEMNITIES**

**18.1 Definitions**

(A) In this Agreement:

**"Dependent Territory"** means, at any time, one of the dependent or associated territories of the European Union at the date of this Agreement.

**"European Member State"** means, at any time, the member countries of the European Union at the date of this Agreement.

**"HMRC DT Treaty Passport Scheme"** means the HM Revenue & Customs Double Taxation Treaty Passport Scheme for overseas corporate lenders.

**"Protected Party"** means a Finance Party which is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

**"Qualifying Lender"** means:

(a) with respect to a payment made by an Obligor incorporated in the United Kingdom:

(i) a Lender which is beneficially entitled to the interest payable to that Lender in respect of an advance under a Finance Document and is a Lender:

(1) which is a bank (as defined for the purpose of section 879 of the Income Tax Act 2007) making an advance under a Finance Document; or

(2) in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the Income Tax Act 2007) at the time that that advance was made,

and which is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance; or

(ii) a Treaty Lender with respect to the United Kingdom

(such Qualifying Lender within this Clause 18.1(A)(a) being a **"UK Qualifying Lender"**);

- (b) with respect to a payment made by an Obligor resident for Tax purposes in Ireland:
- (i) a Lender which is beneficially entitled to the interest payable to that Lender in respect of an advance under a Finance Document and is:
- (1) an entity which is, pursuant to Section 9 of the Irish Central Bank Act 1971, licensed to carry on banking business in Ireland and whose Facility Office is located in Ireland and which is carrying on a bona fide banking business in Ireland for the purposes of Section 246(3)(a) of the Irish Taxes Consolidation Act 1997;
  - (2) an authorised credit institution under the terms of Directive 2006/48/EC and has duly established a branch in Ireland or has made all necessary notifications to its home state competent authorities required thereunder in relation to its intention to carry on banking business in Ireland and carries on a bona fide banking business in Ireland for the purposes of Section 246(3)(a) of the Irish Taxes Consolidation Act 1997 and has its Facility Office located in Ireland; or
  - (3) a company (within the meaning of Section 4 of the Irish Taxes Consolidation Act 1997):
    - (A) which, by virtue of the law of a Relevant Territory is resident in the Relevant Territory for the purposes of Tax and that jurisdiction imposes a Tax that generally applies to interest receivable in that jurisdiction by companies from sources outside that jurisdiction; or
    - (B) in receipt of interest which:
      - (x) is exempted from the charge to Irish income tax pursuant to the terms of a double taxation treaty entered into between Ireland and another jurisdiction that is in force on the date the relevant interest is paid; or
      - (y) would be exempted from the charge to Irish income tax pursuant to the terms of a double taxation treaty entered into between Ireland and another jurisdiction signed on or before the date on which the relevant interest is paid but not in force on that date, assuming

that treaty had the force of law on that date;

provided that, in the case of both (A) and (B) above, such company does not provide its commitment through or in connection with a branch or agency in Ireland; or

- (ii) a Treaty Lender with respect to Ireland  
(such Qualifying Lender within this Clause 18.1(A)(b) being an **"Irish Qualifying Lender"**);
- (c) with respect to a payment made by a US Obligor, a Lender which is:
  - (i) a **"United States person"** within the meaning of Section 7701(a)(30) of the Code, provided such Lender has timely delivered to the Facility Agent for transmission to the Obligor making such payment two original copies of properly completed and executed IRS Form W-9 (or any successor form) either directly or under cover of IRS Form W-8IMY (or any successor form) certifying its status as "United States person"; or
  - (ii) a Treaty Lender with respect to the United States of America, provided such Lender has timely delivered to the Facility Agent for transmission to the Obligor making such payment two original copies of properly completed and executed IRS Form W-8BEN (or any successor form) either directly or under cover of IRS Form W-8IMY (or any successor form) certifying its entitlement to receive such payments without any such deduction or withholdings under a double taxation treaty; or
  - (iii) entitled to receive payments under the Finance Documents without deduction or withholding of any United States federal Tax either as a result of such payments being effectively connected with the conduct by such Lender of a trade or business within the United States or under the portfolio interest exemption, provided such Lender has timely delivered to the Facility Agent for transmission to the Obligor making such payment two original copies of either properly completed and executed (1) IRS Form W-8ECI (or any successor form) either directly or under cover of IRS Form W-8IMY (or any successor form) certifying that the payments made pursuant to the Finance Documents are effectively connected with the conduct by that Lender of a trade or business within the United States or (2) IRS Form W-8BEN (or any successor form) either directly or under cover of IRS Form W-8IMY (or any successor form) claiming exemption from withholding in respect of payments made pursuant to the Finance Documents under the portfolio interest exemption and a statement certifying that such Lender is not a person described in Section 871(h)(3)(B) or Section

881(c)(3) of the Code or (3) such other applicable form prescribed by the IRS certifying as to such Lender's entitlement to exemption from United States withholding tax with respect to all payments to be made to such Lender under the Finance Documents

(such Qualifying Lender within this Clause 18.1(A)(c) being a "**US Qualifying Lender**") and, for the purposes of paragraph (c)(iii) above and paragraph 18.2(E)(i) and 18.2(E)(vi) of Clause 18.2 (*Tax gross-up*) below, in the case of a Lender that is not treated as the beneficial owner of the payment (or a portion thereof) under Chapter 3 and related provisions (including Sections 871, 881, 3406, 6401, 6405 and 6409) of the Code, the term "Lender" shall mean the person who is so treated as the beneficial owner of the payment (or portion thereof);

- (d) with respect to a payment made by a Swiss Obligor, a Lender which is a Qualifying Bank (such Qualifying Lender within this Clause 18.1(A)(d) being a "**Swiss Qualifying Lender**"); and
- (e) with respect to a payment made by a Luxembourg Obligor, a Lender which is neither:
  - (i) an individual resident in a European Member State or in a Dependent Territory; nor
  - (ii) an entity which would be one referred to in article 4.2 of the Savings Directive (as drafted at the date of this Agreement) if the reference to a "Member State" in the first line of such article instead referred to a "European Member State or a Dependent Territory", as each such term is defined for the purposes of this Agreement

(such Qualifying Lender within this Clause 18.1(A)(e) being a "**Luxembourg Qualifying Lender**").

"**Relevant Territory**" means:

- (a) a member state of the European Communities (other than Ireland); or
- (b) to the extent not a member state of the European Communities, a jurisdiction with which Ireland has entered into a double taxation treaty that either has the force of law by virtue of section 826(1) of the Irish Taxes Consolidation Act 1997 or which will have the force of law on completion of the procedures set out in section 826(1) of the Irish Taxes Consolidation Act 1997.

"**Savings Directive**" means the Council Directive No 2003/48/EC of June 2003 on taxation of savings income in the forms of interest payments (OJEC L 157, 26/06/2003, p. 38).

"**Tax Credit**" means a credit against, relief or remission from, or repayment of, any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

"**Tax Payment**" means either the increase in a payment made by an Obligor to a Finance Party under Clause 18.2 (*Tax gross-up*) or a payment under Clause 18.3 (*Tax indemnity*).

"**Treaty Lender**", with respect to a jurisdiction, means a Lender which is, on the date any relevant payment falls due, entitled under the provisions of a double taxation treaty (a "*Treaty*") in force on that date to receive payments of interest from a person resident for the purposes of the relevant Treaty in such jurisdiction without a Tax Deduction (subject to the completion of any necessary procedural formalities, such as application by a Lender to HM Revenue & Customs or the Irish Revenue Commissioners, as appropriate, that payments may be made to that Lender without a Tax Deduction).

- (B) Unless a contrary indication appears, in this Clause 18 a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.

## 18.2 Tax gross-up

- (A) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (B) The Parent Company shall promptly upon becoming aware that an Obligor is required by law to make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly.
- (C) Each Lender as at the date of this Agreement confirms that it is a UK Qualifying Lender, an Irish Qualifying Lender, a US Qualifying Lender, a Swiss Qualifying Lender and a Luxembourg Qualifying Lender. This confirmation is given as at the date of this Agreement. A Lender which becomes party to this Agreement by means of a Transfer Certificate or Increase Confirmation or which becomes a New Lender by virtue of execution of an Assignment Agreement shall confirm therein whether it is or is not a UK Qualifying Lender, an Irish Qualifying Lender, a US Qualifying Lender, a Swiss Qualifying Lender and a Luxembourg Qualifying Lender. Each Lender which confirmed that it was any of a UK Qualifying Lender, an Irish Qualifying Lender, a US Qualifying Lender, a Swiss Qualifying Lender or a Luxembourg Qualifying Lender undertakes to notify the Facility Agent and the Parent Company promptly upon becoming aware of it ceasing to be a UK Qualifying Lender, an Irish Qualifying lender, a US Qualifying Lender, a Swiss Qualifying Lender or a Luxembourg Qualifying Lender (as applicable) (other than as a result of any change after it became a Lender under this Agreement in (or in the interpretation, administration or application of) any law or Treaty, or any published practice or concession of any

relevant Tax authority). If the Facility Agent receives such notification from a Lender it shall notify the Parent Company and the relevant Obligor.

- (D) If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (E) An Obligor is not required to make an increased payment to a Lender under paragraph (D) above for a Tax Deduction in respect of Tax imposed:
- (i) by the United Kingdom from a payment of interest on a Loan if, on the date on which the payment falls due:
    - (a) the payment could have been made to the relevant Lender without a Tax Deduction if it was a UK Qualifying Lender (other than a Treaty Lender with respect to the UK), but on that date that Lender is not or has ceased to be a UK Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or concession of any relevant Tax authority; or
    - (b) the relevant Lender is a Treaty Lender with respect to the United Kingdom and the Obligor making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations, if any, under paragraph (I) below; or
  - (ii) by Ireland from a payment of interest on a Loan if, on the date on which the payment falls due:
    - (a) the payment could have been made to the relevant Lender without a Tax Deduction if it was an Irish Qualifying Lender (other than a Treaty Lender with respect to Ireland) but on that date that Lender is not or has ceased to be an Irish Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or concession of any relevant Tax authority; or
    - (b) the relevant Lender is a Treaty Lender with respect to Ireland and the Obligor making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations, if any, under paragraph (I) below;

- (iii) by the US from a payment of interest on a Loan if, on the date on which the payment falls due:
  - (a) the payment could have been made to the relevant Lender without a Tax Deduction if it was a US Qualifying Lender (other than a Treaty Lender with respect to the US) but on that date that Lender is not or has ceased to be a US Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or concession of any relevant Tax authority; or
  - (b) the relevant Lender is a Treaty Lender with respect to the US and the Obligor making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations, if any, under paragraph (l) below;
- (iv) by Luxembourg from a payment of interest on a Loan if, on the date on which the payment falls due:
  - (a) the payment could have been made to the relevant Lender without a Tax Deduction if it was a Luxembourg Qualifying Lender (other than a Treaty Lender with respect to Luxembourg) but on that date that Lender is not or has ceased to be a Luxembourg Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or concession of any relevant Tax authority;
  - (b) the relevant Lender is a Treaty Lender with respect to Luxembourg and the Obligor making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations, if any, under paragraph (l) below;
- (v) by Switzerland from a payment of interest on a Loan if, on the date on which the payment falls due:
  - (a) the payment could have been made to the relevant Lender without a Tax Deduction if it was a Swiss Qualifying Lender (other than a Treaty Lender with respect to Switzerland) but on that date that Lender is not or has ceased to be a Swiss Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice of concession of any relevant Tax authority; or

- (b) the relevant Lender is a Treaty Lender with respect to Switzerland and the Obligor making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations, if any, under paragraph (I) below; or
- (vi) that would not have been imposed but for FATCA.
- (F) If an Obligor is required by law to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (G) Within thirty days of making either a Tax Deduction or any payment to the relevant Tax authority required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Facility Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant authority.
- (H) If a payment made to a Finance Party under any Finance Document would be subject to U.S. federal withholding tax imposed by FATCA if such Finance Party were to fail to comply with the applicable reporting requirements of FATCA, such Finance Party shall deliver to the relevant US Obligor at such time or times reasonably requested by such US Obligor such documentation prescribed by FATCA and such additional documentation reasonably requested by such US Obligor as may be necessary for US Obligor to comply with its obligations under FATCA and to determine whether such Finance Party has complied with such Finance Party's obligations under FATCA or to determine the amount to deduct and withhold from such payment.
- (I) (i) Subject to paragraph (I)(ii) below, a Treaty Lender and each Obligor which makes a payment to which that Treaty Lender is entitled shall co-operate in completing as soon as reasonably practicable any procedural formalities necessary for that Obligor to obtain authorisation to make that payment without a Tax Deduction.
- (ii) Nothing in this paragraph (I) shall require a Treaty Lender with respect to the UK (a "**UK Treaty Lender**") to:
- (a) register under the HMRC DT Treaty Passport Scheme;
- (b) apply the HMRC DT Treaty Passport Scheme to any Loan if it has so registered; or
- (c) file Treaty forms if it has made, or is deemed to have made, a notification in accordance with paragraphs (J) or (K) below and either: (1) the UK Borrower making that payment has not complied with its obligations under paragraph (L) below ; or (2) the application made by the UK Borrower using form DTTP2 has been unsuccessful, unless in the case of (2) only, the UK

Borrower notifies the UK Treaty Lender in writing to that effect, in which case the UK Treaty Lender shall co-operate in completing as soon as reasonably practicable from the date of such written notification any procedural formalities necessary to comply with its obligations under this paragraph (I).

- (J) Each Original Lender which is a UK Treaty Lender and which wishes the HMRC DT Treaty Passport Scheme to apply to each Loan made by it to a UK Borrower pursuant to this Agreement undertakes as at the date of this Agreement shall notify the Facility Agent and the Parent Company, within ten days of the date of this Agreement, that it holds a passport under the HMRC DT Treaty Passport Scheme and that it wishes the HMRC DT Treaty Passport Scheme to apply to each such Loan (and such notification shall include the scheme reference number of that passport and the jurisdiction of Tax residence of the Lender), provided that such Lender can satisfy such notification requirements by including its scheme reference number and jurisdiction of Tax residence opposite its name in Part II of Schedule 1 (*The Original Parties*).
- (K) Each New Lender (as defined in Clause 29.1) which becomes a Party in accordance with Clause 29 (*Changes to the Lenders*) and each Increase Lender which becomes a Party in accordance with Clause 2.2 (*Increase*) that, in each case, is a UK Treaty Lender and which wishes the HMRC DT Treaty Passport Scheme to apply to each Loan made by it to a UK Borrower pursuant to this Agreement or made by another person to a UK Borrower under this Agreement and assigned or otherwise transferred to it shall notify the Facility Agent and the Parent Company within ten days of the date it becomes a Party that it holds a passport under the HMRC DT Treaty Passport Scheme and that it wishes the HMRC DT Treaty Passport to apply to each such Loan (and such notification shall include the scheme reference number of that passport and the jurisdiction of Tax residence of the Lender) provided that such Lender can satisfy such notification requirements by including its scheme reference number and jurisdiction of Tax residence opposite its name in the Transfer Certificate, Assignment Agreement or Increase Confirmation (as applicable) that it executes on becoming a Party as long as the Parent Company receives that Transfer Certificate, Assignment Agreement or Increase Confirmation within ten days of execution.
- (L) Where a UK Treaty Lender makes, or is deemed to make, a notification pursuant to either of paragraph (J) or paragraph (K) above:
- (i) each UK Borrower which is a Party as a Borrower as at the date of this Agreement (in the case of a notification pursuant to paragraph (J) above) or as at the relevant Transfer Date or the date on which the increase in the relevant Commitment described in the relevant Increase Confirmation takes effect (in the case of a notification pursuant to paragraph (K) above) shall file a duly completed form DTTP2 in respect of such UK Treaty Lender with HM Revenue & Customs within 20 days of the Parent Company receiving (or being deemed to receive) the relevant notification and shall promptly provide that UK Treaty Lender with a copy of that filing; and

- (ii) each Additional Borrower which is a UK Borrower (and, in the case of a notification pursuant to paragraph (K) above, which becomes an Additional Borrower after the relevant Transfer Date or the date on which the increase in the relevant Commitment described in the relevant Increase Confirmation takes effect) shall file a duly completed form DTTP2 in respect of such UK Treaty Lender with HM Revenue & Customs within 30 days of its becoming a Party and shall promptly provide that UK Treaty Lender with a copy of that filing,

and, for the purposes of this paragraph (L), a form DTTP2 which contains erroneous information shall not be regarded as not being "duly completed" to the extent that erroneous information has been provided to the UK Borrower in question by the relevant UK Treaty Lender.

- (M) Where a UK Treaty Lender does not make, and is not deemed to have made, any notification pursuant to either of paragraph (J) or (K) above, no UK Borrower or Additional Borrower which is a UK Borrower shall file any forms relating to the HMRC DT Treaty Passport Scheme in respect of that UK Treaty Lender.

### 18.3 Tax indemnity

- (A) The Parent Company shall (within three Business Days of demand by the Facility Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document or the transactions occurring under such Finance Document.

- (B) Paragraph (A) above shall not apply:

- (i) with respect to any Tax assessed on a Finance Party:

- (a) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for Tax purposes; or
- (b) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if in either such case that Tax is imposed on or calculated by reference to the net income, profit or gains received or receivable (but not any sum deemed to be received or receivable) by that Finance Party or Facility Office; or

- (ii) to the extent a loss, liability or cost:

- (a) is compensated for by an increased payment under Clause 18.2 (*Tax gross-up*) or under Clause 14.5 (*Minimum interest*); or
  - (b) would have been compensated for by an increased payment under Clause 14.5 (*Minimum interest*) or Clause 18.2 (*Tax gross-up*) but was not so compensated for solely because any or all of the exclusions in paragraph (C) of Clause 14.5 (*Minimum interest*) or paragraph (E) of Clause 18.2 (*Tax gross-up*) applied; or
  - (c) relates to any Tax assessed prior to the date which is 365 days prior to the date on which the Protected Party requests such payment from the Parent Company, unless a determination of the amount claimed could be made only on or after the earlier of those dates; or
  - (d) is a US Tax with respect to a payment that would have been described by paragraph (E)(iii) or (E)(vi) of Clause 18.2 (*Tax gross-up*) if such payment had been made directly by the Obligor.
- (C) A Protected Party making, or intending to make, a claim under paragraph (A) above shall promptly notify the Facility Agent of the loss, liability or cost which will give, or has given, rise to the claim, following which the Facility Agent shall reasonably promptly notify the Parent Company.
- (D) A Protected Party shall, on receiving a payment from an Obligor under this Clause 18.3, notify the Facility Agent.

#### 18.4 Tax Credit

If an Obligor makes a Tax Payment and the relevant Finance Party determines that:

- (A) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to the circumstances giving rise to that Tax Payment; and
- (B) that Finance Party has obtained, utilised and retained that Tax Credit in whole or in part,

the Finance Party shall pay an amount to the Obligor which that Finance Party determines (acting reasonably) will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor.

#### 18.5 Stamp taxes

The Parent Company shall pay and, within five Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration, excise and other similar Taxes payable in respect of any

Finance Document or the transaction occurring under any of them other than in respect of:

- (A) an assignment or transfer by a Lender; or
- (B) any registration duty payable in Luxembourg in the case of voluntary registration of the Finance Documents by a Finance Party where such registration is made on a voluntary basis and is not required by law or by any public authority to preserve or enforce the rights of the Finance Party.

#### 18.6 VAT

- (A) All consideration expressed to be payable under a Finance Document by any Party to a Finance Party shall be deemed to be exclusive of any amounts in respect of VAT. If VAT is chargeable on any supply made by any Finance Party to any Party in connection with a Finance Document, that Party shall pay to the Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT against delivery of an appropriate VAT invoice.
- (B) If VAT is chargeable on any supply made by any Finance Party (the "**Supplier**") to any other Finance Party (the "**Recipient**") under a Finance Document, and any Party (the "**Relevant Party**") is required by the terms of any Finance Document to pay an amount equal to the consideration for such supply to the Supplier (rather than being required to reimburse the Recipient in respect of that consideration), such Party shall also pay to the Supplier (in addition to and at the same time as paying such amount) an amount equal to the amount of such VAT. The Recipient will promptly pay to the Relevant Party an amount equal to any credit or repayment from the relevant Tax authority which it reasonably determines relates to the VAT chargeable on that supply.
- (C) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that obligation shall be deemed to extend to all amounts in respect of VAT incurred by the Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that neither the Finance Party nor any other member of any group of which it is a member for VAT purposes is entitled to credit or repayment of the amount in respect of the VAT.

#### 18.7 Survival of obligations

Without prejudice to the survival of any other section of this Agreement, the agreements and obligations of each Obligor and each Finance Party contained in this Clause 18 shall survive the payment in full by the Obligors of all obligations under this Agreement and the termination of this Agreement.

#### 19 INCREASED COSTS

##### 19.1 Increased Costs

- (A) Subject to Clause 19.3 (*Exceptions*) the Parent Company shall, within five Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the judicial or generally accepted interpretation or the administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement.
- (B) In this Agreement "**Increased Costs**" means:
- (i) a reduction in the rate of return from the Facility or on a Finance Party's (or its Affiliate's) overall capital;
  - (ii) an additional or increased cost; or
  - (iii) a reduction of any amount due and payable under any Finance Document,
- which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or funding or performing its obligations under any Finance Document.

#### 19.2 Increased Costs claims

- (A) A Finance Party intending to make a claim pursuant to Clause 19.1 (*Increased Costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Parent Company.
- (B) Each Finance Party shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs.

#### 19.3 Exceptions

- (A) Clause 19.1 (*Increased Costs*) does not apply to the extent any Increased Cost is:
- (i) attributable to a Tax Deduction required by law to be made by an Obligor;
  - (ii) compensated for by Clause 14.5 (*Minimum interest*), Clause 18.3 (*Tax indemnity*), Clause 18.5 (*Stamp taxes*) or Clause 18.6 (*VAT*) (or would have been compensated for under those clauses but was not so compensated for because any of the exclusions, exceptions or carve-outs to such clauses applied);
  - (iii) incurred prior to the date which is 365 days prior to the date on which the Finance Party makes a claim in accordance with Clause 19.2 (*Increased Costs claims*), unless a determination of the amount incurred could only be made on or after the earlier of those dates;

- (iv) compensated for by the payment of the Mandatory Cost;
- (v) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation; or
- (vi) attributable to the application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 ("**Basel II**"), or any implementation or transposition thereof, as such implementation or transposition is generally envisaged to take place as at the date of this Agreement, whether by an EC Directive or the FSA Integrated Prudential Sourcebook or other law or regulation, including (without limitation) any Increased Cost attributable to Pillar 2 (The Supervisory Review Process) of Basel II.

