Better Health, Brighter Future

News Release

Shire's Full Year 2018 Results

OSAKA, JAPAN, February 15, 2019 – On January 8, 2019, Takeda Pharmaceutical Company Limited (TSE:4502/NYSE:TAK) (Headquarters: Chuo-ku, Osaka, "Takeda") acquired Shire plc ("Shire"). Today, Takeda announced Shire's results for the year ended December 31, 2018, the last full year prior to the acquisition. These results reflect Shire's disclosure method and does not preclude how Takeda will neither describe its business and report its results moving forward.

- *2018 product sales growth +3.9% and $4.6 billion operating cash flow*
- *Solid growth contributions in 2018 from Immunology, recently-launched products, international markets, and Neuroscience*
- *Advanced innovative pipeline including FDA approvals of TAKHZYRO and MOTEGRITY*

2018 product sales growth

- Product sales increased +3.9% to $15.0 billion, driven by key growth drivers of Immunology (+5.7%), recently-launched products (+52.2%), international markets (+7.0%), as well as Neuroscience (+11.1%).
- Achieved product sales growth while absorbing competitive impacts to LIALDA, CINRYZE, and FEIBA.
- Robust growth of recently-launched products driven by ADYNOVATE, CUVITRU, XIIDRA, and GATTEX.

Operating performance

- Operating income from continuing operations increased +32.2% to $3.2 billion, primarily due to lower expense related to the unwind of inventory fair value adjustments and the gain on the sale of Shire's Oncology franchise.
- Non GAAP EBITDA remained flat as a lower gross margin was offset by ongoing cost discipline and operating expense synergies. Non GAAP operating income decreased by -1.6% to $5.9 billion driven by higher depreciation including from the new manufacturing facility near Covington, Georgia.
- Net income decreased to $2.3 billion and diluted earnings per ADS decreased to $7.60 due to a higher U.S. tax reform benefit in FY2017.
- Non GAAP diluted earnings per ADS was roughly flat at $15.18, as product sales growth and operating expense discipline were offset by a lower gross margin.

Several important pipeline and business milestones achieved

- Received U.S., European, and Canadian approvals for TAKHZYRO, a first-of-its-kind monoclonal antibody (mAb) preventive treatment for HAE.
- Received FDA approval for GAMMAGARD LIQUID production at the new plasma manufacturing facility near Covington, Georgia. The facility is expected to add approximately 30% capacity to Shire's internal network once fully operational.
- Received FDA approval for MOTEGRITY, the only serotonin-4 receptor agonist for adults with Chronic Idiopathic Constipation (CIC).
- Completed the sale of the Oncology franchise to Servier S.A.S. for $2.4 billion.

Continued de-leveraging due to strong cash flow

- Operating cash flow increased +8.3% to $4.6 billion, primarily due to improved working capital, including higher cash receipts and lower cash payments, partially offset by a $251 million contingent consideration payment to Dyax shareholders in conjunction with the FDA approval of TAKHZYRO, as well as approximately $300.0 million in additional tax payments made in FY2018.
- Non GAAP free cash flow increased +23.3% to $4.2 billion. Non GAAP free cash flow includes capital expenditures of $787.0 million and excludes payments relating to milestone and licensing arrangements of $416.0 million.
- Strong cash generation allowed rapid de-leveraging with the net debt to Non GAAP EBITDA ratio improving to 2.1x in December 2018.

Christophe Weber, President and Chief Executive Officer of Takeda, commented:
"I would like to congratulate the Shire leadership team and all employees for their commitment and for a solid performance, especially considering that Takeda's offer was ongoing throughout the year. On top of the product portfolio momentum, several 2018 milestones, including the approvals of TAKHZYRO and the Covington manufacturing facility, will drive growth in the years to come. We are very excited to welcome Shire employees to the Takeda family."