(B) In this Clause 19.3, a reference to a "Tax Deduction" has the same meaning given to the term in Clause 18.1 (*Definitions*).

## 20. OTHER INDEMNITIES

### 20.1 Currency indemnity

(A) If any sum due from an Obligor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

- (i) making or filing a claim or proof against that Obligor; or
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within five Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (i) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (ii) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(B) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

**20.2 Other indemnities**

The Parent Company shall (or shall procure that an Obligor will), within five Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (A) the occurrence of any Event of Default;
- (B) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including, without limitation, any cost, loss or liability arising as a result of Clause 33 (*Sharing among the Finance Parties*);
- (C) funding, or making arrangements to fund, its participation in a Loan requested by a Borrower (or the Parent Company on behalf of a Borrower) in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (D) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by a Borrower or the Parent Company.

**20.3 Indemnity to the Facility Agent**

The Parent Company shall, within five days of demand, indemnify the Facility Agent against any cost, loss or liability incurred by the Facility Agent (acting reasonably) as a result of:

- (A) investigating any event which it reasonably believes is a Default;
- (B) entering into or performing any foreign exchange contract for the purposes of Clause 8.3 (*Revocation of Currency*); or
- (C) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

**21. MITIGATION BY THE LENDERS****21.1 Mitigation**

- (A) Each Finance Party shall, in consultation with the Parent Company, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 11.1 (*Illegality*), Clause 18 (*Tax gross-up and indemnities*) or Clause 19 (*Increased Costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (B) Paragraph (A) above does not in any way limit the obligations of any Obligor under the Finance Documents.

- (C) Each Finance Party shall notify the Facility Agent as soon as reasonably practicable after it becomes aware that any circumstances of the kind described in paragraph (A) above have arisen or may arise. The Facility Agent shall notify the Parent Company promptly of any such notification from a Finance Party.

## 21.2 Limitation of liability

- (A) The Parent Company shall indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 21.1 (*Mitigation*).
- (B) A Finance Party is not obliged to take any steps under Clause 21.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

## 22. COSTS AND EXPENSES

### 22.1 Transaction expenses

The Parent Company shall promptly on demand pay each Agent and the Arrangers reasonable professional fees and all out of pocket expenses (including legal fees subject to any cap referred to in a Fee Letter) properly incurred by any of them in connection with the negotiation, preparation, printing and execution of:

- (A) this Agreement and any other documents referred to in this Agreement; and
- (B) any other Finance Documents executed after the date of this Agreement.

### 22.2 Amendment costs

If:

- (A) an Obligor requests an amendment, waiver or consent; or
- (B) an amendment is required pursuant to Clause 34.10 (*Change of currency*),

the Parent Company shall, within five Business Days of demand, reimburse each Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by that Agent in responding to, evaluating, negotiating or complying with that request or requirement.

### 22.3 Enforcement costs

The Parent Company shall, within five Business Days of demand, pay to each Finance Party the amount of all:

- (A) reasonable costs and expenses (including legal fees) incurred by that Finance Party in connection with the preservation; and

(B) costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement, of any rights under any Finance Document.

**SECTION 7  
GUARANTEE****23. GUARANTEE AND INDEMNITY****23.1 Guarantee and indemnity**

Each Guarantor irrevocably and unconditionally jointly and severally:

- (A) guarantees to each Finance Party punctual performance by each Borrower of all that Borrower's obligations under the Finance Documents;
- (B) undertakes with each Finance Party that whenever a Borrower does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it were the principal obligor; and
- (C) indemnifies each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover.

**23.2 Continuing guarantee**

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

**23.3 Reinstatement**

If any payment by an Obligor or any discharge given by a Finance Party (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

- (A) the liability of each Obligor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (B) each Finance Party shall be entitled to recover the value or amount of that security or payment from each Obligor, as if the payment, discharge, avoidance or reduction had not occurred.

**23.4 Waiver of defences**

The obligations of each Guarantor under this Clause 23 (*Guarantee and indemnity*) will not be affected by an act, omission, matter or thing which, but for this Clause 23.4, would reduce, release or prejudice any of its obligations under this Clause 23 (*Guarantee and indemnity*) (without limitation and whether or not known to it or any Finance Party) including:

- (A) any time, waiver or consent granted to, or composition with, any Obligor or other person;
- (B) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (C) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (D) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;
- (E) any amendment (however fundamental) or replacement of a Finance Document or any other document or security;
- (F) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (G) any insolvency or similar proceedings.

### **23.5 Immediate recourse**

Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 23 (*Guarantee and indemnity*). This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

### **23.6 Appropriations**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

- (A) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and
- (B) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Clause 23 (*Guarantee and indemnity*).

**23.7 Deferral of Guarantors' rights**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Facility Agent otherwise directs, no Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

- (A) to be indemnified by an Obligor;
- (B) to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents; and/or
- (C) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party.

**23.8 Release of Guarantor's right of contribution**

If any Guarantor (a "**Retiring Guarantor**") ceases to be a Guarantor in accordance with the terms of the Finance Documents for the purpose of any sale or other disposal of that Retiring Guarantor then on the date such Retiring Guarantor ceases to be a Guarantor:

- (A) that Retiring Guarantor is released by each other Guarantor from any liability (whether past, present or future and whether actual or contingent) to make a contribution to any other Guarantor arising by reason of the performance by any other Guarantor of its obligations under the Finance Documents; and
- (B) each other Guarantor waives any rights it may have by reason of the performance of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under any Finance Document or of any other security taken pursuant to, or in connection with, any Finance Document where such rights or security are granted by or in relation to the assets of the Retiring Guarantor.

**23.9 Additional security**

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

**23.10 Limitation on US Guarantors**

Any term or provision of this Clause 23 or any other term in this Agreement or any other Finance Document notwithstanding, the maximum aggregate amount of the obligations for which any US Guarantor shall be liable under this Agreement shall in no event exceed an amount equal to the largest amount that would not render such US Guarantor's obligations under this Agreement and any other Finance Document subject to avoidance under US Bankruptcy Law or to being set aside, avoided or annulled under any Fraudulent Transfer Law.

**23.11 Limitation on Swiss Guarantors**

- (A) If and to the extent that a payment in fulfilling the guarantee obligations under Clause 23 (*Guarantee and indemnity*) of a Guarantor incorporated under the laws of Switzerland ("**Swiss Guarantor**") would, at the time payment is due, under Swiss law and practice (inter alia, prohibiting capital repayments or restricting profit distributions) not be permitted, and in particular if and to the extent that a Swiss Guarantor guarantees obligations other than obligations of one of its subsidiaries (i.e. obligations of its direct or indirect parent companies (up-stream guarantee) or sister companies (cross-stream guarantee)) ("**Restricted Obligations**"), then such obligations and payment amount shall from time to time be limited to the amount of such Swiss Guarantor's profits and reserves available for the distribution as dividends (being the balance sheet profits and any reserves available for this purpose, in each case in accordance with art. 675(2) and art. 671(1) and (2), no. 3 and (4), of the Swiss Federal Code of Obligations) if and to the extent required by Swiss law and practice applicable at the time or times payment under or pursuant to Clause 23 (*Guarantee and indemnity*) is requested from the Swiss Guarantor, and further provided that such limitation (as may apply from time to time or not) shall not (generally or definitively) free the Swiss Guarantor from payment obligations hereunder in excess thereof, but merely postpone the payment date therefor until such times as payment is again permitted notwithstanding such limitation. Any and all indemnities and guarantees contained in the Finance Documents including, in particular, Clause 18.3 (*Tax indemnity*) of this Agreement shall be construed in a manner consistent with the provisos herein contained.
- (B) In respect of Restricted Obligations, a Swiss Guarantor shall:
- (i) if and to the extent required by applicable law in force at the relevant time:
    - (a) subject to any applicable double taxation treaty, deduct Swiss Withholding Tax at the rate of 35 per cent. (or such other rate as in force from time to time) from any payment made by it in respect of Restricted Obligations; and
    - (b) pay any such deduction to the Swiss Federal Tax Administration; and
  - (ii) notify (or procure that the Parent Company notifies) the Facility Agent that such a deduction has been made and provide the Facility Agent with evidence that such a deduction has been paid to the Swiss Federal Tax Administration, all in accordance with Clause 18.2 (*Tax gross-up*); and
  - (iii) to the extent such a deduction is made, not be obliged either to gross-up in accordance with Clause 14.5 (*Minimum interest*) or Clause 18.2 (*Tax gross-up*) or to indemnify the Finance Parties in accordance with Clause 18.3 (*Tax indemnity*) in relation to any such payment made by it in respect of Restricted Obligations unless such payment is permitted

under the laws of Switzerland then in force. This paragraph (iii) is without prejudice to the gross-up or indemnification obligations of any Obligor other than a Swiss Guarantor.

- (C) If and to the extent requested by the Facility Agent and if and to the extent this is from time to time required under Swiss law (restricting profit distributions), in order to allow the Facility Agent (and the Finance Parties) to obtain a maximum benefit under this Guarantee, the relevant Swiss Guarantor shall, and any parent company of the Swiss Guarantor being a party to this Agreement shall procure that the Swiss Guarantor will, promptly implement all such measures and/or to promptly procure the fulfilment of all prerequisites allowing it promptly to make the (requested) payment(s) hereunder from time to time, including the following:
- (i) preparation of an up-to-date audited balance sheet of the Swiss Guarantor;
  - (ii) confirmation of the auditors of the Swiss Guarantor that the relevant amount represents (the maximum of) freely distributable profits;
  - (iii) approval by a shareholders' meeting of the Swiss Guarantor of the (resulting) profit distribution;
  - (iv) if the enforcement of Restricted Obligations would be limited due to the effects referred to in this Clause 23 (*Guarantee and indemnity*) and if any asset of the Swiss Guarantor has a book value that is less than its market value (an "**Undervalued Asset**"), then the Swiss Guarantor shall to the extent permitted by applicable law (a) write up the book value of such Undervalued Asset such that its balance sheet reflects a book value that is at least equal to the market value of such Undervalued Asset or (b) realise the Undervalued Asset for a sum which exceeds the book value of such asset, provided, however, that the Swiss Guarantor will only be required to realise an Undervalued Asset if such asset is not necessary for the Swiss Guarantor's and/or the Group's business (*nicht betriebsnotwendig*); and
  - (v) all such other measures necessary to allow the Swiss Guarantor to make the payments and perform the obligations agreed hereunder with a minimum of limitations.

### 23.12 Waiver of defences under Jersey law

Each Obligor irrevocably and unconditionally waives such right as it may have or claim under Jersey law:

- (A) whether by virtue of the *droit de discussion* or otherwise to require that recourse be had by any Finance Party to the assets of any other Obligor or any other person before any claim is enforced against that Obligor in respect of the obligations assumed by it under any of the Finance Documents;

- (B) whether by virtue of the droit de division or otherwise to require that any liability under any of the Finance Documents be divided or apportioned with any other Obligor or any other person or reduced in any manner whatsoever; and
- (C) to require that any other Obligor and/or any other person be joined in, or otherwise made a party to, any proceedings brought against it in respect of its obligations under any Finance Document,

and each Obligor irrevocably agrees to be bound by its obligations under the Finance Documents irrespective of whether or not the formalities required by Jersey law relating to the rights or obligations of sureties have been complied with or observed.

### 23.13 Limitation on Luxembourg Guarantors

- (A) Notwithstanding anything to the contrary in this Clause 23, the obligations and liabilities of any Luxembourg Guarantor shall with respect to any entities whose obligations are guaranteed and which are not the Luxembourg Guarantor's direct or indirect wholly-owned subsidiaries (where "**direct or indirect wholly-owned subsidiary**" shall mean any company the majority of share capital of which is owned by the Luxembourg Guarantor or in which the Luxembourg Guarantor controls the appointment of the majority of the board members, either directly or indirectly, through or other entities), shall be limited, at any time, to an aggregate amount not exceeding 95 per cent. of the greater of:
  - (i) the sum of such Guarantor's *capitaux propres* (where "**capitaux propres**" shall mean the net assets of such Luxembourg Guarantor, i.e. its shareholder's equity (including the share capital, share premium, legal and statutory reserves, other reserves, profits or losses carried forward, investment subsidies and regulated provisions, and the debt owed by such Luxembourg Guarantor to any of its direct or indirect shareholders) as determined by article 34 of the Luxembourg law of 19 December 2002 on the register of commerce and companies, accounting and companies annual accounts, as amended, as reflected in its most recent annual accounts approved by the competent organ of such Luxembourg Guarantor (and as audited by its external auditor (*réviseur d'entreprises*), if required by law) at the time the guarantee is called; and
  - (ii) the sum of such Luxembourg Guarantor's *capitaux propres* as determined by article 34 of the Luxembourg law of 19 December 2002 on the register of commerce and companies, accounting and companies annual accounts, as amended, as reflected in its most recent annual accounts approved by the competent organ of such Luxembourg Guarantor (and as audited by its external auditor (*réviseur d'entreprises*), if required by law), as at the date of this Agreement.
- (B) If and for so long as the Luxembourg Guarantor has not complied with its statutory obligations in respect of approval and filing of its annual accounts, the Facility Agent shall be entitled to determine the amount of the Luxembourg Guarantor's *capitaux propres* at its reasonable discretion.

- (C) The limitation in paragraph (A) above shall not apply to any amounts borrowed under this Agreement and in each case made available, in any form whatsoever, to such Luxembourg Guarantor or any direct or indirect wholly-owned subsidiary.

**SECTION 8  
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT**

**24. REPRESENTATIONS**

**24.1 Time of Representations**

Each Obligor makes the representations and warranties set out in this Clause 24 to each Finance Party on the date of this Agreement.

**24.2 Status**

- (A) It is a corporation, duly incorporated and validly existing under the law of its jurisdiction of incorporation.
- (B) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

**24.3 Binding obligations**

The obligations expressed to be assumed by it in each Finance Document are, subject to laws or legal procedures affecting the enforceability of creditors' rights generally and any other reservations set out in the legal opinions listed in Schedule 2 (*Conditions precedent*) or delivered in connection with an Obligor's accession to this Agreement, legal, valid, binding and enforceable obligations.

**24.4 Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (A) any law or regulation applicable to it;
- (B) its or any of its Subsidiaries' constitutional documents; or
- (C) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets which conflict would reasonably be likely to have a Material Adverse Effect.

**24.5 Power and authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated for it by those Finance Documents.

**24.6 Validity and admissibility in evidence**

All Authorisations required:

- (A) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and
- (B) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation,

(other than as disclosed in a legal opinion delivered to the Facility Agent pursuant to Part I of Schedule 2 (*Conditions precedent*) or in connection with an Obligor's accession to this Agreement) have been obtained or effected and are in full force and effect.

**24.7 Governing law and enforcement**

- (A) The choice of English law as the governing law of the Finance Documents will be recognised and enforced in its jurisdiction of incorporation.
- (B) Any judgment obtained in England in relation to a Finance Document will be recognised and enforced in its jurisdiction of incorporation.

**24.8 Deduction of Tax**

It is not required to make any deduction for or on account of:

- (A) United Kingdom Tax from any payment it may make under any Finance Document to a Lender so long as the Lender is a UK Qualifying Lender falling within Clause 18.1(A)(a)(i);
- (B) Irish Tax from any payment it may make under any Finance Document to a Lender so long as the Lender is an Irish Qualifying Lender falling within Clause 18.1(A)(b)(i);
- (C) US Tax from any payment it may make under any Finance Document to a Lender so long as the Lender is a US Qualifying Lender falling within Clause 18.1(A)(c)(i);
- (D) Swiss Tax from any payment it may make under any Finance Document to a Lender so long as the Lender is a Qualifying Bank and there has been no breach of the Twenty-Non Bank Rule;
- (E) Luxembourg Tax from any payment it may make under any Finance Document to a Lender so long as the Lender is a Luxembourg Qualifying Lender; and
- (F) Jersey Tax from any payment it may make under any Finance Document to a Lender.

**24.9 No filing or stamp taxes**

Under the law of its jurisdiction of incorporation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar Tax be paid in such jurisdiction on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except that, in the case of proceedings in a Luxembourg court, the presentation of any Finance Document, either directly or by way of reference to a court or *autorité constituée*, where such court or *autorité constituée* may require registration of all or part of the Finance Documents with the *Administration de l'Enregistrement et des Domaines* in Luxembourg, registration duties at a fixed rate of EUR12 or at an *ad valorem* rate depending on the nature of the Finance Document may become due and payable and further provided that this representation shall not apply to an assignment by, or transfer by, a Lender.

**24.10 No default**

No Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.

**24.11 No misleading information**

- (A) Any factual information, including any information which discloses evidence of material litigation which is pending or threatened, provided by any member of the Group to any of the Finance Parties prior to the date of this Agreement in connection with its entry into this Agreement was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.
- (B) No information has been given or withheld that results in the information referred to in paragraph (A) above being untrue or misleading in any material respect.
- (C) As of the date of this Agreement, there has been no change in the business or the consolidated financial condition of the Group since the date of its last audited financial statements that would have a Material Adverse Effect.

**24.12 Financial statements**

In the case of the Parent Company only:

- (A) Its Original Financial Statements were prepared in accordance with US GAAP consistently applied.
- (B) Its Original Financial Statements fairly represent its financial condition and operations (consolidated) during the relevant financial year.

**24.13 Pari passu ranking**

Its payment obligations under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

**24.14 ERISA and Multiemployer Plans**

- (A) Each Employee Plan is in compliance in form and operation with ERISA and the Code and all other applicable laws and regulations save where any failure to comply would not reasonably be expected to have a Material Adverse Effect.
- (B) Each Employee Plan which is intended to be qualified under Section 401(a) of the Code has been determined by the IRS to be so qualified or is in the process of being submitted to the IRS for approval or will be so submitted during the applicable remedial amendment period, and nothing has occurred since the date of such determination that would reasonably be expected to adversely affect such determination (or, in the case of an Employee Plan with no determination, nothing has occurred that would materially adversely affect such qualification) except, in each case, to the extent the same would not reasonably be expected to have a Material Adverse Effect.
- (C) There exists no Unfunded Pension Liability with respect to any Employee Plan, except as would not have a Material Adverse Effect.
- (D) Neither any US Obligor nor any ERISA Affiliate has incurred a complete or partial withdrawal from any Multiemployer Plan, and if each of the US Obligors and each ERISA Affiliate were to withdraw in a complete withdrawal as of the date hereof, the aggregate withdrawal liability that would be incurred would not reasonably be expected to have a Material Adverse Effect.
- (E) There are no actions, suits or claims pending against or involving an Employee Plan (other than routine claims for benefits) or, to the knowledge of the Parent Company, any US Obligor or any ERISA Affiliate, threatened, which would reasonably be expected to be asserted successfully against any Employee Plan and, if so asserted successfully, would reasonably be expected either singly or in the aggregate to have a Material Adverse Effect.
- (F) Each US Obligor and any ERISA Affiliate has made all material contributions to or under each such Employee Plan required by law within the applicable time limits prescribed thereby, by the terms of such Employee Plan or any contract or by agreement requiring contributions to an Employee Plan save where any failure to comply would not reasonably be expected to have a Material Adverse Effect.
- (G) Neither any US Obligor nor any ERISA Affiliate has ceased operations at a facility so as to become subject to the provisions of Section 4068(a) of ERISA, withdrawn as a substantial employer so as to become subject to the provisions of Section 4063 of ERISA or ceased making contributions to any Employee Plan subject to Section 4064(a) of ERISA to which it is obligated to make

contributions except, in each case, to the extent the same would not reasonably be expected to have a Material Adverse Effect.

- (H) Neither any US Obligor nor any ERISA Affiliate has incurred or reasonably expects to incur any liability to PBGC save for any liability for premiums due in the ordinary course or other liability which would not reasonably be expected to have a Material Adverse Effect.

#### **24.15 Federal Reserve regulations**

None of the proceeds of the Loans or other extensions of credit under this Agreement will be used, directly or indirectly, in violation of Regulation U or Regulation X.

#### **24.16 Investment Companies**

No Obligor or Subsidiary of an Obligor is required to be registered as an "investment company" under the US Investment Company Act 1940.

#### **24.17 Anti-Terrorism and Anti-Money Laundering Laws**

- (A) No Obligor or Subsidiary of any Obligor, so far as such Obligor is aware:
- (i) is, or is controlled by, a Designated Person; or
  - (ii) is in breach of, or is the subject of any action or investigation under, any Anti-Terrorism/Anti-Money Laundering Law.
- (B) Each Obligor has taken reasonable measures to ensure that:
- (i) it will comply with applicable Anti-Terrorism/Anti-Money Laundering Laws in all material respects; and
  - (ii) it will not use Loans by US Lenders hereunder to finance transactions with a Designated Person.

#### **24.18 Compliance with Twenty Non-Bank Rule**

Each Swiss Obligor is at all times in compliance with the Twenty Non-Bank Rule, provided that a Swiss Obligor shall not be in breach of this representation if the Twenty Non-Bank Rule is violated solely by reason of a breach by one or more Lenders of a confirmation contained in Clause 18.2 (*Tax gross-up*) or a failure by one or more Lenders to comply with their obligations under Clause 29.2 (*Conditions of assignment or transfer*).

**24.19 The Company**

As a matter of Irish law, the Company is resident for tax purposes in the Republic of Ireland on the basis that its place of central management and control is in the Republic of Ireland.

**24.20 Repetition**

The Repeating Representations are deemed to be made by each Obligor (by reference to the facts and circumstances then existing) on:

- (A) the date of each Utilisation Request and the first day of each Interest Period;
- (B) in the case of an Additional Obligor, the day on which such company becomes (or it is proposed that such company becomes) an Additional Obligor; and
- (C) each Newco Scheme Date.

**25. INFORMATION UNDERTAKINGS**

The undertakings in this Clause 25 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

**25.1 Financial statements**

The Parent Company shall supply to the Facility Agent in sufficient copies for all the Lenders:

- (A) as soon as the same are made public, but in any event within 120 days after the end of each of its financial years, its audited consolidated financial statements for that financial year; and
- (B) as soon as the same are made public, but in any event within 90 days after the end of the first half of each of its financial years, its unaudited consolidated financial statements for that financial half year.

**25.2 Compliance Certificate**

- (A) The Parent Company shall supply to the Facility Agent, with each set of financial statements delivered pursuant to paragraphs (A) and (B) of Clause 25.1 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 26 (*Financial covenants*) as at the date as at which those financial statements were drawn up.
- (B) Each Compliance Certificate shall be signed by two signatories of the Parent Company authorised pursuant to the resolutions and by reference to specified signatures, in each case as referred to in Schedule 2 (*Conditions Precedent*) and as may be updated from time to time in a manner satisfactory to the Facility Agent (acting reasonably).

**25.3 Requirements as to financial statements**

- (A) The Parent Company shall procure that each set of financial statements delivered pursuant to Clause 25.1 (*Financial statements*) is prepared using US GAAP.
- (B) Following the completion of any Newco Scheme, Top Newco shall supply to the Facility Agent, together with its audited consolidated financial statements for the financial year in which the relevant Newco Scheme has completed and required to be delivered pursuant to paragraph (A) of Clause 25.1 (*Financial statements*), a reconciliation between those consolidated financial statements and the consolidated financial statements of the Company or, as applicable, the previously interposed Top Newco relevant to the financial year in which the Newco Scheme has completed.
- (C) The Parent Company shall procure that each set of financial statements delivered pursuant to Clause 25.1 (*Financial statements*) is prepared using US GAAP and accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements unless, in relation to any set of financial statements:
- (i) there has been a change in US GAAP or accounting practices which is relevant to the preparation of that set of financial statements but which does not have any impact upon calculations for the purposes of establishing compliance with Clause 26.2 (*Financial condition*), and such change has been disclosed in a Form 10K or 10Q statement filed by (or on behalf of) the Parent Company with the SEC; or
  - (ii) there has been a change in:
    - (a) US GAAP or accounting practices which has an impact upon calculations for the purposes of establishing compliance with Clause 26.2 (*Financial condition*); or
    - (b) financial reference periods; and

the Parent Company notifies the Facility Agent that there has been such change and delivers to the Facility Agent, if and to the extent reasonably necessary for the purposes of establishing compliance with Clause 26.2 (*Financial condition*) taking into account any disclosure which has been made in any relevant Form 10K or 10Q filed by (or on behalf of) the Parent with the SEC:

- (1) a description of any change necessary for those financial statements to reflect the US GAAP, accounting practices and reference periods upon which those Original Financial Statements were prepared; and
  - (2) sufficient information, in form and substance as may reasonably be required by the Facility Agent, to enable the Lenders to determine whether Clause 26 (*Financial covenants*) has been complied with and
-

make an accurate comparison between the financial position indicated in those financial statements and those Original Financial Statements.

Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

- (D) If the Parent Company notifies the Facility Agent of a change in accordance with paragraph (C)(ii)(a) above, the Parent Company and Facility Agent shall enter into negotiations in good faith with a view to agreeing:
- (i) whether or not the change might result in any material alteration in the commercial effect of any of the terms of this Agreement; and
  - (ii) if so, any amendments to this Agreement which may be necessary to ensure that the change does not result in any material alteration in the commercial effect of those terms,

and if any amendments are agreed they shall take effect and be binding on each of the Parties in accordance with their terms.

#### **25.4 Information: miscellaneous**

The Parent Company shall supply to the Facility Agent (in sufficient copies for all the Lenders, if the Facility Agent so requests):

- (A) all documents dispatched by the Parent Company to its shareholders (or any class of them) or its creditors generally at the same time as they are dispatched;
- (B) copies of any public announcement made by the Parent Company which discloses the details of any material litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group; and
- (C) promptly, such further information as any Finance Party (through the Facility Agent) may reasonably request at reasonable times and at reasonable intervals.

#### **25.5 Notification of default**

Each Obligor shall notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification regarding such Default has already been provided by another Obligor).

**25.6 "Know your customer" checks**

- (A) If:
- (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
  - (ii) any change in the status of an Obligor or the composition of the shareholders of an Obligor after the date of this Agreement; or
  - (iii) a proposed assignment or transfer by a Lender of any of its rights and obligations under this Agreement to a party that is not a Lender (which would be permitted under Clause 29 (*Changes to the Lenders*)) prior to such assignment or transfer,

obliges an Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Obligor shall promptly upon the request of any Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is within that Obligor's possession or control reasonably requested by that Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for such Agent, such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

- (B) Each Lender shall promptly upon the request of an Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by such Agent (for itself) in order for such Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks required under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.
- (C) The Parent Company shall, by not less than ten Business Days' prior written notice to the Facility Agent, notify the Facility Agent (which shall promptly notify the Lenders) of its intention to request that one of its Subsidiaries becomes an Additional Obligor pursuant to Clause 30 (*Changes to the Obligors*).
- (D) Following the giving of any notice pursuant to paragraph (C) above, if the accession of such Additional Obligor obliges an Agent or any Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Parent Company shall promptly upon the request of that Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by that Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for such Agent or

such Lender or any prospective new Lender to carry out and be satisfied it has complied with the results of all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the accession of such Subsidiary to this Agreement as an Additional Obligor.

## 25.7 "Know your customer" confirmation

Each Lender confirms as at the date of this Agreement that, under "know your customer" requirements in existence as at the date of this Agreement, it does not require financial statements for Obligors other than the Company.

## 26. FINANCIAL COVENANTS

### 26.1 Financial definitions

(A) For the purpose of this Clause 26, amounts computed for the Group shall represent those assets, liabilities, income and expenses contained in the accounting records of the Parent Company and its Subsidiaries. For the avoidance of doubt, such amounts and the financial covenants shall not include any assets, liabilities, income and expenses recorded in any variable interest entity which the Group consolidates under US GAAP pursuant to Accounting Standards Codification 810, Consolidation (formerly *FIN 46(R)*), *Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51, as amended by FSA 167, Amendments to FASB Interpretation No. 46(R)*.

(B) In this Clause 26 (*Financial covenants*):

**"Acquisition Costs"** means all fees, costs and expenses, stamp, registration and other Taxes incurred by the Parent Company or any other member of the Group in connection with any acquisition following the date of this Agreement.

**"Borrowings"** means, at any time, any indebtedness in respect of:

- (a) the principal amount of moneys borrowed and any net debit balances at banks after application of applicable account pooling arrangements;
- (b) the principal amount raised under acceptance credit facilities other than acceptances relating to the purchase or sale of goods in the ordinary course of trading;
- (c) the principal amount of any debenture, bond, note, loan stock, commercial paper or other securities;
- (d) the capitalised element of indebtedness under finance leases or capital leases entered into primarily as a method of raising finance or financing the acquisition of the asset leased;
- (e) receivables sold or discounted other than receivables sold or discounted in the ordinary course of trading or on non-recourse terms;

- (f) indebtedness arising from deferred payment agreements except in the ordinary course of trading (and excluding, for the avoidance of doubt, milestone and deferred consideration payments in respect of acquisitions of shares or other assets which are the subject of any acquisition);
- (g) any fixed or minimum premium payable on repayment of any debt instrument;
- (h) principal amounts raised under any other transaction having the commercial effect of a borrowing; or
- (i) (without double counting) any guarantee, indemnity or similar assurance for any of the items referred to in paragraphs (a) to (h) above.

**"Cash"** means, at any time:

- (a) cash at bank denominated in sterling, dollars, euro or other currency freely convertible into the Base Currency and freely transferable and credited to an account in the name of a member of the Group with a reputable financial institution and to which a member of the Group is alone beneficially entitled and for so long as that cash is repayable on demand, provided that:
  - (i) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any Group member or of any other person whatsoever or on the satisfaction of any other condition;
  - (ii) there is no Security over that cash except Security created or constituted pursuant to a Finance Document or Security securing obligations of a member of the Group granted in favour of another member of the Group; and
  - (iii) such cash is freely and immediately available and convertible into the Base Currency to be applied in repayment or prepayment of the Borrowings; and
- (b) to the extent the relevant indebtedness is included in Borrowings, cash collateral provided for such indebtedness up to a maximum amount equal to the principal amount of such indebtedness.

**"Cash Equivalent Investments"** means:

- (a) debt securities denominated in sterling, dollars, euro or other currency freely convertible into the Base Currency issued by, or unconditionally guaranteed by, the United Kingdom or the United States of America which are not convertible into any other form of security and having not more than three months to final maturity;

- (b) debt securities denominated in sterling, dollars or euro or other currency freely convertible into the Base Currency which are not convertible into any other form of security, and having not more than three months to final maturity, at all times rated P-1 (Moody's Investor Services Inc.) or A-1 (Standard & Poor's Corporation) and which are not issued or guaranteed by any member of the Group;
- (c) certificates of deposit denominated in sterling, dollars or euro or other currency freely convertible into the Base Currency issued by, and acceptances by, banking institutions authorised under applicable legislation of the United Kingdom rated P-1 (Moody's Investor Services Inc.) or A-1 (Standard & Poor's Corporation); and
- (d) other securities (if any) approved in writing by the Facility Agent,

**provided that:**

- (i) there is no Security over the investments referred to in paragraphs (a) to (d) above except Security created or constituted pursuant to a Finance Document or Security securing obligations of a member of the Group granted in favour of another member of the Group; and
- (ii) cash proceeds of the investments referred to in paragraphs (a) to (d) above are freely and immediately available and convertible into the Base Currency to be applied in repayment or prepayment of the Borrowings.

"**EBITDA**" means, in respect of any Relevant Period, consolidated operating income for such period (after giving effect to the following adjustments, if applicable):

- (a) before deducting any corporation tax or other taxes on income, profits or gains;
- (b) before deducting interest payable and before adding interest receivable;
- (c) before deducting unusual or non-recurring losses or charges, provided that any accruals or reserves in the ordinary course of business shall be excluded (and, for the avoidance of doubt, up-front milestone and licensing payments which have been charged to the income statement on initial recognition under US GAAP shall constitute unusual or non-recurring losses or charges and accordingly shall not be deducted from EBITDA);
- (d) before adding extraordinary gains and non-cash gains;
- (e) after deducting the amount of net profit (or adding back the amount of net loss) of any Group company (other than the Parent Company) which is attributable to any third party (other than another Group company) which is a shareholder in that Group company;

- (f) after adding back the amount of any loss and after deducting the amount of any gain against book value arising on a disposal of any asset (other than stock disposed of in the ordinary course of trading);
- (g) after deducting any income (to the extent not received in cash) and adding back any loss from any associate or joint venture or any other companies in which a Group company has a minority interest;
- (h) before deducting any depreciation or amortisation;
- (i) before deducting any distributions; and
- (j) before deducting any non-cash write-offs of in-process research and development, goodwill, non-cash stock compensation charges, non-cash stock revaluation charges arising on an acquisition and non-cash write-offs of any investments, intellectual property or fixed assets; and
- (k) before deducting any Acquisition Costs.

For the purposes of paragraph (A) of Clause 26.2 (*Financial condition*) only, EBITDA shall be adjusted, at any time, on a pro-forma basis to include businesses or assets acquired in the period and exclude businesses or assets disposed of in the period.

**"Liquid Investments"** means at any time:

- (a) any investment in marketable debt obligations for which a recognised trading market exists and which are not convertible or exchangeable to any other security **provided that**:
  - (i) each obligation has a credit rating of either A or A-1 or higher by Standard & Poor's Corporation (or in each case the equivalent rating including the equivalent money market fund rating by Standard & Poor's Corporation) or A2 or P-1 or higher by Moody's Investor Services Inc. (or in each case the equivalent rating including the equivalent money market fund rating by Moody's Investor Services Inc.) and further provided that no more than 25 per cent. of all such investments shall be rated A and A-1 by Standard & Poor's Corporation (and in each case the equivalent rating including the equivalent money market fund rating by Standard & Poor's Corporation) and A2 and P-1 by Moody's Investor Services Inc. (and in each case the equivalent rating including the equivalent money market fund rating by Moody's Investor Services Inc.);
  - (ii) each obligation is beneficially owned by a member of the Group;
  - (iii) no obligation is issued by or guaranteed by a member of the Group; and

- (iv) there is no Security over such obligation save pursuant to the Finance Documents or Security securing obligations of a member of the Group granted in favour of another member of the Group; and
- (b) any investment accessible within 30 days in money market funds which have a credit rating of either A-1 or higher by Standard & Poor's Corporation (or in each case the equivalent rating including the equivalent money market fund rating by Standard & Poor's Corporation) or P-1 or higher by Moody's Investor Services Inc. (or in each case the equivalent rating including the equivalent money market fund rating by Moody's Investor Services Inc.) or Rule 2a7 Money Market Funds as defined in the US Investment Company Act 1940 provided that:
  - (i) such investment is beneficially owned by a member of the Group; and
  - (ii) there is no Security over such investment save pursuant to the Finance Documents or Security securing obligations of a member of the Group granted in favour of another member of the Group,

**provided that** the cash proceeds of the investments referred to in paragraphs (a) and (b) above, either through sale or redemption, are freely and immediately available and convertible into the Base Currency to be applied in repayment or prepayment of the Borrowings.

**"Net Debt"** means, at any time, the aggregate consolidated Borrowings of the Group from sources external to the Group, less all Cash and Cash Equivalent Investments of the Group and the then mark to market value of Liquid Investments.

**"Net Interest"** means, in respect of any Relevant Period, the sum of (i) the amount of interest and similar charges payable in respect of Borrowings by the Group during such period less (ii) the amount of interest received or receivable and any similar income of the Group during such period excluding any payment or amortisation of front end or arrangement fees payable under or in connection with this Agreement or any Fee Letter. For the purposes of this definition:

- (a) prior to the delivery of a valuation judgment by the relevant court in connection with any "appraisal" or similar proceedings brought by former common stockholders or shareholders of any company acquired by any member of the Group after the date of this Agreement, the amount of interest and similar charges payable by the Group in respect of any potential award in such proceedings shall be deemed to be as recorded in the Group's financial statements for the Relevant Period; and
- (b) following the delivery of a valuation judgment by the relevant court in connection with the proceedings described in paragraph (a) above, and

following any revised valuation judgment on appeal from such proceedings, the amount of interest and similar charges payable by the Group in respect of the court's valuation shall be as determined by the court, but allocated on a pro rata basis from (and including) the calendar month in which the relevant acquisition is consummated to (but excluding) the calendar month in which such interest or similar charges are actually paid.

"**Relevant Period**" means each period of twelve months ending on the last day of the Parent Company's financial year and each period of twelve months ending on the last day of the first half of the Parent Company's financial year with the first such period ending on 31 December 2010.

## 26.2 Financial condition

The Parent Company shall ensure that:

- (A) the ratio of Net Debt to EBITDA of the Group in respect of the most recently ended Relevant Period (the "**Leverage Ratio**") shall not at any time exceed 3.5:1, except that, following an acquisition by the Group for a consideration which includes a cash element of at least US\$ 250,000,000, the Parent Company may elect to increase the Leverage Ratio to 4.0:1 for the Relevant Period in which the acquisition was completed and the immediately following Relevant Period (except in the case of an In-licensing Acquisition (as defined below)). The election must be made by no later than the date on which the Compliance Certificate for the first Relevant Period to which that election relates is delivered pursuant to Clause 25.2 (*Compliance Certificate*) (or the date on which such Compliance Certificate was due to have been delivered if earlier). For the avoidance of doubt, an acquisition includes an in-licensing agreement under which the Group acquires certain rights to products and projects (an "**In-licensing Acquisition**") which would require the Group to pay licence fees, milestone payments or other similar fees or payments ("**In-licensing Fees and Payments**"). Notwithstanding the above, where the acquisition is an In-licensing Acquisition the Parent Company may elect to increase the Leverage Ratio to 4.0:1 where the aggregate In-licensing Fees and Payments in respect of that In-licensing Acquisition totals at least US\$ 250,000,000 in any one Relevant Period. The increase in the Leverage Ratio shall apply to the Relevant Period in which such In-licensing Fees and Payments were paid and the immediately following Relevant Period and the election must be made by no later than the date on which the Compliance Certificate for the first Relevant Period to which that election relates is delivered pursuant to Clause 25.2 (*Compliance Certificate*) (or the date on which such Compliance Certificate was due to have been delivered if earlier). Only one election under this paragraph (A) may be made; and
- (B) the ratio of EBITDA of the Group to Net Interest in respect of the most recently ended Relevant Period shall not be less than 4.0:1.

**26.3 Financial testing**

- (A) The financial covenants set out in Clause 26.2 (*Financial condition*) shall be tested by reference to each of the financial statements and/or each Compliance Certificate delivered pursuant to Clause 25.2 (*Compliance Certificate*).
- (B) If paragraph (D) of Clause 25.3 (*Requirements as to financial statements*) applies (and for so long as no amendments to the contrary have been agreed pursuant to paragraph (D) of Clause 25.3 (*Requirements as to financial statements*)), then the financial covenants set out in Clause 26.2 (*Financial condition*) shall be tested by reference to the relevant financial statements as adjusted pursuant to paragraph (C) of Clause 25.3 (*Requirements as to financial statements*) (and/or relevant Compliance Certificate delivered in accordance with Clause 25.2 (*Compliance Certificate*)) to reflect the basis upon which the Original Financial Statements were prepared and, to the extent relevant, any other information delivered to the Facility Agent in accordance with paragraph (C) of Clause 25.3 (*Requirements as to financial statements*).

**27. GENERAL UNDERTAKINGS**

The undertakings in this Clause 27 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

**27.1 Authorisations**

Each Obligor shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability and admissibility in evidence in its jurisdiction of incorporation of any Finance Document subject to any applicable bankruptcy, insolvency, reorganisation, moratorium and other similar laws or legal procedures affecting the enforceability of creditors' rights generally and any other reservations set out in any of the legal opinions listed in Schedule 2 (*Conditions precedent*) or delivered in connection with an Obligor's accession to this Agreement.

**27.2 Compliance with laws**

Each Obligor shall comply in all respects with all laws to which it may be subject, if failure so to comply would have a Material Adverse Effect.

**27.3 Negative pledge**

- (A) No Obligor shall (and the Parent Company shall ensure that no other member of the Group will) create or permit to subsist any Security over any of its assets.
- (B) No Obligor shall (and the Parent Company shall ensure that no other member of the Group will):

- (i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor or any other member of the Group;
- (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (iv) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

(C) Paragraphs (A) and (B) above do not apply to:

- (i) any Security (or transaction ("**Quasi-Security**") described in paragraph (B) above) created with the prior written consent of the Majority Lenders;
- (ii) any Security or Quasi-Security listed in Schedule 9 (*Existing Security*) except to the extent the principal amount secured by that Security exceeds the amount stated in that Schedule;
- (iii) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting or setting-off debit and credit balances;
- (iv) any lien arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by any member of the Group;
- (v) any future title retention provisions to which a member of the Group is subject entered into in the ordinary course of trading;
- (vi) any netting or set-off arrangement entered into by any member of the Group under any treasury transaction entered into in the ordinary course of business;
- (vii) any Security or Quasi-Security over or affecting any asset acquired by a member of the Group after the date of this Agreement if:
  - (a) the Security or Quasi-Security was not created in contemplation of the acquisition of that asset by a member of the Group;

- (b) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Group; and
  - (c) the Security or Quasi-Security is removed or discharged within six months of the date of acquisition of such asset;
- (viii) any Security or Quasi-Security over or affecting any asset of any company which becomes a member of the Group after the date of this Agreement, where the Security or Quasi-Security is created prior to the date on which that company becomes a member of the Group, if:
- (a) the Security or Quasi-Security was not created in contemplation of the acquisition of that company;
  - (b) the principal amount secured has not increased in contemplation of or since the acquisition of that company; and
  - (c) the Security or Quasi-Security is removed or discharged within six months of that company becoming a member of the Group;
- (ix) any Security entered into pursuant to any Finance Document;
- (x) any Security or Quasi-Security created in connection with a Permitted Securitisation;
- (xi) any Security or Quasi-Security created or subsisting over cash or Cash Equivalent Investments deposited in an escrow account or subject to escrow or similar agreements or arrangements in connection with any acquisition of an undertaking or company by a member of the Group after the date of this Agreement provided that such requirements for escrow arrangements are entered into (a) on an arm's length basis and (b) such that the Security or Quasi-Security is removed or discharged within one month following the discharge in full of the liabilities supported by such accounts, agreements or arrangements.
- (xii) any Security or Quasi-Security arising as a consequence of any credit support or collateral provision arrangement (including without limitation initial margining) on arm's length terms in relation to any derivative transaction which falls within paragraph (B)(vii) of Clause 27.8 (*Financial Indebtedness*);
- (xiii) any Security or Quasi-Security constituted by any lease or hire purchase contract which falls within the exclusion to paragraph (d) of the definition of Financial Indebtedness; or
- (xiv) any Security or Quasi-Security securing indebtedness the principal amount of which (when aggregated with the principal amount of any other indebtedness which has the benefit of Security or Quasi-Security given by any member of the Group other than any permitted under

paragraphs (i) to (xii) above) does not exceed at any time US\$ 200,000,000 (or its equivalent in another currency or currencies).

- (D) Paragraph (B) above does not apply to any Quasi-Security granted by a member of the Group or to any Security granted by a member of the Group in favour of another wholly owned member of the Group but only in respect of liabilities owing to the Group.

#### 27.4 Disposals

- (A) No Obligor shall (and the Parent Company shall ensure that no other member of the Group will) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer, dispose by way of de-merger or otherwise dispose of any asset.
- (B) Paragraph (A) above does not apply to any sale, lease, transfer or other disposal:
- (i) made in the ordinary course of business of the disposing entity;
  - (ii) of assets in exchange for other assets which are comparable or superior as to value;
  - (iii) in the form of out-licensing arrangements entered into by a member of the Group in the ordinary course of trading;
  - (iv) of obsolete assets on normal commercial terms;
  - (v) of assets by one member of the Group to another member of the Group;
  - (vi) of cash for any purpose permitted under the Finance Documents;
  - (vii) of assets held by any member of the Group if such member of the Group has already contracted to dispose of such assets at the time such member of the Group is acquired;
  - (viii) made with the prior written consent of the Majority Lenders;
  - (ix) of cash by the payment of dividends and other distributions in respect of share capital which are not contrary to law;
  - (x) made in connection with a Permitted Securitisation; or
  - (xi) at market value and on arm's length terms,

**provided that** no sale, lease, transfer or other disposal which would otherwise be permitted pursuant to the terms of any of paragraphs (i) to (v) and (vii) to (xi) (inclusive) above which would be deemed to be a class 1 transaction under the Listing Rules of the Financial Services Authority shall be permitted without the consent of the Majority Lenders.