Reported Results for Full Years 2018 and 2017 (January – December)

	Full Year 2018[1]	Full Year 2017	Reported Growth[1]	Non GAAP CER[1][2]
Product sales	$15,017 million	$14,449 million	+3.9%	+3.6%
Total revenues	$15,490 million	$15,161 million	+2.2%	+2.2%
Non GAAP total revenues[2][3]	$15,483 million	$15,086 million		
Operating income from continuing operations	$3,245 million	$2,455 million	+32.2%	
Non GAAP operating income[2]	$5,903 million	$5,997 million	-1.6%	-1.4%
Net income margin[4][5]	15.0%	28.2%	-13.1ppc	
Non GAAP EBITDA margin[2][4][5]	42.0%	43.0%	-1.0ppc	
Net income	$2,327 million	$4,272 million	-45.5%	
Non GAAP net income[2]	$4,647 million	$4,604 million	+0.9%	
Diluted earnings per ADS	$7.6	$14.05	-45.9%	
Non GAAP diluted earnings per ADS[2]	$15.18	$15.15	+0.2%	+0.3%
Net cash provided by operating activities	$4,610 million	$4,257 million	+8.3%	
Non GAAP free cash flow[2]	$4,232 million	$3,431 million	+23.3%	

[1] Results for the year ended December 31, 2018 include the Oncology franchise until the date of its sale on August 31, 2018.
[2] The Non GAAP financial measures included within this release are explained on pages 14 – 15, and are reconciled to the most directly comparable financial measures prepared in accordance with U.S. GAAP on pages 11 – 13.
[3] Non GAAP total revenues exclude the receipts of upfront license fees.
[4] Net income margin calculated as a percentage of total revenues. Non GAAP EBITDA margin calculated as a percentage of Non GAAP total revenues.
[5] Percentage point change (ppc).

Analysis of Revenues for 2018 and 2017

(in millions USD)	3 months ended December 31,		12 months ended December 31,	
	2018	2017	**2018**	2017
Product sales by franchise				
IMMUNOGLOBULIN THERAPIES	**$ 653.8**	$ 622.7	**$ 2,479.7**	$ 2,236.6
HEREDITARY ANGIOEDEMA	**289.4**	461.2	**1,352.4**	1,429.6
BIO THERAPEUTICS	**204.6**	157.4	**788.3**	704.1
Immunology	**1,147.8**	1,241.3	**4,620.4**	4,370.3
HEMOPHILIA	**762.2**	837.7	**2,987.6**	2,957.3
INHIBITOR THERAPIES	**167.5**	196.4	**750.7**	828.3
Hematology	**929.7**	1,034.1	**3,738.3**	3,785.6
VYVANSE	**626.4**	540.8	**2,406.2**	2,161.1
ADDERALL XR	**97.8**	105.7	**329.9**	348.0
MYDAYIS	**22.5**	(4.3)	**62.9**	21.6
Other Neuroscience	**42.3**	42.2	**160.1**	133.4
Neuroscience	**789.0**	684.4	**2,959.1**	2,664.1
ELAPRASE	**168.5**	161.2	**634.0**	615.7
REPLAGAL	**117.5**	123.1	**490.3**	472.1
VPRIV	**94.5**	92.6	**361.8**	349.9
Genetic Diseases	**380.5**	376.9	**1,486.1**	1,437.7
LIALDA/MEZAVANT	**96.0**	99.8	**383.0**	569.4
PENTASA	**83.0**	88.7	**298.6**	313.2
Other Established Brands	**36.0**	39.8	**141.9**	162.1
Established Brands	**215.0**	228.3	**823.5**	1,044.7
GATTEX/REVESTIVE	**122.9**	106.3	**449.7**	335.5
NATPARA/NATPAR	**69.3**	44.1	**230.1**	147.4
Other Internal Medicine	**32.4**	37.4	**133.7**	142.7
Internal Medicine	**224.6**	187.8	**813.5**	625.6
Ophthalmics	**132.1**	85.8	**387.9**	259.2
Oncology	**—**	72.4	**188.4**	261.7
Total product sales	**3,818.7**	3,911.0	**15,017.2**	14,448.9
Royalties and other revenues				
Royalties	**51.9**	118.7	**227.3**	448.4
Other revenues	**62.5**	115.2	**245.5**	263.3
Total royalties and other revenues	**114.4**	233.9	**472.8**	711.7
Total revenues	**$ 3,933.1**	$ 4,144.9	**$ 15,490.0**	$ 15,160.6