For the purpose of this Clause 27.4, "**ordinary course of business**" means the ordinary course of trading of the relevant entity or made as part of the day to day operation of the relevant entity as carried on at the date hereof or as part of any activities ancillary to the ordinary course of trading.

#### **27.5 Change of business**

The Parent Company shall procure that no substantial change is made to the general nature of the business of the Group from that carried on at the date of this Agreement.

#### **27.6 Insurance**

Each Obligor shall (and the Parent Company shall ensure that each member of the Group will) maintain material insurances on and in relation to its business and assets against those risks and to the extent as is usual for companies carrying on the same or substantially similar business (and each member of the Group may maintain insurances with a captive insurer for this purpose).

#### **27.7 Loans**

- (A) No Obligor shall (and the Parent Company shall ensure that no member of the Group will) make any loans or grant any credit.
- (B) Paragraph (A) above does not apply to:
- (i) loans existing at the date of this Agreement and listed in Schedule 10 (*Existing Loans*) except to the extent the principal amount of the loans exceeds the amount stated in that Schedule;
  - (ii) trade credit in the ordinary course of trading;
  - (iii) loans to directors or employees in the ordinary course of business not exceeding US\$ 10,000,000 in aggregate;
  - (iv) loans or credit made by one member of the Group to another member of the Group;
  - (v) loans entered into pursuant to any Finance Documents;
  - (vi) loans or credit made with the consent of the Majority Lenders; or
  - (vii) loans or credit the principal amount of which (when aggregated with the principal amount of any other loans given by any member of the Group other than any permitted under paragraphs (i) to (vi) above) does not exceed US\$ 250,000,000 (or its equivalent in another currency or currencies).

**27.8 Financial Indebtedness**

- (A) No Obligor shall (and the Parent Company shall ensure that no member of the Group will) incur or allow to remain outstanding any Financial Indebtedness.
- (B) Paragraph (A) above does not apply to:
- (i) any Financial Indebtedness incurred under the Finance Documents;
  - (ii) any Existing Financial Indebtedness and any refinancing thereof (to the extent the aggregate amount outstanding is not increased as a result of or pursuant to the refinancing);
  - (iii) trade credit in the ordinary course of trading;
  - (iv) Financial Indebtedness to the extent owed by one member of the Group to another member of the Group;
  - (v) Financial Indebtedness incurred by a Guarantor;
  - (vi) any Financial Indebtedness not otherwise described in this paragraph (B) to the extent it is applied in voluntary prepayment and cancellation of the Facilities pursuant to Clause 11 (*Illegality, voluntary prepayment and cancellation*);
  - (vii) any derivative transaction entered into in the ordinary course of treasury operations and not for speculative purposes, and any liability of any member of the Group in relation to any collateral, margin or other form of credit support posted or otherwise provided to or for the benefit of any member of the Group under or in relation to any such derivative transaction;
  - (viii) Financial Indebtedness incurred with the consent of the Majority Lenders;
  - (ix) any Permitted Securitisation;
  - (x) until such time as the Total Commitments have been reduced to US\$ 500,000,000 in accordance with Clause 11.2 (*Voluntary cancellation*) or Clause 11.3 (*Voluntary prepayment of Loans*), other Financial Indebtedness, the principal amount of which (when aggregated with the principal amount of any other Financial Indebtedness incurred by any member of the Group other than any permitted under paragraphs (i) to (ix) above) does not, at any time, exceed US\$ 200,000,000 (or its equivalent in another currency or currencies); and
  - (xi) following the reduction of the Total Commitments to US\$ 500,000,000 (in accordance with Clause 11.2 (*Voluntary Cancellation*) or Clause 11.3 (*Voluntary Prepayment of Loans*)), other Financial Indebtedness, the principal amount of which (when aggregated with the principal amount

of any other Financial Indebtedness incurred by any member of the Group other than any permitted under paragraphs (i) to (ix) above) does not, at any time, exceed US\$ 500,000,000 (or its equivalent in another currency or currencies).

## 27.9 Compliance with ERISA

No Obligor shall:

- (A) allow, or permit any of its ERISA Affiliates to allow, (i) any Employee Plan with respect to which any Obligor or any of its ERISA Affiliates may have any liability to be voluntarily terminated, (ii) any Obligor or ERISA Affiliates to withdraw from any Employee Plan, (iii) any ERISA Event to occur with respect to any Employee Plan, or (iv) any of its Employee Plans to be in "at-risk" status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code), to the extent that any of the events described in (i), (ii), (iii) or (iv), singly or in the aggregate, could have a Material Adverse Effect;
- (B) allow, or permit any of its ERISA Affiliates to allow, the aggregate amount of any Unfunded Pension Liabilities among all Employee Plans (taking into account only Employee Plans with Unfunded Pension Liabilities existing at the time) at any time to exceed an amount which would be reasonably likely to have a Material Adverse Effect;
- (C) fail, or permit any of its ERISA Affiliates to fail, to comply in any material respect with ERISA or the related provisions of the Code, if any such non-compliance, singly or in the aggregate, would be reasonably likely to have a Material Adverse Effect; or
- (D) establish or become part of a Multiemployer Plan.

## 27.10 Top Newco

The Finance Parties hereby consent to the Parent Company entering into any Newco Scheme, **provided that** each Top Newco interposed by such Newco Scheme accedes as a Guarantor to this Agreement in accordance with Clause 30.4 (*Additional Guarantors*) by no later than the Newco Scheme Date.

**28. EVENTS OF DEFAULT**

Each of the events or circumstances set out in this Clause 28 is an Event of Default (save for Clause 28.14 (*Clean-up Period*) and Clause 28.15 (*Acceleration*)).

**28.1 Non-payment**

An Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

- (A) its failure to pay is caused by administrative or technical error; and
- (B) payment is made within five Business Days of its due date.

**28.2 Financial covenants**

Any requirement of Clause 26 (*Financial covenants*) is not satisfied.

**28.3 Other obligations**

- (A) An Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 28.1 (*Non-payment*) and Clause 28.2 (*Financial covenants*)).
- (B) No Event of Default under paragraph (A) above will occur if the failure to comply is capable of remedy and is remedied within 20 Business Days of the Facility Agent giving notice to the Parent Company or the Parent Company becoming aware of the failure to comply.

**28.4 Misrepresentation**

Any representation or statement made or deemed to be made by an Obligor in the Finance Documents is or proves to have been incorrect or misleading in any material respect when made or deemed to be made and which, if the circumstances giving rise to the misrepresentation or the misrepresentation are capable of remedy, are not remedied within 20 Business Days of the Facility Agent giving notice to the Parent Company or the Parent Company becoming aware of the misrepresentation.

**28.5 Cross default**

- (A) Any Financial Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period.
- (B) Any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

- (C) Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).
- (D) Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).
- (E) No Event of Default will occur under this Clause 28.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (A) to (D) above is less than US\$ 50,000,000 (or its equivalent in any other currency or currencies).

**28.6 Insolvency**

- (A) A Material Company is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (B) The value of the assets of any Material Company is less than its liabilities (taking into account contingent and prospective liabilities).
- (C) A moratorium is declared in respect of any indebtedness of any Material Company.

**28.7 Insolvency proceedings**

- (A) Any corporate action, legal proceedings or other procedure or step is taken in relation to:
  - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Material Company other than a solvent liquidation or reorganisation of any Material Company which is not an Obligor;
  - (ii) a composition, compromise, assignment or arrangement with any creditor of any Material Company;
  - (iii) the appointment of a liquidator (other than in respect of a solvent liquidation of a Material Company which is not an Obligor), receiver, administrative receiver, administrator, compulsory manager, viscount or other similar officer in respect of any Material Company or any of its assets;
  - (iv) enforcement of any Security over any assets of any Material Company;
  - (v) declaration of "*en désastre*" being made in respect of any assets of any Material Company; or

(vi) the "bankruptcy" of a Material Company within the meaning of the Interpretation (Jersey) Law 1954, or any analogous procedure or step is taken in any jurisdiction.

- (B) Notwithstanding paragraphs (A)(i) to (A)(v) above, an Event of Default will occur under this Clause 28.7 only if, in the case of a petition being presented or an application made for the appointment of a liquidator or administrator or other similar officer, it is not discharged within 21 days.

**28.8 Creditors' process**

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a Material Company which has an aggregate value of not less than US\$ 10,000,000.

**28.9 Ownership of the Obligors**

An Obligor (other than the Parent Company) is not or ceases to be a Subsidiary of the Parent Company.

**28.10 Unlawfulness**

It is or becomes unlawful for an Obligor to perform any of its obligations under the Finance Documents.

**28.11 Repudiation**

An Obligor repudiates a Finance Document or evidences an intention to repudiate a Finance Document.

**28.12 Material adverse change**

- (A) A material adverse change occurs in the business, operations, assets or financial condition of the Group, considered as a whole, which is likely to have a material adverse effect on the ability of the Obligors, taken as a whole, or the Parent Company to meet their respective payment obligations under this Agreement.
- (B) For the purpose of a determination in respect of paragraph (A) above, any litigation, arbitration, administrative or regulatory proceedings disclosed in the 10-Q and 10-K statements of the Parent Company most recently filed with the SEC prior to the date of this Agreement will be considered not to have a material adverse effect described under paragraph (A) above, and, for the avoidance of doubt, a product coming off patent or orphan designation in the normal course of its life cycle (including the financial effects thereof) shall not constitute a material adverse change under this Clause 28.12.

**28.13 Employee Plans**

Any ERISA Event shall have occurred or Clause 27.9 (*Compliance with ERISA*) shall be breached, and the liability of a US Obligor or its ERISA Affiliates, either individually or in the aggregate, related to such ERISA Event or breaches, individually or when aggregated with all other ERISA Events and all other such breaches, would have or would be reasonably expected to have a Material Adverse Effect.

**28.14 Clean-up Period**

(A) Notwithstanding any other provision of this Agreement, if, during any period (each, a "**Clean-up Period**") of three months from (and including) the date on which a member of the Group becomes the owner of record of the shares or other assets which are the subject of any acquisition after the date of this Agreement, any event or circumstance arises or becomes apparent which would otherwise constitute a Default or an Event of Default (other than under Clause 28.1 (*Non-payment*)) (a "**Clean-up Default**"), that Clean-up Default will not, during the relevant Clean-up Period:

- (i) constitute a Default or an Event of Default (or any other actual or potential breach of any term of this Agreement);
- (ii) operate to prevent any Utilisation or the making of any Loan; or
- (iii) allow any Finance Party to accelerate or take any other action contemplated by Clause 28.15 (*Acceleration*) or to take any enforcement action,

**provided that** the Clean-up Default:

- (a) is capable of remedy within the Clean-up Period and reasonable steps are taken to remedy it;
- (b) relates to the target company or target undertaking of that acquisition or the Subsidiaries of such target company or target undertaking; and
- (c) is not reasonably likely to have a Material Adverse Effect.

**28.15 Acceleration**

(A) On and at any time after the occurrence of an Event of Default which is continuing, the Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Parent Company:

- (i) cancel the Total Commitments whereupon they shall immediately be cancelled;
- (ii) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents

be immediately due and payable, whereupon they shall become immediately due and payable; and/or

- (iii) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders.
- (B) If an Event of Default under Clause 28.7 (*Insolvency proceedings*) shall occur in respect of any US Obligor as a result of the filing by or against such US Obligor of a petition for relief under the United States Bankruptcy Code, then, without notice to such US Obligor or any other act by the Facility Agent or any other person, the Loans to such US Obligor, interest thereon and all other amounts owed by such US Obligor under the Finance Documents shall become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are expressly waived.

**SECTION 9  
CHANGES TO PARTIES**

**29. CHANGES TO THE LENDERS**

**29.1 Assignments and transfers by the Lenders**

- (A) Subject to this Clause 29, a Lender (the "**Existing Lender**") may:
- (i) assign any of its rights; or
  - (ii) transfer by novation any of its rights and obligations (provided any such transfer is pro rata to such Existing Lender's participations in outstanding Loans and Commitments),

only to another bank or financial institution which is a Qualifying Bank (the "**New Lender**"), and provided that:

- (1) any Revolving Lender which transfers all or any part of its Revolving Commitment shall in addition transfer or procure its Affiliate to transfer, as the case may be, a pro rata proportion of its or its Affiliate's Swingline Commitment (if any); and
  - (2) any Swingline Lender which transfers all or any part of its Available Swingline Commitment shall in addition transfer or procure its Affiliate to transfer, as the case may be, a pro rata portion of its or its Affiliate's Revolving Commitment (if any).
- (B) A Lender may not enter into a Restricted Sub-Participation, unless that Restricted Sub-Participation:
- (i) is entered into only with another bank or financial institution which is a Qualifying Bank; and
  - (ii) complies with the requirements set out in Clause 29.10 (*Restricted Sub-Participation*).

**29.2 Conditions of assignment or transfer**

- (A) A transfer of part of a Commitment or the rights and obligations under this Agreement by an Existing Lender must be in a minimum amount of US\$ 10,000,000.
- (B) The consent of the Parent Company is required for an assignment or transfer by an Existing Lender, unless:
- (i) the assignment or transfer is to another Lender or an Affiliate of a Lender; or

- (ii) at the time of the assignment or transfer, an Event of Default has occurred and is continuing.
- (C)
  - (i) The consent of the Parent Company to an assignment or transfer must not be unreasonably withheld or delayed. For the avoidance of doubt, it shall not be unreasonable for the Parent Company to withhold its consent in the event the New Lender is not an Acceptable Bank.
  - (ii) The Parent Company may request from a prospective New Lender a copy of a tax ruling confirmation of the Swiss Federal Tax Administration obtained by the New Lender in connection with the proposed assignment or transfer of rights and/or obligations under this Agreement if the Parent Company believes (acting reasonably) that the representation in paragraph 6 of the Transfer Certificate or the analogous representation in an Assignment Agreement or Increase Confirmation, as applicable, is not accurate.
  - (iii) The Parent Company will be deemed to have given its consent ten Business Days after the Existing Lender has requested it unless consent is expressly refused by the Parent Company within that time.
- (D) In the event an Existing Lender enters into an assignment or transfer without the consent of the Parent Company (if required pursuant to paragraph (B) above), such assignment or transfer shall be void and not be valid and effective towards the other Finance Parties and the Obligors (including any Swiss Obligor).
- (E) An assignment will be effective only on:
  - (i) receipt by the Facility Agent of written confirmation from the New Lender (in form and substance satisfactory to the Facility Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender;
  - (ii) performance by the relevant Agent of all "know your customer" or other checks relating to any person that it is required to carry out in relation to such assignment to a New Lender, the completion of which that Agent shall promptly notify to the Existing Lender and the New Lender;
  - (iii) entry by the New Lender into a Confidentiality Undertaking with the Parent Company; and
  - (iv) the New Lender making a representation in the Assignment Agreement that it is a Qualifying Bank.
- (F) A transfer will be effective only if the procedure set out in Clause 29.5 (*Procedure for transfer*) is complied with and if the New Lender has, prior to the Transfer Date, entered into a Confidentiality Undertaking with the Parent Company and if the New Lender makes the representation in the Transfer Certificate that it is a Qualifying Bank.

- (G) If:
- (i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
  - (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment (or increased payment) to the New Lender or Lender acting through its new Facility Office under Clause 14.5 (*Minimum interest*) or Clause 18 (*Tax gross-up and indemnities*) or Clause 19 (*Increased Costs*),

then the New Lender or Lender acting through its new Facility Office is entitled to receive payment (or increased payment) under those Clauses only to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

### 29.3 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Facility Agent (for its own account) a fee of US\$ 3,000.

### 29.4 Limitation of responsibility of Existing Lenders

- (A) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
- (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
  - (ii) the financial condition of any Obligor;
  - (iii) the performance and observance by any Obligor of its obligations under the Finance Documents or any other documents; or
  - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,
- and any representations or warranties implied by law are excluded.
- (B) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
- (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and

- (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (C) Nothing in any Finance Document obliges an Existing Lender to:
- (i) accept a re-transfer from a New Lender of any of the rights and obligations assigned or transferred under this Clause 29 (*Changes to Lenders*); or
  - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Finance Documents or otherwise.

#### 29.5 Procedure for transfer

- (A) Subject to the conditions set out in Clause 29.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (C) below when the Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph (B) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- (B) The Facility Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is reasonably satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (C) Subject to Clause 29.9 (*Pro rata interest settlement*), on the Transfer Date:
- (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the "**Discharged Rights and Obligations**");
  - (ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;
  - (iii) the Facility Agent, the Arrangers, the New Lender and other Lenders shall acquire the same rights and assume the same obligations

between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Facility Agent, the Arrangers and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and

- (iv) the New Lender shall become a Party as a "Lender".

#### 29.6 Procedure for assignment

- (A) Subject to the conditions set out in Clause 29.2 (*Conditions of assignment or transfer*) an assignment may be effected in accordance with paragraph (C) below when the Facility Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph (B) below, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement
- (B) The Facility Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assignment to such New Lender
- (C) Subject to Clause 29.9 (*Pro rata interest settlement*), on the Transfer Date:
- (i) the Existing Lender will assign absolutely to the New Lender the rights under the Finance Documents expressed to be the subject of the assignment in the Assignment Agreement
  - (ii) the Existing Lender will be released by each Obligor and the other Finance Parties from the obligations owed by it (the "**Relevant Obligations**") and expressed to be the subject of the release in the Assignment Agreement; and
  - (iii) the New Lender shall become a Party as a "Lender" and will be bound by obligations equivalent to the Relevant Obligations.
- (D) Lenders may utilise procedures other than those set out in this Clause 29.6 to assign their rights under the Finance Documents (but not, without the consent of the relevant Obligor or unless in accordance with Clause 29.5 (*Procedure for transfer*), to obtain a release by that Obligor from the obligations owed to that Obligor by the Lenders nor the assumption of equivalent obligations by a New Lender) provided that they comply with the conditions set out in Clause 29.2 (*Conditions of assignment or transfer*).

#### 29.7 Copy of Assignment Agreement, Transfer Certificate, Increase Confirmation to

## Parent Company

The Facility Agent shall, as soon as reasonably practicable after it has executed an Assignment Agreement, Transfer Certificate or Increase Confirmation, send to the Parent Company (for itself and on behalf of each Obligor) a copy thereof.

### 29.8 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 29 (*Changes to the Lenders*), each Lender may without consulting with or obtaining consent from any Obligor, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

- (A) any charge, assignment or other Security to secure obligations to a federal reserve or central bank or any government authority, department or agency, including HM Treasury; and
- (B) in the case of any Lender which is a fund, any charge, assignment or other Security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or Security shall:

- (i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or other Security for the Lender as a party to any of the Finance Documents; or
- (ii) require any payments to be made by an Obligor other than or in excess of or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

### 29.9 Pro rata interest settlement

If the Facility Agent has notified the Lenders and the Parent Company that it is able to distribute interest payments on a pro rata basis to Existing Lenders and New Lenders then in respect of any transfer pursuant to Clause 29.5 (*Procedure for transfer*) or any assignment pursuant to Clause 29.6 (*Procedure for assignment*) the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period):

- (A) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date ("**Accrued Amounts**") and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period

(or, if the Interest Period is longer than six Months, on the next of the dates which falls at six Monthly intervals after the first day of that Interest Period); and

- (B) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts, so that, for the avoidance of doubt:
- (i) when the Accrued Amounts become payable, those Accrued Amounts will be payable to the Existing Lender; and
  - (ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 29.9, have been payable to it on that date, but after deduction of the Accrued Amounts.

#### **29.10 Restricted Sub-Participation**

- (A) A Lender that enters into a Restricted Sub-Participation shall ensure that the terms of such sub-participation agreement:
- (i) include a representation from the sub-participant that it is a Qualifying Bank;
  - (ii) prohibit the new sub-participant from entering into a further assignment, transfer or sub-participation agreement with a Non-Qualifying Bank in relation to its rights agreed to between the Existing Lender and itself under the Restricted Sub-Participation;
  - (iii) oblige the sub-participant, in respect of any further assignment, transfer or sub-participation, to include a term identical to the provisions of this Clause 29.10 *mutatis mutandis* including a requirement that any further sub-participant, assignee or grantee shall agree to the same undertaking, *mutatis mutandis*; and
  - (iv) ensure that the identity of such sub-participant is permitted to be disclosed to the Swiss Federal Tax Administration by the Swiss Obligor (if so requested by the Swiss Federal Tax Administration).
- (B) For the avoidance of doubt, nothing in this Agreement shall restrict Non-Restricted Sub-Participations.

### **30. CHANGES TO THE OBLIGORS**

#### **30.1 Assignment and transfers by Obligors**

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

#### **30.2 Additional Borrowers**

- (A) Subject to compliance with the provisions of paragraphs (C) and (D) of Clause 25.6 ("*Know your customer*" checks), the Parent Company may request that any

of its Subsidiaries becomes an Additional Borrower. That Subsidiary shall become an Additional Borrower if:

- (i) all the Lenders approve the addition of that Subsidiary (which approval is not to be unreasonably withheld) other than in the case of a Subsidiary incorporated in the United Kingdom or the United States of America, in which case no approval by the Lenders is required;
  - (ii) the Parent Company delivers to the Facility Agent a duly completed and executed Accession Letter;
  - (iii) the Parent Company confirms that no Default is continuing or will occur as a result of that Subsidiary becoming an Additional Borrower; and
  - (iv) the Facility Agent has received all of the documents and other evidence listed in Part II of Schedule 2 (*Conditions precedent*) in relation to that Additional Borrower, each in form and substance satisfactory to the Facility Agent, acting reasonably.
- (B) The Facility Agent shall notify the Parent Company and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part II of Schedule 2 (*Conditions precedent*).

### 30.3 Resignation of a Borrower

- (A) The Parent Company may request that a Borrower (other than the Parent Company) ceases to be a Borrower by delivering to the Facility Agent a Resignation Letter.
- (B) The Facility Agent shall accept a Resignation Letter and notify the Parent Company and the Lenders of its acceptance if:
- (i) no Default is continuing or will result from the acceptance of the Resignation Letter (and the Parent Company has confirmed this is the case); and
  - (ii) the Borrower is under no actual or contingent obligations as a Borrower under any Finance Documents,
- whereupon that company shall cease to be a Borrower and shall have no further rights or obligations under the Finance Documents.
- (C) Upon becoming an Additional Borrower, that Subsidiary shall make any filings (and provide copies of such filings) as required by, and in accordance with, Clause 18.2 (*Tax gross up*).

**30.4 Additional Guarantors**

- (A) Subject to compliance with the provisions of paragraphs (C) and (D) of Clause 25.6 ("*Know your customer*" checks), the Parent Company may request that any of its Subsidiaries or, in the case of any Newco Scheme, the proposed Top Newco, become an Additional Guarantor. That Subsidiary or, as the case may be, Top Newco, shall become an Additional Guarantor if:
- (i) the Parent Company delivers to the Facility Agent a duly completed and executed Accession Letter; and
  - (ii) the Facility Agent has received all of the documents and other evidence listed in Part III of Schedule 2 (*Conditions precedent*) in relation to that Additional Guarantor, each in form and substance reasonably satisfactory to the Facility Agent.
- (B) The Facility Agent shall notify the Parent Company and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it, acting reasonably) all the documents and other evidence listed in Part II of Schedule 2 (*Conditions precedent*).

**30.5 Repetition of representations**

Delivery of an Accession Letter constitutes confirmation by the relevant Subsidiary or, as the case may be, Top Newco, that the Repeating Representations are true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

**30.6 Resignation of a Guarantor**

- (A) The Parent Company may request that a Guarantor (other than the Parent Company) ceases to be a Guarantor by delivering to the Facility Agent a Resignation Letter.
- (B) The Facility Agent shall accept a Resignation Letter (whereupon that company shall cease to be a Guarantor and shall have no further rights or obligations as a Guarantor under the Finance Documents) and notify the Parent Company and the Lenders of its acceptance if:
- (i) no Default is continuing or will result from the acceptance of the Resignation Letter (and the Parent Company has confirmed this is the case); and
  - (ii) all the Lenders have consented to the Parent Company's request.

**SECTION 10  
THE FINANCE PARTIES**

**31. ROLE OF THE AGENTS AND THE ARRANGERS**

**31.1 Appointment of the Agents**

- (A) Each other Finance Party appoints each of the Agents to act as its agent under and in connection with the Finance Documents.
- (B) Each other Finance Party authorises each Agent to exercise the rights, powers, authorities and discretions specifically given to that Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

**31.2 Duties of the Agents**

- (A) An Agent shall promptly forward to a Party the original or a copy of any document which is delivered to such Agent for that Party by any other Party.
- (B) Without prejudice to Clause 29.7 (*Copy of Assignment Agreement, Transfer Certificate, Increase Confirmation to Parent Company*), paragraph (A) above shall not apply to any Assignment Agreement, Transfer Certificate or Increase Confirmation.
- (C) Except where a Finance Document specifically provides otherwise, an Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (D) If an Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.
- (E) If an Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agents or the Arrangers) under this Agreement it shall promptly notify the other Finance Parties.
- (F) Each Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

**31.3 Role of the Arrangers**

Except as specifically provided in the Finance Documents, the Arrangers have no obligations of any kind to any other Party under or in connection with any Finance Document.

**31.4 No fiduciary duties**

- (A) Nothing in this Agreement constitutes any Agent or Arranger as a trustee or fiduciary of any other person.
- (B) Neither an Agent nor an Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

**31.5 Business with the Group**

An Agent or Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

**31.6 Rights and discretions of the Agents**

- (A) An Agent may rely on:
  - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
  - (ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.
- (B) An Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
  - (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 28.1 (*Non-payment*));
  - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised; and
  - (iii) any notice or request made by the Parent Company (other than a Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligors.
- (C) An Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (D) An Agent may act in relation to the Finance Documents through its personnel and agents.
- (E) An Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (F) Without prejudice to the generality of paragraph (E) above, the Facility Agent may disclose the identity of a Defaulting Lender to the other Finance Parties and the Parent Company and shall disclose the same upon the written request of the Parent Company or the Majority Lenders.

- (G) Notwithstanding any other provision of any Finance Document to the contrary, neither an Agent nor an Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.
- (H) Without prejudice to paragraph (B)(iii) of Clause 16.2 (*Market disruption*), an Agent is not obliged to disclose to any Finance Party any details of the rate notified to the Facility Agent by any Lender for the purpose of paragraph (A)(ii) of Clause 16.2 (*Market disruption*) or the identity of such Lender.

### 31.7 Majority Lenders' instructions

- (A) Unless a contrary indication appears in a Finance Document, each Agent shall
  - (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent); and
  - (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.
- (B) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
- (C) An Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with an amount in respect of any associated VAT) which it may incur in complying with the instructions.
- (D) In the absence of instructions from the Majority Lenders (or, if appropriate, the Lenders), each Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.
- (E) An Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

### 31.8 Responsibility for documentation

Neither an Agent nor an Arranger:

- (A) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by an Agent, an Arranger, an Obligor or any other person given in or in connection with any Finance Document;
- (B) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document

entered into, made or executed in anticipation of or in connection with any Finance Document; or

- (C) is responsible for any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

### **31.9 Exclusion of liability**

- (A) Without limiting paragraph (B) below, an Agent will not be liable for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.
- (B) No Party (other than an Agent) may take any proceedings against any officer, employee or agent of an Agent in respect of any claim it might have against such Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of an Agent may rely on this paragraph (B) subject to Clause 1.4 (*Third party rights*) and the provisions of the Third Parties Act.
- (C) No Agent will be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by an Agent if such Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by such Agent for that purpose.
- (D) Nothing in this Agreement shall oblige an Agent or Arranger to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agents and the Arrangers that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agents or the Arrangers.

### **31.10 Lenders' indemnity to the Agents**

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify each Agent, within three Business Days of demand, against any cost, loss or liability incurred by that Agent (otherwise than by reason of that Agent's gross negligence or wilful misconduct) in acting as Agent under the Finance Documents (unless such Agent has been reimbursed by an Obligor pursuant to a Finance Document).

**31.11 Resignation of an Agent**

- (A) An Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Parent Company.
- (B) Alternatively an Agent may resign by giving notice to the other Finance Parties and the Parent Company, in which case the Majority Lenders (after consultation with the Parent Company) may appoint a successor Agent.
- (C) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (B) above within 30 days after notice of resignation was given, the retiring Agent (after consultation with the Parent Company) may appoint a successor Agent.
- (D) A retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (E) An Agent's resignation notice shall only take effect upon the appointment of a successor.
- (F) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 31. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

**31.12 Replacement of an Agent**

- (A) After consultation with the Parent Company, the Majority Lenders may, by giving 30 days' notice to the relevant Agent (and, if different, the Facility Agent) (or, at any time such Agent is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders) replace any Agent by appointing a successor Agent (acting through an office in the United Kingdom).
- (B) The retiring Agent shall (at its own cost if it is an Impaired Agent and otherwise at the expense of the Lenders) make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as an Agent under the Finance Documents.
- (C) The appointment of the successor Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Agent. As from this date, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 31 (*Role of the Agents and the Arrangers*) (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date).

- (D) Any successor Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

### 31.13 Confidentiality

- (A) In acting as agent for the Finance Parties, each Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (B) If information is received by another division or department of an Agent, it may be treated as confidential to that division or department and the relevant Agent shall not be deemed to have notice of it.

### 31.14 Relationship with the Lenders

- (A) Subject to Clause 29.9 (*Pro rata interest settlement*), and without prejudice to Clause 31.19 (*The Register*), each Agent may treat the person shown in the Facility Agent's record (including, for the avoidance of doubt, the Register) as Lender at the opening of business (in the place of the Facility Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:
- (i) entitled to or liable for any payment due under any Finance Document on that day; and
  - (ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day.
- (B) Each Lender shall supply the Facility Agent with any information required by the Facility Agent in order to calculate the Mandatory Cost in accordance with Schedule 4 (*Mandatory Cost formulae*).
- (C) Without prejudice to Clause 31.19 (*The Register*), any Lender may by notice to the Facility Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 36.6 (*Electronic communication*)) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 36.2 (*Addresses*) and paragraph (A)(iii) of Clause 36.6 (*Electronic communication*) and the Facility Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

**31.15 Credit appraisal by the Lenders**

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to each Agent and Arranger that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

- (A) the financial condition, status and nature of each member of the Group;
- (B) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
- (C) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and
- (D) the adequacy, accuracy and/or completeness of any information provided by an Agent, any other Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.

**31.16 Reference Banks**

If a Reference Bank (or, if a Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Facility Agent shall (in consultation with the Parent Company) appoint another Lender or an Affiliate of a Lender to replace that Reference Bank.

**31.17 Agents' management time**

Any amount payable to an Agent under Clause 20.3 (*Indemnity to the Facility Agent*), Clause 22 (*Costs and expenses*) and Clause 31.10 (*Lenders' indemnity to the Agents*) shall include the cost of utilising such Agent's extraordinary management time or other extraordinary resources not contemplated at the date of this Agreement (in connection with any Default, any request for or granting of a waiver or consent, or amendment to a Finance Document or the preservation or enforcement of any right arising under the Finance Documents) and will be calculated on the basis of such reasonable daily or hourly rates as such Agent may notify to the Parent Company and the Lenders, and is in addition to any fee paid or payable to such Agent under Clause 17 (*Fees*).

**31.18 Deduction from amounts payable by the Agents**

If any Party owes an amount to an Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which an Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

**31.19 The Register**

The Facility Agent, acting for these purposes solely as an agent of the Borrowers, will maintain (and make available for inspection by the Obligors and the Lenders upon reasonable prior notice at reasonable times) a register for the recordation of, and will record, the names and addresses of the Lenders and the respective amounts of the Commitments and Loans of each Lender from time to time (the "**Register**"). The entries in the Register shall be conclusive and binding, absent manifest error, for all purposes and the Obligors, each Agent, the Lenders and each other Finance Party shall treat each person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement.

**31.20 USA Patriot Act**

Each Lender hereby notifies each Obligor that pursuant to the requirements of the USA Patriot Act, such Lender is required to obtain, verify and record information that identifies such Obligor, which information includes the name and address of such Obligor and other information that will allow such Lender to identify such Obligor in accordance with the USA Patriot Act.

**32. CONDUCT OF BUSINESS BY THE FINANCE PARTIES**

No provision of this Agreement will:

- (A) interfere with the right of any Finance Party to arrange its affairs (Tax or otherwise) in whatever manner it thinks fit;
- (B) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (C) oblige any Finance Party to disclose any information relating to its affairs (Tax or otherwise) or any computations in respect of Tax.

### 33. SHARING AMONG THE FINANCE PARTIES

#### 33.1 Payments to Finance Parties

If a Finance Party (a "**Recovering Finance Party**") receives or recovers any amount from an Obligor other than in accordance with Clause 34 (*Payment mechanics*) and applies that amount to a payment due under the Finance Documents then:

- (A) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery to the relevant Agent;
- (B) that Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Agent and distributed in accordance with Clause 34 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and
- (C) the Recovering Finance Party shall, within three Business Days of demand by that Agent, pay to the Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 34.6 (*Partial payments*).

#### 33.2 Redistribution of payments

The relevant Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Finance Parties (other than the Recovering Finance Party) in accordance with Clause 34.6 (*Partial payments*).

#### 33.3 Recovering Finance Party's rights

- (A) On a distribution by an Agent under Clause 33.2 (*Redistribution of payments*), the Recovering Finance Party will be subrogated to the rights of the Finance Parties which have shared in the redistribution.
- (B) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (A) above, the relevant Obligor shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

#### 33.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (A) each Finance Party which has received a share of the relevant Sharing Payment pursuant to Clause 33.2 (*Redistribution of payments*) shall, upon request of the relevant Agent, pay to that Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share

of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay); and

- (B) that Recovering Finance Party's rights of subrogation in respect of any reimbursement shall be cancelled and the relevant Obligor will be liable to the reimbursing Finance Party for the amount so reimbursed.

### **33.5 Exceptions**

- (A) This Clause 33 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor.
- (B) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings if:
  - (i) it notified that other Finance Party of the legal or arbitration proceedings; and
  - (ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

**SECTION 11  
ADMINISTRATION**

**34. PAYMENT MECHANICS**

**34.1 Payments to each Agent**

- (A) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or Lender shall make the same available to the relevant Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the relevant Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (B) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in a principal financial centre in a Participating Member State or London) with such bank as the relevant Agent specifies.

**34.2 Distributions by an Agent**

Each payment received by an Agent under the Finance Documents for another Party shall, subject to Clause 34.3 (*Distributions to an Obligor*), Clause 34.4 (*Clawback*) and Clause 31.18 (*Deduction from amounts payable by the Agents*) be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre of a Participating Member State or London).

**34.3 Distributions to an Obligor**

An Agent may (with the consent of the Obligor or in accordance with Clause 35 (*Set-off*)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

**34.4 Clawback**

- (A) Where a sum is to be paid to an Agent under the Finance Documents for another Party, an Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (B) If an Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on

that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds. that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

#### 34.5 Impaired Agent

- (A) If, at any time, an Agent becomes an Impaired Agent, an Obligor or a Lender which is required to make a payment under the Finance Documents (the "**Paying Party**") to that Agent in accordance with Clause 34.1 (*Payments to each Agent*) may instead either pay that amount direct to the required recipient or pay that amount to an interest-bearing account held with an Acceptable Bank and in relation to which no Insolvency Event has occurred and is continuing, in the name of the Obligor or the Lender making the payment and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents (the "**Recipient Party**" or "**Recipient Parties**"). In each case such payments must be made on the due date for payment under the Finance Documents.
- (B) All interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the Recipient Parties pro rata to their respective entitlements.
- (C) A Party which has made a payment in accordance with this Clause 34.5 shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.
- (D) If a Lender makes a payment into a trust account pursuant to paragraph (A) above to which an Obligor is beneficially entitled, the Lender shall promptly notify the Parent Company. Promptly upon request by the relevant Obligor, and to the extent that it has been provided with the necessary information by that Obligor, the Lender shall give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the relevant Obligor.
- (E) Promptly upon the appointment of a successor Agent in accordance with Clause 31.12 (*Replacement of an Agent*), and without prejudice to paragraph (D) above, each Paying Party shall give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Agent for distribution to the Recipient Parties in accordance with Clause 34.2 (*Distributions by an Agent*).

#### 34.6 Partial payments

- (A) If an Agent receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Agent shall apply that payment towards the obligations of that Obligor under the Finance Documents in the following order:
  - (i) first, in or towards payment pro rata of any unpaid fees, costs and expenses of each Agent and Arranger under the Finance Documents;

- (ii) secondly, in or towards payment pro rata of any accrued interest, fee or commission due but unpaid under this Agreement;
  - (iii) thirdly, in or towards payment pro rata of any principal due but unpaid under this Agreement; and
  - (iv) fourthly, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (B) An Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (A)(i) to (A)(iv) above.
- (C) Paragraphs (A) and (B) above will override any appropriation made by an Obligor.

**34.7 No set-off by Obligors**

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

**34.8 Business Days**

- (A) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (B) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

**34.9 Currency of account**

- (A) Subject to paragraphs (B) to (E) below, the Base Currency is the currency of account and payment for any sum due from an Obligor under any Finance Document.
- (B) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (C) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (D) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (E) Any amount expressed to be payable in a currency other than the Base Currency shall be paid in that other currency.

**34.10 Change of currency**

- (A) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
- (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Facility Agent (after consultation with the Parent Company); and
  - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Facility Agent (acting reasonably).
- (B) If a change in any currency of a country occurs, this Agreement will, to the extent the Facility Agent (acting reasonably and after consultation with the Parent Company) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

**35. SET-OFF**

A Finance Party may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

**36. NOTICES****36.1 Communications in writing**

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

**36.2 Addresses**

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (A) in the case of the Parent Company, the Obligors' Agent and each other Original Obligor, that identified with its name below;
- (B) in the case of each Original Lender, that identified with its name below;

(C) in the case of each other Lender and any other Obligor, that notified in writing to the Facility Agent on or prior to the date on which it becomes a Party; and

(D) in the case of an Agent, that identified with its name below,

or any substitute address or fax number or department or officer as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five Business Days' notice.

### 36.3 Delivery

(A) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

(i) if by way of fax, when received in legible form; or

(ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 36.2 (*Addresses*), if addressed to that department or officer.

(B) Any communication or document to be made or delivered to an Agent will be effective only when actually received by the Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's signature below (or any substitute department or officer as the Agent shall specify for this purpose).

(C) All notices from or to an Obligor shall be sent through an Agent.

(D) Any communication or document made or delivered to the Parent Company in accordance with this Clause 36 (*Notices*) will be deemed to have been made or delivered to each of the Obligors.

### 36.4 Notification of address and fax number

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 36.2 (*Addresses*) or changing its own address or fax number, the Facility Agent shall notify the other Parties.

### 36.5 Communication when an Agent is an Impaired Agent

If an Agent is an Impaired Agent the Parties may, instead of communicating with each other through such Agent (if and to the extent that the same is required pursuant to the terms of this Agreement), communicate with each other directly and (while such Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by such Agent shall be varied so that communications may be made and notices given to or by the relevant Parties

directly. This provision shall not operate after a replacement Agent has been appointed unless such replacement Agent becomes an Impaired Agent.

### **36.6 Electronic communication**

- (A) Any communication to be made between an Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if that Agent and the relevant Lender:
- (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
  - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
  - (iii) notify each other of any change to their address or any other such information supplied by them.
- (B) Any electronic communication made between an Agent and a Lender will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to that Agent only if it is addressed in such a manner as the Agent shall specify for this purpose.

### **36.7 English language**

- (A) Any notice given under or in connection with any Finance Document must be in English.
- (B) All other documents provided under or in connection with any Finance Document must be:
- (i) in English; or
  - (ii) if not in English, and if so required by the Facility Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

## **37. CALCULATIONS AND CERTIFICATES**

### **37.1 Accounts**

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

**37.2 Certificates and determinations**

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest or proven error, prima facie evidence of the matters to which it relates.

**37.3 Day count convention**

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

**38. PARTIAL INVALIDITY**

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

**39. REMEDIES AND WAIVERS**

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

**40. AMENDMENTS AND WAIVERS****40.1 Required consents**

- (A) Subject to Clause 40.2 (*Exceptions*) and Clause 40.4 (*Exclusion of Commitments of Defaulting Lender*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Obligors and any such amendment or waiver will be binding on all Parties.
- (B) The Facility Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 40 (*Amendments and waivers*).

**40.2 Exceptions**

- (A) An amendment or waiver that has the effect of changing or which relates to:
  - (i) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);
  - (ii) an extension to the date of payment of any amount under the Finance Documents;

- (iii) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
- (iv) an increase in or an extension of any Commitment;
- (v) a change to the Borrowers or Guarantors other than in accordance with Clause 30 (Changes to the Obligors);
- (vi) any provision which expressly requires the consent of all the Lenders;
- (vii) Clause 2.3 (*Finance Parties' rights and obligations*), Clause 29 (*Changes to the Lenders*) or this Clause 40 (*Amendments and waivers*); or
- (viii) the nature or scope of the guarantee and indemnity granted by the Parent Company (and any Newco, if applicable) under Clause 23 (*Guarantee and indemnity*).

shall not be made without the prior consent of all the Lenders. This provision is subject to Clause 40.3 (*Disenfranchisement of Defaulting Lenders*) and Clause 40.4 (*Exclusion of Commitments of Defaulting Lender*).

- (B) An amendment or waiver which relates to the rights or obligations of an Agent or Arranger may not be effected without the consent of that Agent or Arranger.

#### **40.3 Disenfranchisement of Defaulting Lenders**

- (A) Subject to paragraph (C) below, for so long as a Defaulting Lender has any Available Commitment, in ascertaining the Majority Lenders or whether any given percentage (including, without limitation, unanimity) of the Total Commitments or whether the approval of all Lenders has been obtained in relation to any request for a consent, waiver, amendment or other vote under the Finance Documents:
  - (i) that Defaulting Lender's Commitments will be reduced by the amount of its Available Commitments; and
  - (ii) that Defaulting Lender will not be treated as a Lender for the purposes of paragraph (A) of Clause 40.2 (*Exceptions*) if it has no participation in an outstanding Loan.
- (B) Subject to paragraph (C) below, for the purposes of this Clause 40.3, the Facility Agent may assume that the following Lenders are Defaulting Lenders:
  - (i) any Lender which has notified any Agent that it has become a Defaulting Lender;
  - (ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of "Defaulting Lender" has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Facility Agent) or the Facility Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

- (C) For the avoidance of doubt nothing in this Clause 40.3 or otherwise shall relieve, reduce or affect any obligation of a Defaulting Lender under Clauses 7.3 (*Repayment*) or 33 (*Sharing among the Finance Parties*) or any other obligation owed by such Defaulting Lender to a Finance Party and the Commitments, and participations in any Loan, of a Defaulting Lender shall not be reduced or excluded for the purposes of any calculation to that extent.

#### 40.4 Exclusion of Commitments of Defaulting Lender

Subject to paragraph (C) of Clause 40.3 (*Disenfranchisement of Defaulting Lenders*), if any Defaulting Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any of the terms of any Finance Document or other vote of Lenders under this Agreement within five Business Days (or any longer period for response expressly stipulated by the Parent Company in or in relation to the relevant consent, waiver or amendment request) of that request being made:

- (A) its Commitment shall not be included for the purpose of calculating the Total Commitments when ascertaining whether any relevant percentage of the Total Commitments has been obtained to approve that request; and
- (B) it will not count as a Lender for the purposes of Clause 40.2 (*Exceptions*).

#### 40.5 Replacement of Defaulting Lender

- (A) The Parent Company may, at any time a Lender has become and continues to be a Defaulting Lender, by giving not less than five Business Days' prior written notice to the Facility Agent and such Lender:
- (i) replace such Lender (and, as applicable, any Affiliate of that Lender which is a Swingline Lender) by requiring such Lender to (and to the extent permitted by law such Lender shall) transfer (and, as applicable, procure the transfer of) pursuant to and in accordance with Clause 29 (*Changes to the Lenders*) all (and not part only) of its rights and obligations (and, as applicable, the rights and obligations of any Affiliate of that Lender which is a Swingline Lender) under this Agreement;
- (ii) require such Lender to (and to the extent permitted by law such Lender shall) transfer (and, as applicable, procure the transfer of) pursuant to Clause 29 (*Changes to the Lenders*) all (and not part only) of the undrawn Revolving Facility Commitment of the Lender, including for the avoidance of doubt any undrawn Swingline Commitment of that Lender and (as applicable) of any Affiliate of that Lender which is a Swingline Lender; or

- (iii) require such Lender to (and to the extent permitted by law such Lender shall) transfer (and, as applicable, procure the transfer of) pursuant to Clause 29 (*Changes to the Lenders*) all (and not part only) of its rights and obligations in respect of the Revolving Facility, including for the avoidance of doubt the Swingline Facility, and (as applicable) the rights and obligations of any Affiliate of that Lender which is a Swingline Lender in respect of the Swingline Facility,

to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Parent Company, and which confirms its willingness to assume and does assume all the obligations or all the relevant obligations of the transferring Lender (and, as applicable, its Affiliate which is a Swingline Lender) in accordance with Clause 29 (*Changes to the Lenders*) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Lender's (and, as applicable, its Affiliate's which is a Swingline Lender) participation in the outstanding Utilisations and all accrued interest (to the extent that the Facility Agent has not given a notification under Clause 29.9 (*Pro-rata interest settlement*) Break Costs and other amounts payable thereto under the Finance Documents, or such other purchase price as may be agreed by the Defaulting Lender with the Replacement Lender and the Parent Company.

- (B) Each Lender hereby instructs the Facility Agent to execute on its behalf any Transfer Certificate which is required to give effect to the terms of this Clause if that Lender is a Defaulting Lender due to the occurrence of an Insolvency Event.
- (C) Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause shall be subject to the following conditions:
  - (i) the Parent Company shall have no right to replace an Agent;
  - (ii) neither an Agent nor the Defaulting Lender shall have any obligation to the Parent Company to find a Replacement Lender; and
  - (iii) in no event shall the Defaulting Lender (or, as applicable, its Affiliate which is a Swingline Lender) be required to pay or surrender to such Replacement Lender any of the fees received by the Defaulting Lender (or, as applicable, its Affiliate which is a Swingline Lender) pursuant to the Finance Documents.

#### 40.6 Replacement of Non-Consenting Lender

- (A) If at any time any Lender becomes a Non-Consenting Lender (as defined in paragraph (C) below), then the Parent Company may, on five Business Days prior written notice to the Facility Agent and such Lender:
  - (i) cancel the Commitment of the Non-Consenting Lender at the next interest payment or rollover date; or

- (ii) require such Lender to (and such Lender shall) transfer pursuant to Clause 29 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to another Lender (a "**Replacement Lender**") which confirms its willingness to assume and does assume all the obligations of the transferring Lender (including the assumption of the transferring Lender's participations on the same basis as the transferring Lender) in accordance with Clause 29 (*Changes to the Lenders*) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Utilisations and all accrued interest, Break Costs and other amounts payable in relation thereto under the Finance Documents.
- (B) The replacement of a Lender pursuant to this Clause 40.6 shall be subject to the following conditions:
- (i) the Parent Company shall have no right to replace the Facility Agent;
  - (ii) neither the Facility Agent nor the Lender shall have any obligation to the Parent Company to find a Replacement Lender;
  - (iii) in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than ten Business Days after the date the Non-Consenting Lender notifies the Parent Company and the Facility Agent of its failure or refusal to agree to any consent, waiver or amendment to the Finance Documents requested by the Parent Company; and
  - (iv) in no event shall the Lender replaced under this Clause 40.6 be required to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents.
- (C) In the event that:
- (i) the Parent Company or the Facility Agent (at the request of the Parent Company) has requested the Lenders to consent to a waiver or amendment of any provisions of the Finance Documents;
  - (ii) the waiver or amendment in question requires the consent of all the Lenders; and
  - (iii) Lenders whose Commitments aggregate 85 per cent. or more of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated 85 per cent. or more of the Total Commitments prior to that reduction) have consented to such waiver or amendment,

then any Lender who has declined or failed to consent or provide approval by the later of (a) the date nominated by the Facility Agent in the request to the Lenders as a deadline for response, and (b) three Business Days after such 85

per cent. Lender approval or consent has been received, shall be deemed a **"Non-Consenting Lender"**.

**40.7 No split voting**

In relation to any consent or exercise of discretion in connection with any waiver, amendment or otherwise by any Lender under or in connection with a Finance Document, such Lender shall only be entitled to a single vote representing, as the case may be, its Commitment and/or participations in the Loans and shall not be entitled to split such vote.

**41. CONFIDENTIALITY**

**41.1 Confidential Information**

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 41.2 (*Disclosure of Confidential Information*) and Clause 41.3 (*Disclosure to numbering service providers*), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

**41.2 Disclosure of Confidential Information**

Any Finance Party may disclose:

- (A) to any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall reasonably consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (A) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;
- (B) to any person:
  - (i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that person's Affiliates, Representatives and professional advisers;
  - (ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, Representatives and professional advisers;

- (iii) appointed by any Finance Party or by a person to whom paragraph (i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under paragraph (C) of Clause 31.14 (*Relationship with the Lenders*));
- (iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (i) or (ii) above;
- (v) to whom and to the extent that information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
- (vi) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 29.8 (*Security over Lenders' rights*);
- (vii) to whom and to the extent that information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes concerning the Finance Documents;
- (viii) who is a Party; or
- (ix) with the prior written consent of the Parent Company;

in each case, such Confidential Information as that Finance Party shall reasonably consider appropriate if:

- (a) in relation to paragraphs (i), (ii) and (iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;
- (b) in relation to paragraph (iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;
- (c) in relation to paragraphs (v), (vi) and (vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that in the case of paragraph (v) only there shall be no requirement to so inform if, in the reasonable opinion

of that Finance Party, it is not practicable so to do in the circumstances; and

- (C) to any person appointed by that Finance Party or by a person to whom paragraph (B)(i) or paragraph (B)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including, without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (C) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Parent Company and the relevant Finance Party; and
- (D) to any rating agency (including its professional advisers), such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents.

#### **41.3 Disclosure to numbering service providers**

- (A) Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Facilities and/or one or more Obligors the following information:
  - (i) names of Obligors;
  - (ii) country of domicile of Obligors;
  - (iii) place of incorporation of Obligors;
  - (iv) date of this Agreement;
  - (v) the names of the Agent and the Arranger;
  - (vi) date of each amendment and restatement of this Agreement;
  - (vii) amount of Total Commitments;
  - (viii) currencies of the Facilities;
  - (ix) type of Facilities;
  - (x) ranking of Facilities;
  - (xi) Termination Date for Facilities;

- (xii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xi) above; and
- (xiii) such other information agreed between such Finance Party and the Parent Company to be disclosable expressly for the purposes of this Clause 41.3,

to enable such numbering service provider to prove its usual syndicated loan numbering identification services.

- (B) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facilities and/or one or more Obligors by a numbering service provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of the numbering service provider.
- (C) The Facility Agent shall notify the Parent Company and the other Finance Parties of:
  - (i) the name of any numbering service provider appointed by the Facility Agent in respect of this Agreement, the Facilities and/or one or more Obligors; and
  - (ii) the number or, as the case may be, numbers assigned to this Agreement, the Facilities and/or one or more Obligors by such numbering service provider.
- (D) Each Obligor represents that none of the information set out in paragraphs (A)(i) to (A)(xiii) above is, nor will at any time be, unpublished price sensitive information.

#### 41.4 Entire agreement

This Clause 41 (*Confidentiality*) constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

#### 41.5 Inside information

Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

#### 41.6 Notification of disclosure

Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Parent Company:

- (A) in advance of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (B)(v) (except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function) and paragraph (B)(vii), in each case of Clause 41.2 (*Disclosure of Confidential Information*); and
- (B) promptly upon becoming aware that Confidential Information has been disclosed in breach of this Clause 41 (*Confidentiality*).

#### **41.7 Continuing obligations**

The obligations in this Clause 41 (*Confidentiality*) are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of 24 months from the earlier of:

- (A) the date on which all amounts payable by the Obligors under or in connection with this Agreement have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and
- (B) the date on which such Finance Party otherwise ceases to be a Finance Party.

#### **42. COUNTERPARTS**

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

**SECTION 12  
GOVERNING LAW AND ENFORCEMENT**

**43. GOVERNING LAW**

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

**44. ENFORCEMENT**

**44.1 Jurisdiction**

- (A) The courts of England have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**").
- (B) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

**44.2 Service of process**

Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in England and Wales):

- (A) irrevocably appoints the Obligors' Agent as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and
- (B) agrees that failure by an agent for service of process to notify the relevant Obligor of the process will not invalidate the proceedings concerned,

and the Obligors' Agent hereby accepts such appointment on the terms of this Clause 44.2.

**44.3 Waiver of jury trial**

Each of the Parties to this Agreement irrevocably waives trial by jury in any action or proceeding with respect to this Agreement or any of the Finance Documents.

**This Agreement has been entered into on the date stated at the beginning of this Agreement.**

**SCHEDULE 1  
THE PARTIES****PART I  
THE OBLIGORS**

<b>The Original Borrowers</b>	<b>Registration number (or equivalent, if any)</b>	<b>Country / state of incorporation</b>
Shire PLC	99854	Jersey
Shire Global Finance	05418960	England and Wales
Shire Biopharmaceuticals Holdings	05492592	England and Wales
Shire Holdings Europe No. 2 S.à r.l.	B138468	Luxembourg
Shire Holdings Luxembourg S.à r.l.	B153625	Luxembourg
Shire AG	CH-170.3.034.425-7	Switzerland

<b>The Original Guarantor</b>	<b>Registration number (or equivalent, if any)</b>	<b>Country / state of incorporation</b>
Shire PLC	99854	Jersey

**PART II**  
**THE ORIGINAL REVOLVING LENDERS**

Name of Original Revolving Lender	Revolving Facility Commitment (US\$)	Facility Office	Treaty Passport Number <sup>1</sup>	Jurisdiction of Tax Residence <sup>2</sup>
Abbey National Treasury Services Plc (trading as Santander Global Banking and Markets)	150,000,000			
Bank of America, N.A.	150,000,000	5 Canada Square Canary Wharf London E14 5AQ		United States of America
Barclays Bank PLC	150,000,000	5 The North Colonnade Canary Wharf London E14 4BB		United Kingdom
Citibank, N.A., London Branch	150,000,000	33 Canada Sq London E14 5LB		
Lloyds TSB Bank plc	150,000,000			
The Royal Bank of Scotland plc	150,000,000			
Credit Suisse AG, London Branch	60,000,000	One Cabot Square London E14 4QJ		Switzerland

<sup>1</sup> If applicable.

<sup>2</sup> If applicable.

Deutsche Bank AG, London Branch	60,000,000			Germany
Goldman Sachs Bank USA	60,000,000	200 West Street New York NY 10282 USA	013/G/0351779/DTTP	United States of America
Morgan Stanley Bank, N.A.	60,000,000			
Sumitomo Mitsui Banking Corporation, Brussels Branch	60,000,000	Neo Building Rue Montoyer 51, Box 6 1000 Brussels Belgium		Japan

**PART III  
THE ORIGINAL DOLLAR SWINGLINE LENDERS**

Name of Original Dollar Swingline Lender	Swingline Commitment (US\$)	Facility Office	Treaty Passport Number <sup>3</sup>	Jurisdiction of Tax Residence <sup>4</sup>
Abbey National Treasury Services Plc (trading as Santander Global Banking and Markets)	31,250,000			
Bank of America, N.A.	31,250,000	2001 Clayton Road Concord CA 94520-2405 USA		United States of America
Barclays Bank PLC	31,250,000	c/o Barclays Capital Services LLC Global Services Unit as US Dollar Funding Administrator 10th Floor 70 Hudson Street Jersey City NJ 07302, USA		United Kingdom
Citibank, N.A.	31,250,000	399 Park Avenue 16th Floor S NY NY 10043 Tel. No. 001 302 894 6052 Fax. No. 001 212 994 0847		United States of America

<sup>3</sup> If applicable.

<sup>4</sup> If applicable.

Lloyds TSB Bank plc	31,250,000			
The Royal Bank of Scotland plc	31,250,000			
Credit Suisse AG, Cayman Islands Branch	12,500,000	Eleven Madison Avenue New York NY 10010 USA		Switzerland
Deutsche Bank AG, New York Branch	12,500,000		7/D/70006/DTTP	Germany
Goldman Sachs Bank USA	12,500,000	200 West Street New York NY 10282 USA	013/G/0351779/DTTP	United States of America
Morgan Stanley Bank, N.A.	12,500,000			
Sumitomo Mitsui Banking Corporation, Brussels Branch	12,500,000	Neo Building Rue Montoyer 51, Box 6 1000 Brussels Belgium		Japan

**PART IV  
THE ORIGINAL EURO SWINGLINE LENDERS**

<b>Name of Original Euro Swingline Lender</b>	<b>Swingline Commitment (US\$)</b>	<b>Facility Office</b>	<b>Treaty Passport Number<sup>5</sup></b>	<b>Jurisdiction of Tax Residence<sup>6</sup></b>
Abbey National Treasury Services Plc (trading as Santander Global Banking and Markets)	31,250,000			
Bank of America, N.A.	31,250,000	5 Canada Square Canary Wharf London E14 5AQ		United States of America
Barclays Bank PLC	31,250,000	5 The North Colonnade Canary Wharf London E14 4BB		United Kingdom
Citibank, N.A., London Branch	31,250,000	33 Canada Sq London E14 5LB		
Lloyds TSB Bank plc	31,250,000			
The Royal Bank of Scotland plc	31,250,000			
Credit Suisse AG, London Branch	12,500,000	One Cabot Square London E14 4QJ		Switzerland
Deutsche Bank AG, London Branch	12,500,000			Germany

<sup>5</sup> If applicable.

<sup>6</sup> If applicable.

Goldman Sachs Bank USA	12,500,000	200 West Street New York NY 10282 USA	013/G/0351779/DTTP	United States of America
Morgan Stanley Bank, N.A.	12,500,000			
Sumitomo Mitsui Banking Corporation, Brussels Branch	12,500,000	Neo Building Rue Montoyer 51, Box 6 1000 Brussels Belgium		Japan

**SCHEDULE 2  
CONDITIONS PRECEDENT**

**PART I  
CONDITIONS PRECEDENT TO INITIAL UTILISATION**

**1. Original Obligors**

- (a) A copy of the constitutional documents of each Original Obligor.
- (b) A copy of a resolution of the board of directors (or a duly appointed committee of the board of directors) of:
  - (i) each Original Obligor (other than the Parent Company):
    - (A) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
    - (B) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
    - (C) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party; and
  - (ii) in the case of the Parent Company, resolving in writing to delegate all powers, authorities and discretions of the Parent Company in relation to the negotiation and entry into this Agreement and all documents and matters related, ancillary or incidental thereto, to a named delegate, with full powers of sub-delegation, and confirming that signature of any document by such delegate constitutes conclusive evidence of its approval by him (together with, in the case of any such sub-delegation, written confirmation by the delegate of such sub-delegation to a named sub-delegate or sub-delegates, and confirming that signature of any document by such sub-delegate constitutes conclusive evidence of its approval by him).
- (c) For each Original Obligor which is a Luxembourg Obligor:
  - (i) an up-to-date excerpt (or similar document) for each Original Obligor from the relevant trade register (or similar register); and
  - (ii) an up-to-date certificate (or similar document) for each Original Obligor from the competent public authorities stating that the relevant Original Obligor has not been declared bankrupt or made subject to any reorganisation (or similar) measures.
- (d) For each Original Obligor which is a Swiss Obligor, an up-to-date certified excerpt for each such Original Obligor from the relevant commercial register

- (e) An extract from a resolution of the board of directors of each Original Obligor evidencing due appointment of the committee of the board of directors referred to in paragraph (b) above, if applicable.
- (f) A copy of a resolution of all shareholders of each Original Obligor which is a Swiss Obligor unanimously approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and unanimously resolving that it execute the Finance Documents to which it is a party.
- (g) [INTENTIONALLY LEFT BLANK]
- (h) A specimen of the signature of each person authorised by the resolutions referred to in paragraph (b) above.
- (i) A certificate of the Parent Company (signed by a director or other authorised signatory) confirming that borrowing or guaranteeing, as appropriate, the Total Commitments would not cause any borrowing, guaranteeing or similar limit binding on any Original Obligor to be exceeded.
- (j) A certificate of an authorised signatory of the relevant Original Obligor certifying that each copy document relating to it specified in this Part I of Schedule 2 (*Conditions precedent*) is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

## 2. Legal opinions

- (a) A legal opinion of Linklaters LLP, legal advisers to the Arrangers and the Agents in England.
- (b) A legal opinion of Niederer Kraft & Frey AG, legal advisers to the Arrangers and the Agents in Switzerland.
- (c) A legal opinion of Ogier, legal advisers to the Arrangers and the Agents in Jersey.
- (d) A legal opinion of Linklaters LLP, legal advisers to the Arrangers and the Agents in Luxembourg.

## 3. Other documents and evidence

- (a) Duly executed Fee Letters and this Agreement.
- (b) Evidence that any agent for service of process referred to in Clause 44.2 (*Service of process*), if not an Original Obligor, has accepted its appointment.
- (c) The Original Financial Statements and interim financial statements of the Parent Company.
- (d) Evidence that the fees, costs and expenses then due from the Parent Company pursuant to Clause 17 (*Fees*) and Clause 22 (*Costs and expenses*) have been paid or will be paid by the first Utilisation Date.

- (e) Any information that is requested by a Finance Party (acting reasonably) to ensure compliance with applicable "know your customer" requirements.
- (f) Evidence that all outstanding amounts (if any) under the 2007 Agreement have been paid or will be paid on or prior to the first Utilisation Date and that the facilities under the 2007 Agreement have been or will be irrevocably cancelled on or prior to the first Utilisation Date.
- (g) A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent reasonably considers to be necessary or desirable (if it has notified the Parent Company accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (h) Evidence that the annual accounts for year ending 2009 for Shire Holdings Europe No. 2 S.à r.l. have been filed with the Luxembourg Register of Commerce and Companies.

**PART II**  
**CONDITIONS PRECEDENT REQUIRED TO BE DELIVERED BY AN ADDITIONAL OBLIGOR**

1. An Accession letter, duly executed by the Additional Obligor and the Parent Company.
2. A copy of the constitutional documents of the Additional Obligor.
3. If the Additional Obligor is a US Obligor, a copy of a good standing certificate (including verification of tax status) with respect to the Additional Obligor, issued as of a recent date by the secretary of state or other appropriate official of the Additional Obligor's jurisdiction of incorporation or organisation.
4. A copy of a resolution of the board of directors (or a duly appointed committee of the board of directors) of the Additional Obligor:
  - (a) approving the terms of, and the transactions contemplated by, the Accession Letter and the Finance Documents and resolving that it execute the Accession Letter;
  - (b) authorising a specified person or persons to execute the Accession Letter on its behalf; and
  - (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all other documents and notices (including, in relation to an Additional Borrower, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents.
5. A specimen of the signature of each person authorised by the resolution referred to in paragraph 4 above.
6. A certificate of the Additional Obligor (signed by a director or other authorised signatory) confirming that borrowing or guaranteeing, as appropriate, the total commitments would not cause any borrowing, guaranteeing or similar limit binding on it to be exceeded.
7. A certificate of an authorised signatory of the Additional Obligor certifying that each copy document listed in this Part II of Schedule 2 (*Conditions precedent*) is correct, complete and in full force and effect as at a date no earlier than the date of the Accession Letter.
8. A copy of any other authorisation or other document, opinion or assurance which the Facility Agent reasonably considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by the accession letter or for the validity and enforceability of any Finance Document.
9. If available, the latest audited financial statements of the Additional Obligor.
10. A legal opinion of Linklaters LLP, legal advisers to the Arrangers and the Agents in England.
11. If the Additional Obligor is incorporated in a jurisdiction other than England and Wales, a legal opinion of the legal advisers to the Arrangers and the Agents or the Parent

Company, as the case may be, in the jurisdiction in which the Additional Obligor is incorporated.

12. If the proposed Additional Obligor is incorporated in a jurisdiction other than England and Wales, evidence that the agent for service of process specified in Clause 44.2 (*Service of process*), if not an Obligor, has accepted its appointment in relation to the proposed Additional Obligor.
13. Any information that is requested by a Finance Party (acting reasonably) to ensure compliance with applicable "know your customer" requirements.

**SCHEDULE 3  
REQUESTS****PART I  
UTILISATION REQUEST – REVOLVING LOAN**

From: [Borrower]/[[Parent Company]/[Obligors' Agent] on behalf of [Borrower] as Borrower]]

To: [Facility Agent]

Dated:

Dear Sirs

**Shire PLC – US\$ 1,200,000,000 Multi-Currency Facilities Agreement  
dated [ ] November 2010 (the "Agreement")**

1. We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
2. We wish to borrow a Revolving Loan on the following terms:  
Proposed Utilisation Date: [ ] (or, if that is not a Business Day, the next Business Day)  
Facility to be utilised: Revolving Facility  
Currency of Loan: [ ]  
Amount: [ ] or, if less, the Available Facility  
Interest Period [ ]
3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) of the Agreement is satisfied on the date of this Utilisation Request.
4. [We confirm that the fees, costs and expenses due from the Parent Company pursuant to Clause 17 (*Fees*) and Clause 22 (*Costs and expenses*) of the Agreement have been paid, or if not, will be paid out of the amount specified in paragraph 2 above]\*
5. The proceeds of this Revolving Loan should be credited to [account].
6. This Utilisation Request is irrevocable.

Yours faithfully

.....  
Authorised signatory for  
[Name of relevant Borrower]  
[[Parent Company]/[Obligors' Agent] on behalf of [Borrower] as Borrower]]

\* To be included in the first Utilisation Request

**PART II  
UTILISATION REQUEST – SWINGLINE LOAN**

From: [Borrower]/[[Parent Company]/[Obligors' Agent] on behalf of [Borrower] as Borrower]]

To: [Swingline Agent]

Dated:

Dear Sirs

**Shire PLC – US\$ 1,200,000,000 Multi-Currency Facilities Agreement  
dated [ ] November 2010 (the "Agreement")**

1. We refer to the Agreement. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
2. We wish to borrow a Swingline Loan on the following terms:
 

Proposed Utilisation Date:	[ ]	(or, if that is not a Business Day, the next Business Day)
Facility to be utilised:		Swingline Facility
Currency of Loan:	[ ]	
[Base Currency] Amount: <sup>7</sup>	[ ]	or, if less, the Available Facility
Interest Period	[ ]	
3. We confirm that each condition specified in Clause 6.4 (*Swingline Lenders' participation*) of the agreement is satisfied on the date of this Utilisation Request.
4. The proceeds of this Swingline Loan should be credited to [account].
5. This Utilisation Request is irrevocable.

Yours faithfully

.....  
Authorised signatory for

---

<sup>7</sup> For Euro Swingline Loans, this will be an amount in euro (and the relevant Agent will notify the Base Currency Amount per Clause 6.4 (*Swingline Lenders' participation*)). For Dollar Swingline Loans, this will be a Base Currency Amount.

[Name of relevant Borrower]/  
[[Parent Company]/[Obligors' Agent] on behalf of [Borrower] as Borrower]]

**SCHEDULE 4  
MANDATORY COST FORMULAE**

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as possible thereafter) the Facility Agent shall calculate, as a percentage rate, a rate (the "**Additional Cost Rate**") for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Facility Agent as a weighted average of the Lenders' Additional Cost rates (weighted in proportion to the percentage participation of each Lender in the relevant loan) and will be expressed as a percentage rate per annum.
3. The Additional Cost Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Facility Agent. This percentage will be certified by that Lender in its notice to the Facility Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.
4. The Additional Cost Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Facility Agent as follows:

(a) in relation to a sterling Loan:

$$\frac{AB + C(B - D) + E \times 0.01}{100 - (A + C)} \text{ per cent. per annum}$$

(b) in relation to a Loan in any currency other than sterling:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum.}$$

Where:

- A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.
- B is the percentage rate of interest (excluding the Margin and the Mandatory Cost and, if the Loan is an Unpaid Sum, the additional rate of interest specified in paragraph (A) of Clause 14.3 (*Default interest*)) payable for the relevant Interest Period on the Loan.

- C is the percentage (if any) of Eligible Liabilities which that Lender is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.
- D is the percentage rate per annum payable by the Bank of England to the Facility Agent on interest bearing Special Deposits.
- E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Facility Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Facility Agent pursuant to paragraph 7 below and expressed in pounds per £1,000,000.
5. For the purposes of this Schedule:
- (a) "**Eligible Liabilities**" and "**Special Deposits**" have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
  - (b) "**Fees Rules**" means the rules on periodic fees contained in the Financial Services Authority Fees Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
  - (c) "**Fee Tariffs**" means the fee tariffs specified in the Fees Rules under Column 1 of the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
  - (d) "**Tariff Base**" has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.
7. If requested by the Facility Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Facility Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.
8. Each Lender shall supply any information required by the Facility Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:
- (a) the jurisdiction of its Facility Office; and

(b) any other information that the Facility Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Facility Agent of any change to the information provided by it pursuant to this paragraph.

9. The percentages of each Lender for the purpose of A and C above and the rates of charge of each Reference Bank for the purpose of E above shall be determined by the Facility Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Lender notifies the Facility Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the same jurisdiction as its Facility Office.
10. The Facility Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.
11. The Facility Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.
12. Any determination by the Facility Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all Parties.
13. The Facility Agent may from time to time, after consultation with the Parent Company and the Lenders, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions), such changes being consistent with any generally accepted conventions and market practice in the Relevant Interbank Market, and any such determination shall, in the absence of manifest or proven error, be conclusive and binding on all Parties.

**SCHEDULE 5  
PART I  
FORM OF ASSIGNMENT AGREEMENT**

To: [ ] as Facility Agent

[ ] as the Parent Company, for and on behalf of each Obligor

From: [*the Existing Lender*] (the "Existing Lender") and [*the New Lender*] (the "New Lender")

Dated:

**Shire PLC - US\$ 1,200,000,000 Multi-Currency  
Facilities Agreement dated [ ] November 2010 (the "Agreement")**

1. We refer to the Agreement. This is an Assignment Agreement. Terms defined in the Agreement have the same meaning in this Assignment Agreement unless given a different meaning in this Assignment Agreement.
2. We refer to Clause 29.6 (*Procedure for assignment*).
  - (a) The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Agreement and the other Finance Documents which relate to that portion of the Existing Lender's Commitments and participations in Loans under the Agreement as specified in the Schedule.
  - (b) The Existing Lender is released from all the obligations of the Existing Lender which correspond to that portion of the Existing Lender's Commitments and participations in Loans under the Agreement specified in the Schedule.
  - (c) The New Lender becomes a Party as a Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph (b) above.
3. The proposed Transfer Date is [ ].
4. On the Transfer Date the New Lender becomes Party to the Finance Documents as a Lender.
5. The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 36.2 (*Addresses*) are set out in the Schedule.
6. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (C) of Clause 29.4 (*Limitation of responsibility of Existing Lenders*).
7. The New Lender confirms that [it is [a UK Qualifying Lender,] [an Irish Qualifying Lender,] [a US Qualifying Lender,] [a Swiss Qualifying Lender] [and a Luxembourg Qualifying Lender]] [and it is not a [a UK Qualifying Lender,] [an Irish Qualifying Lender,]

[a US Qualifying Lender,] [a Swiss Qualifying Lender] [or a Luxembourg Qualifying Lender]].<sup>8</sup>

8. The New Lender confirms that it is not a Defaulting Lender.
9. The New Lender confirms that it is a Qualifying Bank at the date this Assignment Agreement becomes effective.
10. The New Lender confirms that it is [not]<sup>9</sup> an Acceptable Bank.
11. [The New Lender confirms that it is a UK Treaty Lender that holds a passport under the HMRC DT Treaty Passport Scheme (reference number [ ]), so that interest payable to it by a UK Borrower is generally subject to full exemption from UK withholding tax and its jurisdiction of Tax residence is [ ] and notifies the Parent Company that:
  - (a) each UK Borrower which is a Party as a UK Borrower as at the Transfer Date must, to the extent that the New Lender becomes a Lender under a Facility which is made available to that Borrower pursuant to Clause 2 (*The Facilities*) of the Agreement, make an application to HM Revenue & Customs under form DTTP2 within 30 days of the Transfer Date; and
  - (b) each Additional Borrower which is a UK Borrower and which becomes an Additional Borrower after the Transfer Date must make an application to HM Revenue & Customs under form DTTP2 within 30 days of becoming an Additional Borrower.]<sup>10</sup>
12. This Assignment Agreement acts as notice to the Facility Agent (on behalf of each Finance Party) and, upon delivery in accordance with Clause 29.7 (*Copy of Assignment Agreement, Transfer Certificate, Increase Confirmation to Parent Company*), to the Parent Company (on behalf of each Obligor) of the assignment referred to in this Assignment Agreement.
13. The Assignment Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Assignment Agreement.
13. This Assignment Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

<sup>8</sup> Delete/amend as applicable. Note that, pursuant to paragraph (C) of Clause 18.2 (*Tax gross-up*), the New Lender must confirm whether or not it is a UK Qualifying Lender, an Irish Qualifying Lender, a US Qualifying Lender, a Swiss Qualifying Lender and a Luxembourg Qualifying Lender.

<sup>9</sup> Include/delete as applicable.

<sup>10</sup> This confirmation must be included if the New Lender holds a passport under the HMRC DT Treaty Passport Scheme and wishes that scheme to apply to this Agreement. A copy of the Transfer Certificate must be sent to the Parent Company at the same time as the Facility Agent.

14. This Assignment Agreement has been entered into on the date stated at the beginning of this Assignment Agreement.

**THE SCHEDULE**

**Rights to be assigned and obligations to be released and undertaken**

*[insert relevant details]*

*[Facility office address, email address, fax number and attention details for notices and account details for payments]*

[Existing Lender]

[New Lender]

Branch: [ ]

Branch MEI: [ ]

By:

By:

This Assignment Agreement is accepted by the Facility Agent and the Transfer Date is confirmed as [ ].

Signature of this Assignment Agreement by the Facility Agent constitutes confirmation by the Facility Agent of receipt of notice of the assignment referred to herein, which notice the Facility Agent receives on behalf of each Finance Party.

[Facility Agent]

Facility Agent MEI: [ ]

By:

**SCHEDULE 5  
PART II  
FORM OF TRANSFER CERTIFICATE**

To: [ ] as Facility Agent

[ ] as the Parent Company, for and on behalf of each Obligor

From: [*The Existing Lender*] (the "**Existing Lender**") and [*The New Lender*] (the "**New Lender**")

Dated:

**Shire PLC – US\$ 1,200,000,000 Multi-Currency Facilities Agreement  
dated [ ] November 2010 (the "Agreement")**

1. We refer to the Agreement. This is a Transfer Certificate. Terms defined in the Agreement have the same meaning in this Transfer Certificate unless given a different meaning in this Transfer Certificate.
2. We refer to Clause 29.5 (*Procedure for transfer*) of the Agreement:
  - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with Clause 29.5 (*Procedure for transfer*) of the Agreement.
  - (b) The proposed Transfer Date is [ ].
  - (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 36.2 (*Addresses*) of the Agreement are set out in the Schedule.
3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (C) of Clause 29.4 (*Limitation of responsibility of Existing Lenders*) of the Agreement.
4. The New Lender confirms that [it is [a UK Qualifying Lender,] [an Irish Qualifying Lender,] [a US Qualifying Lender,] [a Swiss Qualifying Lender] [and a Luxembourg Qualifying Lender]] [and it is not [a UK Qualifying Lender,] [an Irish Qualifying Lender,]

[a US Qualifying Lender,] [a Swiss Qualifying Lender] [or a Luxembourg Qualifying Lender].<sup>11</sup>

5. The New Lender confirms that it is not a Defaulting Lender.
6. The New Lender confirms that it is a Qualifying Bank at the date this Transfer Certificate becomes effective.
7. The New Lender confirms that it is [not]<sup>12</sup> an Acceptable Bank.
8. [The New Lender confirms that it is a UK Treaty Lender that holds a passport under the HMRC DT Treaty Passport Scheme (reference number [ ]), so that interest payable to it by a UK Borrower is generally subject to full exemption from UK withholding tax and its jurisdiction of Tax residence is [ ] and notifies the Parent Company that:
  - (a) each UK Borrower which is a Party as a UK Borrower as at the Transfer Date must, to the extent that the New Lender becomes a Lender under a Facility which is made available to that Borrower pursuant to Clause 2 (*The Facilities*) of the Agreement, make an application to HM Revenue & Customs under form DTTP2 within 30 days of the Transfer Date; and
  - (b) each Additional Borrower which is a UK Borrower and which becomes an Additional Borrower after the Transfer Date must make an application to HM Revenue & Customs under form DTTP2 within 30 days of becoming an Additional Borrower.]<sup>13</sup>
9. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
10. This Transfer Certificate and any non-contractual obligations arising out of or in connection with it are governed by English law.

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<sup>11</sup> Delete/amend as appropriate. Note that, pursuant to paragraph (C) of Clause 18.2 (*Tax gross-up*), the New Lender must confirm whether or not it is a UK Qualifying Lender, an Irish Qualifying Lender, a US Qualifying Lender, a Swiss Qualifying Lender, a Luxembourg Qualifying Lender

<sup>12</sup> Include/delete as applicable.

<sup>13</sup> This confirmation must be included if the New Lender holds a passport under the HMRC DT Treaty Passport Scheme and wishes that scheme to apply to this Agreement. A copy of the Increase Confirmation must be sent to the Parent Company at the same time as the Facility Agent.

**THE SCHEDULE**

**Commitment/rights and obligations to be transferred**

*[insert relevant details]*

*[Facility Office address, email address, fax number and attention details for notices and account details for payments]*

[Existing Lender]

[New Lender]

Branch: [ ]

Branch: [ ]

Branch MEI: [ ]

Branch MEI: [ ]

By:

By:

This Transfer Certificate is accepted by the Facility Agent and the Transfer Date is confirmed as [ ].

[Facility Agent]

Facility Agent MEI: [ ]

By:

**SCHEDULE 6  
FORM OF ACCESSION LETTER**

To: [ ] as Facility Agent

From: [Subsidiary] [Top Newco] and [Parent Company]/[[Obligors' Agent] on behalf of [Subsidiary] [Top Newco] and [Parent Company]]

Dated:

Dear Sirs

**Shire PLC – US\$ 1,200,000,000 Multi-Currency Facilities Agreement  
dated [ ] November 2010 (the "Agreement")**

1. We refer to the Agreement. This is an Accession Letter. Terms defined in the Agreement have the same meaning in this Accession Letter unless given a different meaning in this Accession Letter.
2. [Subsidiary] [Top Newco] agrees to become an Additional [Borrower]/[Guarantor] and to be bound by the Terms of the Agreement as an Additional [Borrower]/[Guarantor] pursuant to Clause [30.2 (Additional Borrowers)]/[Clause 30.4 (Additional Guarantors)] of the Agreement. [Subsidiary] [Top Newco] is a company duly incorporated under the laws of [name of relevant jurisdiction].
3. [Subsidiary's] [Top Newco's] administrative details are as follows:  
Address:  
Fax No:  
Attention:
4. This Accession Letter and any non-contractual obligations arising out of or in connection with it are governed by English law.
5. This [Guarantor] Accession Letter is entered into by a deed.]

[[Parent Company]

[[Subsidiary] [Top Newco]

By:]

By:]

**SCHEDULE 7  
FORM OF RESIGNATION LETTER**

To: [ ] as Facility Agent

From: [resigning Obligor] and [Parent Company]/[[Obligors' Agent] on behalf of [resigning Obligor] and [Parent Company]]

Dated:

Dear Sirs

**Shire PLC – US\$ 1,200,000,000 Multi-Currency Facilities Agreement  
dated [ ] November 2010 (the "Agreement")**

- 1. We refer to the Agreement. This is a Resignation Letter. Terms defined in the Agreement have the same meaning in this Resignation Letter unless given a different meaning in this Resignation Letter.
- 2. Pursuant to [Clause 30.3 (*Resignation of a Borrower*)]/[Clause 30.6 (*Resignation of a Guarantor*)], we request that [resigning Obligor] be released from its obligations as a [Borrower]/[Guarantor] under the Agreement.
- 3. We confirm that:
  - (a) no Default is continuing or will result from the acceptance of this Resignation Letter; and
  - (b) [ ]
- 4. This Resignation Letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

[[Parent Company]

[[resigning Obligor]

By:]

By:]

[or]

[[Obligors' Agent] on behalf of [resigning Obligor] and [Parent Company]

By:]

**SCHEDULE 8  
FORM OF COMPLIANCE CERTIFICATE**

To: [ ] as Facility Agent

From: [Parent Company]

Dated:

Dear Sirs

**Shire PLC – US\$ 1,200,000,000 Multi-Currency Facilities Agreement  
dated [ ] November 2010 (the "Agreement")**

- 1. We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.
- 2. We confirm that:  
[Insert details of financial covenants and whether the Parent Company is in compliance with those covenants]
- 3. [We confirm that no Default is continuing.]
- 4. We confirm that the ratio of Net Debt to EBITDA is [ ]:1, and that therefore the Margin should be [ ] per cent..

Signed:.....

Signed:.....

Authorised signatory

Authorised signatory

of

of

[Parent Company]

[Parent Company]

**SCHEDULE 9  
EXISTING SECURITY**

<b>Name of member of the Group</b>	<b>Security</b>	<b>Total Principal Amount of Indebtedness Secured</b>
Pharma International Insurance Limited	Collateral against letters of credit	US\$ 9,200,000

**SCHEDULE 10  
EXISTING LOANS**

<b>Name of member of the Group</b>	<b>Loan</b>	<b>Total Principal Amount of Existing Loans</b>
None		

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**SCHEDULE 11  
EXISTING FINANCIAL INDEBTEDNESS**

<b>Name of member of the Group</b>	<b>Financial Indebtedness</b>	<b>Total Principal Amount of Existing Financial Indebtedness</b>
Pharma International Insurance Limited	Counter indemnity obligations related to bank issued letters of credit	US\$ 9,200,000
Shire Italy S.p.A.	Counter indemnity obligations related to bank issued guarantees	EUR 8,269,000
Shire HGT Inc.	US property capital lease	US\$ 7,300,000

**SCHEDULE 12**  
**FORM OF CONFIDENTIALITY UNDERTAKING**  
**CONFIDENTIALITY AGREEMENT**

**DATED:****PARTIES:**

- (1) [ ] ("**Discloser**"); and  
(2) [ ] ("**Recipient**").

**RECITALS:**

The Discloser is willing to disclose to the Recipient and the Recipient wishes to receive certain Confidential Information (as defined below) for the Purpose (as defined below) on the terms and conditions set out in this Agreement.

**OPERATIVE PROVISIONS:****1. DEFINITIONS**

## 1.2 In this Agreement:

**"Affiliates"**

means any company or other entity which directly or indirectly controls, is controlled by or is under common control with a Party, where 'control' means the ownership of more than 50 per cent. of the issued share capital or other equity interest or the legal power to direct or cause the direction of the general management and policies of such Party, company or other entity;

**"Confidential Information"**

means all information, data and any other material relating to Shire's and its Affiliates' business, projects or products, being information:

- (i) disclosed by the Discloser or its Representatives to the Recipient or its Representatives or acquired directly or indirectly from the Discloser or its Representatives by the Recipient or its Representatives in each case for the purposes of or in connection with the Purpose and whether in written, electronic, oral, visual or other form;
- (ii) generated by way of any analysis, compilations, data studies or other documents prepared by the Recipient or its Representatives containing, reflecting or based in whole or in part on

information referred to in (i) above; and

- (iii) regarding the existence, nature or status of any discussions between the Parties or their Representatives with respect to the Purpose, including the existence and terms of this Agreement;

Confidential Information shall not include information, data and any other material that:

- (a) is public knowledge at the time of disclosure under this Agreement or which subsequently becomes public knowledge (other than as a result of a breach of this Agreement or other fault on the part of the Recipient or its Representatives); or
- (b) was lawfully in the possession of the Recipient or its Representatives prior to its disclosure under this Agreement or which subsequently comes into its or their possession from a third party (to the best of its or their knowledge having made due enquiry, otherwise than in breach of any obligation of confidentiality owed to the Discloser or its Representatives, either directly or indirectly);

**"Party" and "Parties"**

means respectively the Discloser or the Recipient or, as the case may be, both such parties;

**"Purpose"**

means the use of the Confidential Information to allow [the Parties to discuss the possibility of the Recipient acquiring] / [the Recipient to acquire] an interest in a financial facility to Shire;

**"Representatives"**

means the Affiliates of each Party and the directors, officers, employees, agents, representatives, attorneys and advisors of each Party and each Party's Affiliates; and

**"Shire"**

means Shire PLC, a company incorporated in Jersey under the Companies (Jersey) Law 1991 with registered number 99854.

1.2 In this Agreement, unless the context otherwise requires:

- (A) references to "**persons**" includes individuals, bodies corporate (wherever incorporated), unincorporated associations and partnerships;

- (B) the headings are inserted for convenience only and do not affect the construction of the Agreement;
- (C) references to one gender includes both genders; and
- (D) a "**Party**" includes references to that party's successors and permitted assigns.

## 2. USE AND NON-DISCLOSURE

- 2.1 Subject to the terms of this Agreement, in consideration of the disclosure of the Confidential Information by or on behalf of the Discloser to the Recipient or its Representatives, the Recipient undertakes:
- (A) not to use the Confidential Information nor allow it to be used by its Representatives for any purpose other than the Purpose and to cease to use it upon request by the Discloser;
  - (B) to treat and maintain the Confidential Information in strict confidence and not to directly or indirectly communicate or disclose it in any way to any other person without the Discloser's express prior written consent, except to such of the Recipient's Representatives who reasonably require access to the Confidential Information for the Purpose and who are notified of the terms of this Agreement and who owe a duty of confidence to the Recipient in respect the Confidential Information;
  - (C) to assume responsibility and liability for any breach of the terms of this Agreement by any of the Recipient's Representatives (or actions which would amount to such a breach if the same were party to this Agreement) who have access to the Confidential Information; and
  - (D) to take all reasonable measures and appropriate safeguards commensurate with those which the Recipient employs for the protection of its confidential information (and to procure that all such steps are taken by its Representatives) to maintain the confidentiality of the Confidential Information, to copy the Confidential Information only to the extent reasonably necessary to achieve the Purpose and not to permit unsupervised copying of the Confidential Information.
- 2.2 No disclosure or announcement to any third party of the Confidential Information may be made by the Recipient or on its behalf except where:
- (A) such disclosure is compelled by a court of law, statute, regulation or securities exchange;
  - (B) the Discloser has, where practicable, been given sufficient written notice in advance to enable it to seek protection or confidential treatment of such Confidential Information; and
  - (C) such disclosure is limited to the extent actually so required.

### 3. RIGHTS TO CONFIDENTIAL INFORMATION

- 3.1 The Recipient acknowledges that nothing in this Agreement is intended to amount to or implies any transfer, licence or other grant of rights in relation to the Confidential Information or any other patents, design rights, trade marks, copyrights or other intellectual property rights owned or used by the Discloser.
- 3.2 The Discloser and its Representatives give no warranty as to the completeness, sufficiency or accuracy of the Confidential Information and accept no liability howsoever arising from the Recipient's or its Representatives' use of the Confidential Information. Accordingly, neither the Discloser nor its Representatives shall be liable for any direct, indirect or consequential loss or damage suffered by any person howsoever arising, whether in contract or tort, as a result of relying on any statement contained in or omitted from the Confidential Information. For the avoidance of doubt this clause is without prejudice to the express terms of any agreement entered into by the Discloser and/or its Representatives in connection with the Purpose.
- 3.3 Nothing in this Agreement shall be or be construed as being an agreement between the Parties or any of their respective Affiliates to enter into any arrangement or further agreement relating to the subject matter of this Agreement, any such arrangement or agreement being the subject of separate negotiations.
- 3.4 The Recipient acknowledges and agrees that all Confidential Information and all copies thereof shall be and remain the exclusive property of the Discloser. The Recipient shall or shall procure, on the Discloser's request and at the Discloser's option, either the destruction or return of the Confidential Information, without retaining any copies, extracts or other reproductions in whole or in part thereof other than to the extent required to be retained for legal or regulatory purposes (in respect of which the Recipient shall remain under an ongoing duty of confidence). On the Discloser's request, all Confidential Information comprising analyses, compilations, data studies or other documents prepared by the Recipient or its Representatives containing or based in whole or in part on the Confidential Information received from the Discloser or reflecting the Recipient's view of such Confidential Information shall be destroyed by the Recipient save to the extent required to be retained for legal or regulatory purposes (in respect of which the Recipient shall remain under an ongoing duty of confidence). Upon request, such return and/or destruction shall be certified in writing to the Discloser by an authorised officer of the Recipient supervising such destruction or return.

### 4. REMEDIES

Due to the proprietary nature of the Confidential Information, the Parties understand and agree that the Discloser or its Affiliates may suffer irreparable harm in the event that the Recipient fails to comply with any of the obligations contained herein and that monetary damages alone may not be an adequate remedy to compensate the Discloser or its Affiliates for such breach. Accordingly, the Parties agree that the Discloser or any of its Affiliates, as appropriate, shall be entitled to seek the remedies of injunction, specific performance and other equitable relief for any threatened or actual breach of the obligations contained in this Agreement.

**5. DURATION**

The term of this Agreement shall be for a period of three years from the date of disclosure under this Agreement.

**6. OTHER PROVISIONS**

- 6.1 Any variation to this Agreement is only valid if it is in writing and signed by or on behalf of each Party.
- 6.2 This Agreement may not be assigned by a Party without the prior written consent of the other Party.
- 6.3 Any delay or failure by the Discloser in exercising any right, power or privilege under this Agreement shall not constitute a waiver of such right, power or privilege nor shall any single or partial exercise preclude any future exercise.
- 6.4 The rights and remedies of each of the Parties under or pursuant to this Agreement are cumulative, may be exercised as often as such Party considers appropriate and are in addition to its rights and remedies under general law.
- 6.5 The provisions of this Agreement shall be severable in the event that any of the provisions hereof are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law.
- 6.6 A person who is not a party to this Agreement other than the Discloser's Affiliate shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms. Notwithstanding the foregoing, this Agreement may be varied or terminated by agreement in writing between the Parties or this Agreement may be rescinded (in each case) without the consent of any such Affiliates.
- 6.7 This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of the Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.
- 6.8 This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law and subject to the exclusive jurisdiction of the English courts.

Signed for and on behalf of  
[                    ]

)  
) .....  
) Signature

.....  
Print Name

.....  
Print Title

Signed for and on behalf of  
[                    ]

)  
) .....  
) Signature

.....  
Print Name

.....  
Print Title

**SCHEDULE 13  
TIMETABLES**

**Revolving Loans**

	<b>Loans in euro</b>	<b>Loans in domestic sterling</b>	<b>Loans in dollars</b>	<b>Loans in other currencies U-4</b>
Facility Agent notifies the Parent Company if a currency is approved as an Optional Currency in accordance with Clause 4.3 ( <i>Conditions relating to Optional Currencies</i> )	-	-		
Delivery of a duly completed Utilisation Request (Clause 5.1 ( <i>Delivery of a Utilisation Request</i> ))	U-3 2.00pm (Brussels time)	U 9.30am	U-2 2.00pm	U-3 2.00pm
Facility Agent determines (in relation to a Utilisation) the Base Currency Amount of the Loan, if required under Clause 5.4 ( <i>Lenders' participation</i> )	U-3 3.30pm (Brussels time)	U 10.00am	U-2 3.30pm	U-3 3.30pm
Facility Agent notifies the Lenders of the Loan in accordance with Clause 5.4 ( <i>Lenders' participation</i> )	U-3 5.00pm (Brussels time)	U 10.30am	U-2 3.30pm	U-3 5.00pm
LIBOR or EURIBOR is fixed	Quotation Day as of 11.00am (London time) in respect of LIBOR and as of 11.00am (Brussels time) in respect of EURIBOR	Quotation Day as of 11.00am	Quotation Day as of 11.00am	Quotation Day as of 11.00am

	<b>Swingline Loans Loans in euro</b>	<b>Loans in dollars</b>
Delivery of a duly completed Utilisation Request (Clause 6.2 ( <i>Delivery of a Utilisation Request for Swingline Loans</i> ))	U 10.00am	U 11.00am (New York time)
Swingline Agent determines (in relation to a Utilisation) the Base Currency Amount of the Swingline Loan, if required under Clause 6.4 ( <i>Swingline Lenders' participation</i> ) and notifies each Swingline Lender of the amount of its participation in the Swingline Loan under Clause 6.4 ( <i>Swingline Lenders' participation</i> )	U 11.00am	U 1.00pm (New York time)

“U” = date of utilisation

“U - X” = X Business Days or, in the case of Loans in euro, TARGET Days, prior to date of Utilisation

**SCHEDULE 14  
FORM OF INCREASE CONFIRMATION**

To: [ ] as Facility Agent  
[Parent Company]/[[Obligors' Agent] as Obligors' Agent], for and on behalf of each Obligor

From: [Increase Lender] (the "**Increase Lender**")

Dated:

Dear Sirs,

**Shire PLC – US\$ 1,200,000,000 Multi-Currency  
Facilities Agreement dated [ ] November 2010 (the "Agreement")**

1. We refer to the Agreement. This is an Increase Confirmation. Terms defined in the Agreement have the same meaning in this Increase Confirmation unless given a different meaning in this Increase Confirmation.
2. We refer to Clause 2.2 (*Increase*).
3. The Increase Lender agrees to assume and will assume all of the obligations corresponding to the Commitment specified in the schedule (the "**Relevant Commitment**") as if it was an Original Lender under the Agreement.
4. The proposed date on which the Increase in relation to the Increase Lender and the relevant Commitment is to take effect (the "**Increase Date**") is [*insert date*].
5. On the Increase Date, the Increase Lender becomes party to the Finance Documents as a Lender.
6. The Facility Office and address, fax number and attention details for notices to the Increase Lender for the purposes of Clause 36.2 (*Addresses*) are set out in the Schedule.
7. The Increase Lender expressly acknowledges the limitations on the Lenders' obligations referred to in paragraph (F) of Clause 2.2 (*Increase*).
8. The Increase Lender confirms that it is:
  - (a) [[a UK Qualifying Lender,] [an Irish Qualifying Lender,] [a US Qualifying Lender,] [a Swiss Qualifying Lender] [and] [a Luxembourg Qualifying Lender] and it is not [a UK Qualifying Lender] [an Irish Qualifying Lender] [a US Qualifying Lender] [a Swiss Qualifying Lender] [and a Luxembourg Qualifying Lender]; and

- (b) [a Treaty Lender with respect to [the United Kingdom,] [Ireland,] [the US,] [Switzerland] [and] [Luxembourg]].<sup>14</sup>
9. The Increase Lender confirms that it is not a Defaulting Lender.
10. The Increase Lender confirms that it is a Qualifying Bank at the date this Increase Confirmation becomes effective.
11. The Increase Lender confirms that it is [not]<sup>15</sup> an Acceptable Bank.
12. [The Increase Lender confirms that it is a UK Treaty Lender that holds a passport under the HMRC DT Treaty Passport Scheme (reference number [ ]), so that interest payable to it by a UK Borrower is generally subject to full exemption from UK withholding tax and its jurisdiction of Tax residence is [ ] and notifies the Parent Company that:
- (a) each UK Borrower which is a Party as a UK Borrower as at the Increase Date must, to the extent that the Increase Lender becomes a Lender under a Facility which is made available to that Borrower pursuant to Clause 2 (*The Facilities*) of the Agreement, make an application to HM Revenue & Customs under form DTTP2 within 30 days of the Increase Date; and
- (b) each Additional Borrower which is a UK Borrower and which becomes an Additional Borrower after the Increase Date must make an application to HM Revenue & Customs under form DTTP2 within 30 days of becoming an Additional Borrower.]<sup>16</sup>
13. This Increase Confirmation may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Increase Confirmation.
14. This Increase Confirmation and any non contractual obligations arising out of or in connection with it are governed by English law.
15. This Increase Confirmation has been entered into on the date stated at the beginning of this Increase Confirmation.

---

<sup>14</sup> Delete/amend as applicable. Note that, pursuant to paragraph (C) of Clause 18.2 (*Tax gross-up*), the Increase Lender must confirm whether or not it is a UK Qualifying Lender, an Irish Qualifying Lender, a US Qualifying Lender, a Swiss Qualifying Lender and a Luxembourg Qualifying Lender.

<sup>15</sup> Include/delete as applicable.

<sup>16</sup> This confirmation must be included if the New Lender holds a passport under the HMRC DT Treaty Passport Scheme and wishes that scheme to apply to this Agreement. A copy of the Increase Confirmation must be sent to the Parent Company at the same time as the Facility Agent.

**THE SCHEDULE**

**Relevant Commitment/rights and obligations to be assumed by the Increase Lender**

*[Insert relevant details]*

*[Facility Office address, email address, fax number and attention details for notices and account details for payments]*

[Increase Lender]

Branch: [ ]

Branch MEI: [ ]

By:

This Increase Confirmation is accepted as an Increase Confirmation for the purposes of the Agreement by the Facility Agent and the Increase Date is confirmed as [ ].

[Facility Agent]

Facility Agent MEI: [ ]

By:

**SIGNATURES****The Parent Company****SHIRE PLC**

By: THOMAS GREENE  
Address: 5 Riverwalk  
Citywest Business Campus  
Dublin 24  
Ireland  
Contact: Company Secretary  
Facsimile: +44 (0)1256 894710

**The Obligors' Agent****SHIRE GLOBAL FINANCE**

By: THOMAS GREENE

Address: Hampshire International Business Park  
Chineham  
Basingstoke  
Hampshire  
RG24 8ED

Contact: Company Secretary

Facsimile: +44 (0)1256 894710

**The Original Guarantor****SHIRE PLC**

By: THOMAS GREENE  
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Ireland  
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**The Original Borrowers****SHIRE PLC**

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Dublin 24  
Ireland  
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**SHIRE GLOBAL FINANCE**

By: THOMAS GREENE  
Address: Hampshire International Business Park  
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Basingstoke  
Hampshire  
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Contact: Company Secretary  
Facsimile: +44 (0)1256 894710

**SHIRE BIOPHARMACEUTICALS HOLDINGS**

By: THOMAS GREENE  
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Basingstoke  
Hampshire  
RG24 8ED  
Contact: Company Secretary  
Facsimile: +44 (0)1256 894710

**SHIRE HOLDINGS EUROPE NO. 2 S.À. R.L.**

By: THOMAS GREENE  
Address: 7A, rue Robert Stümper  
L-2557 Luxembourg  
Grand Duchy of Luxembourg  
Contact: Manager  
Facsimile: +352 26 49 58 4464

**SHIRE HOLDINGS LUXEMBOURG S.À. R.L.**

By: THOMAS GREENE  
Address: 7A, rue Robert Stümper  
L-2557 Luxembourg  
Grand Duchy of Luxembourg  
Contact: Manager  
Facsimile: +352 26 49 58 4464

**SHIRE AG**

By: THOMAS GREENE  
Address: Business Park Terre-Borne  
Route de Crassier 7  
1262 Eysins  
Switzerland  
Contact: VP Legal Counsel  
Facsimile: +41 (0)22 419 4001

**The Arrangers****ABBAY NATIONAL TREASURY SERVICES PLC  
(TRADING AS SANTANDER GLOBAL BANKING AND MARKETS)**

By: JAMES INCHES  
Address: 2 Triton Square  
Regent's Place  
London  
NW1 3AN  
Contact: Christian Sasse  
Facsimile: +44 (0)845 602 7786

**BANC OF AMERICA SECURITIES LIMITED**

By: DAN NEGOITA  
Address: 5 Canada Square  
Canary Wharf  
London  
E14 5AQ  
Contact: Theodore Becchetti / Gautam Himatsingka  
Facsimile: +44 (0)20 7174 6218

**BARCLAYS CAPITAL**

By: JANE ROME  
DIRECTOR  
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Canary Wharf  
London  
E14 4BB  
Contact: Cliff Baylis  
Facsimile: +44 (0)20 7773 1840

**CITIGROUP GLOBAL MARKETS LIMITED**

By: MICHAEL LLEWELYN-JONES  
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Contact: Mikkel Gronlykke  
Facsimile: +44 (0)20 3364 2539

**LLOYDS TSB BANK PLC**

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Contact: Carlos Lopez  
Facsimile: +44 (0)20 7158 3477

**THE ROYAL BANK OF SCOTLAND PLC**

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Contact: Fuli Manoli / Gustavo Rizzo  
Facsimile: +44 (0)20 7672 6403

**CREDIT SUISSE AG, LONDON BRANCH**

By: PETER STEVENS  
MANAGING DIRECTOR

SIOBHAN MCGRADY  
VICE PRESIDENT

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**DEUTSCHE BANK AG, LONDON BRANCH**

By: MICHAEL STARMER-SMITH

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EC2N 2DB

Contact: Michael Starmer-Smith / Violaine Thouraud

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**GOLDMAN SACHS INTERNATIONAL**

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133 Fleet Street  
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Contact: Simon Mellor / Kate Dawson

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**MORGAN STANLEY BANK, N.A.**

By: RYAN VETSCH  
AUTHORIZED SIGNATORY

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USA

Contact: Peter Gerath / Tamas Jozsa

Facsimile: +44 (0)20 7056 3484

**SUMITOMO MITSUI BANKING CORPORATION, BRUSSELS BRANCH**

By: KONSTANTINOS KARABALIS  
DEPUTY GENERAL MANAGER

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1000 Brussels  
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Contact: Konstantinos Karabalis

Facsimile: +32 2 502 0780

**The Original Revolving Lenders****ABBAY NATIONAL TREASURY SERVICES PLC  
(TRADING AS SANTANDER GLOBAL BANKING AND MARKETS)**

By: JAMES INCHES  
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Regent's Place  
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Contact: Paul Finney  
Facsimile: +44 (0)20 7756 5826

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Facsimile: +44 (0)20 7174 6218

**BARCLAYS BANK PLC**

By: JANE ROME  
DIRECTOR  
Address: 5 The North Colonnade  
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**CITIBANK, N.A., LONDON BRANCH**

By: MICHAEL LLEWELYN-JONES  
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**THE ROYAL BANK OF SCOTLAND PLC**

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**The Original Dollar Swingline Lenders****ABBAY NATIONAL TREASURY SERVICES PLC  
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Email: USOPS@ABBAY.COM

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**BARCLAYS BANK PLC**

By: JANE ROME  
DIRECTOR

Address: c/o Barclays Capital Services LLC  
Global Services Unit as US Dollar Funding Administrator  
10th Floor  
70 Hudson Street  
Jersey City  
NJ 07302, USA

Contact: Diane Ching / Joann Olivencia

Facsimile: +1 212 412 7401

**CITIBANK, N.A.**

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**DEUTSCHE BANK AG, NEW YORK BRANCH**

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**GOLDMAN SACHS BANK USA**

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Box 6  
1000 Brussels  
Belgium

Contact: Konstantinos Karabalis

Facsimile: +32 2 502 0780

**The Agents****The Facility Agent****BARCLAYS BANK PLC**

By: JANE ROME  
DIRECTOR

Address: European Loans Agency  
Barclays Bank PLC  
5 The North Colonnade  
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Contact: Ronnie Glenn

Facsimile: +44 (0)20 7773 4893

Tel: +44 (0) 20 7773 2859

Email: ronnie.glenn@barcap.com

**The Dollar Swingline Agent****BARCLAYS BANK PLC**

By: JANE ROME  
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Email: armando.herrera@barcap.com

**The Euro Swingline Agent****BARCLAYS BANK PLC**

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Contact: Ronnie Glenn

Facsimile: +44 (0)20 7773 4893

Tel: +44 (0) 20 7773 2859

Email: ronnie.glenn@barcap.com

**LIST OF SUBSIDIARIES**

<b>Subsidiary/undertaking</b>	<b>Jurisdiction of incorporation</b>
3829359 Canada Inc.	Canada
Jerini AG	Germany
Jerini Holding Limited	Malta
Jerini Ophthalmic Holding GmbH	Germany
Jerini Ophthalmic, Inc.	United States
Jerini Trading Limited	Malta
Jerini US, Inc.	United States
JPT Peptide Technologies, Inc.	United States
Monmouth Pharmaceuticals Limited	United Kingdom
Movetis GmbH	Germany
Movetis Limited	United Kingdom
Pharma International Insurance Limited	Ireland
Rybar Laboratories Limited	United Kingdom
Shire 2005 Investments Limited	Cayman Islands
Shire Acquisition, Inc.	Canada
Shire AG	Switzerland
Shire Australia Pty Limited	Australia
Shire Belgium BVBA	Belgium
Shire Biopharmaceuticals Holdings	United Kingdom
Shire Biopharmaceuticals Holdings Ireland Limited	Jersey
Shire Biopharmaceuticals Ireland Limited	Ireland
Shire Biopharmaceuticals Ireland No.2 Limited	Ireland
Shire Canada, Inc.	Canada
Shire Denmark ApS	Denmark
Shire Deutschland GmbH	Germany
Shire Deutschland Investments GmbH	Germany
Shire Development, Inc.	United States
Shire Europe Finance	United Kingdom
Shire Europe Limited	United Kingdom
Shire Executive Services LLC	United States
Shire Farmacêutica Brasil LTDA	Brazil
Shire Finance Limited	Cayman Islands
Shire France S.A.	France
Shire Global Finance	United Kingdom
Shire GmbH	Germany
Shire Hellas Pharmaceuticals Import Export and Marketing S.A.	Greece

Shire Holdings Europe B.V.	Netherlands
Shire Holdings Europe Limited	United Kingdom
Shire Holdings Europe No.2 S.a.r.l.	Luxembourg
Shire Holdings Ireland Limited	Ireland
Shire Holdings Ireland No.2 Limited	Ireland
Shire Holdings Limited	Bermuda
Shire Holdings Luxembourg S.a r.l.	Luxembourg
Shire Holdings UK Canada Limited	United Kingdom
Shire Holdings UK Limited	United Kingdom
Shire Holdings US AG	United States
Shire Human Genetic Therapies (Canada) Inc.	Canada
Shire Human Genetic Therapies AB	Sweden
Shire Human Genetic Therapies Limited	United Kingdom
Shire Human Genetic Therapies S.A.	Argentina
Shire Human Genetic Therapies Securities Corporation	United States
Shire Human Genetic Therapies UK Limited	United Kingdom
Shire Human Genetic Therapies, Inc.	United States
Shire Incorporated	United States
Shire Intellectual Property 2 SRL	Barbados
Shire Intellectual Property Ireland Limited	Ireland
Shire Intellectual Property SRL	Barbados
Shire International Licensing BV	Netherlands
Shire Investments & Finance (U.K.) Company	United Kingdom
Shire IP Services Corporation	Canada
Shire Italia S.p.A.	Italy
Shire Jersey Limited	Jersey
Shire LLC	United States
Shire Luxembourg Intellectual Property No.2 S.a r.l.	Luxembourg
Shire Luxembourg Intellectual Property S.a r.l.	Luxembourg
Shire Luxembourg Sarl	Luxembourg
Shire-Movetis NV	Belgium
Shire Pharmaceutical Contracts Limited	United Kingdom
Shire Pharmaceutical Development, Inc.	United States
Shire Pharmaceutical Development Limited	United Kingdom
Shire Pharmaceutical Holdings Ireland Limited	Ireland
Shire Pharmaceutical Investment Holdings Limited	Malta
Shire Pharmaceutical Investment Limited	Malta
Shire Pharmaceutical Investment Trading Ireland	Ireland
Shire Pharmaceutical Investments 2008	Ireland
Shire Pharmaceuticals Group	United Kingdom
Shire Pharmaceuticals Iberica S.L.	Spain

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Shire Pharmaceuticals, Inc.	United States
Shire Pharmaceuticals Investments (British Virgin Islands) Limited	Virgin Islands, British
Shire Pharmaceuticals Investments 2007	Ireland
Shire Pharmaceuticals Ireland Limited	Ireland
Shire Pharmaceuticals Limited	United Kingdom
Shire Pharmaceuticals Mexico SA de CV	Mexico
Shire Pharmaceuticals Portugal, Lda	Portugal
Shire Pharmaceuticals Services Limited	United Kingdom
Shire Pharmaceuticals Trading Limited Company	Turkey
Shire Polska Sp. z o. o.	Poland
Shire Properties US	United States
Shire Regulatory, Inc.	United States
Shire Supplies U.S. LLC	United States
Shire Sweden AB	Sweden
Shire UK Investments Limited	United Kingdom
Shire US Holdings, Inc.	United States
Shire US, Inc.	United States
Shire US Investments	United Kingdom
Shire US Manufacturing, Inc.	United States
Sparkleflame Limited	United Kingdom
Tanaud International BV	Netherlands
Tanaud Ireland Inc.	Ireland
The Endocrine Centre Limited	United Kingdom
TKT Argentina S.R.L.	Argentina

All subsidiary undertakings of Shire plc are beneficially owned (directly or indirectly) as to 100% and are all consolidated in the consolidated financial statements of Shire plc.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Shire plc's Registration Statements on Form S-8 (Nos. 333-09168, 333-93543, 333-60952, 333-91552, 333-111579, 333-129961, 333-129960 and 333-111108), Form S-4 (No. 333-55696) and Form S-3 (Nos. 333-72862-01, 333-38662 and 333-39702) of our reports dated February 23, 2011 relating to the consolidated financial statements and financial statement schedule of Shire plc and the effectiveness of Shire plc's internal control over financial reporting appearing in this Annual Report on Form 10-K of Shire plc for the year ended December 31, 2010.

/s/ Deloitte LLP

DELOITTE LLP

London, United Kingdom

February 23, 2011

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Shire plc's Registration Statements on Form S-8 (Nos. 333-09168, 333-93543, 333-60952, 333-91552, 333-111579, 333-129961, 333-129960 and 333-111108), Form S-4 (No. 333-55696) and Form S-3 (Nos. 333-72862-01, 333-38662 and 333-39702) of our report dated February 23, 2011 relating to the financial statements of the Shire Income Access Share Trust appearing in this Annual Report on Form 10-K of Shire plc for the year ended December 31, 2010.

/s/ Deloitte LLP

DELOITTE LLP

London, United Kingdom

February 23, 2011

**CERTIFICATION OF ANGUS RUSSELL RELATING TO  
FORM 10-K FOR THE YEAR TO  
DECEMBER 31, 2010 OF  
SHIRE PLC**

I, Angus Russell, certify that:

1. I have reviewed this Annual Report on Form 10-K of Shire plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as at, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as at the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 23, 2011

/s/ Angus Russell  
Angus Russell  
Chief Executive Officer

**CERTIFICATION OF GRAHAM HETHERINGTON RELATING TO  
FORM 10-K FOR THE YEAR TO  
DECEMBER 31, 2010 OF  
SHIRE PLC**

I, Graham Hetherington, certify that:

1. I have reviewed this Annual Report on Form 10-K of Shire plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as at, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as at the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 23, 2011

/s/ Graham Hetherington  
Graham Hetherington  
Chief Financial Officer

The certification set forth below is being submitted in connection with this Annual Report on Form 10-K of Shire plc for the year ended December 31, 2010 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Angus Russell, the Chief Executive Officer and Graham Hetherington, the Chief Financial Officer of Shire plc, each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Shire plc.

Date: February 23, 2011

/s/ Angus Russell

Angus Russell  
Chief Executive Officer

/s/ Graham Hetherington

Graham Hetherington  
Chief Financial Officer