Product Sales Commentary

- Immunology:
  - Immunoglobulin therapies and bio therapeutics each contributed double digit growth during FY2018 due to increased demand. The Q4 2018 immunoglobulin therapies year-over-year sales growth rate was lower than prior quarters in 2018 due to timing of shipments.
  - HAE sales during FY2018 were down as the decline in CINRYZE demand was partially offset by increased demand and stocking for FIRAZYR and TAKHZYRO. The strong TAKHZYRO U.S. launch continued with patients coming from both prophylaxis and acute therapies. TAKHZYRO Q4 2018 sales were $11.0 million, with meaningful commercial demand resulting in large destocking. CINRYZE Q4 2018 sales declined year-over-year to $45.1 million driven by significant destocking and the impact of competition.
- Hematology: Global demand growth in hemophilia therapies during FY2018 was mostly offset by lower ex-U.S. net prices. In Q4 2018, hemophilia demand growth was further offset by destocking and unfavorable foreign exchange. Sales of inhibitor therapies declined during FY2018 due to competition.
- Neuroscience: VYVANSE contributed double digit growth during FY2018 driven by net price and higher demand, partially offset by a decrease in revenue for ADDERALL XR due to competitive pressures, which is expected to intensify during FY2019.
- Genetic Diseases: Genetic Diseases product sales increased during FY2018 due to increased demand.
- Established Brands: LIALDA product sales decreased during FY2018 due to generic competition.
- Internal Medicine: Internal Medicine product sales increased during FY2018 due to demand growth for GATTEX/REVESTIVE and NATPARA/NATPAR. The Q4 2018 GATTEX/REVESTIVE year-over-year sales growth rate was negatively impacted by destocking.
- Ophthalmics: Ophthalmics product sales increased during FY2018 due to XIIDRA demand growth.
- Oncology: Oncology product sales decreased as a result of the sale of Shire's Oncology franchise, completed on August 31, 2018.

U.S. GAAP Consolidated Balance Sheets
(in millions USD, except shares and par value of shares)

	December 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 924.6**	$ 472.4
Restricted cash	**42.0**	39.4
Accounts receivable, net	**3,071.6**	3,009.8
Inventories	**3,497.5**	3,291.5
Other current assets	**990.0**	795.3
Total current assets	**8,525.7**	7,608.4
Non-current assets:		
Investments	**465.6**	241.1
Property, plant and equipment (PP&E), net	**6,506.9**	6,635.4
Goodwill	**19,006.2**	19,831.7
Intangible assets, net	**29,082.8**	33,046.1
Deferred tax asset	**135.0**	188.8
Other non-current assets	**157.1**	205.4
Total assets	**$ 63,879.3**	$ 67,756.9
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	**$ 4,800.7**	$ 4,184.5
Short term borrowings and capital leases	**3,336.7**	2,788.7
Other current liabilities	**349.7**	908.8
Total current liabilities	**8,487.1**	7,882.0
Non-current liabilities:		
Long term borrowings and capital leases	**11,104.7**	16,752.4
Deferred tax liability	**4,296.3**	4,748.2
Other non-current liabilities	**2,235.2**	2,197.9
Total liabilities	**26,123.3**	31,580.5
Equity:		
Common stock of 5p par value; 1,500 million shares authorized; and 925.5 million shares issued and outstanding (2017: 1,500 million shares authorized; and 917.1 million shares issued and outstanding)	**82.2**	81.6
Additional paid-in capital	**25,567.4**	25,082.2
Treasury stock: 7.4 million shares (2017: 8.4 million shares)	**(257.7)**	(283.0)
Accumulated other comprehensive income	**341.5**	1,375.0
Retained earnings	**12,022.6**	9,920.6
Total equity	**37,756.0**	36,176.4
Total liabilities and equity	**$ 63,879.3**	$ 67,756.9

U.S. GAAP Consolidated Statements of Operations
(in millions USD)

	12 months ended December 31,	
	2018	2017
Revenues:		
Product sales	**$ 15,017.2**	$ 14,448.9
Royalties and other revenues	**472.8**	711.7
Total revenues	**15,490.0**	15,160.6
Costs and expenses:		
Cost of sales	**4,739.2**	4,700.8
Research and development	**1,695.3**	1,763.3
Selling, general and administrative	**3,399.8**	3,530.9
Amortization of acquired intangible assets	**1,806.2**	1,768.4
Integration and acquisition costs	**585.1**	894.5
Reorganization costs	**286.2**	47.9
Gain on sale of Oncology and product rights	**(266.6)**	(0.4)
Total operating expenses, net	**12,245.2**	12,705.4
Operating income from continuing operations	**3,244.8**	2,455.2
Interest income	**6.4**	9.7
Interest expense	**(482.6)**	(578.9)
Other (expense)/income, net	**(23.2)**	7.4
Total other expense, net	**(499.4)**	(561.8)
Income from continuing operations before income taxes and equity in earnings of equity method investees	**2,745.4**	1,893.4
Income tax (expense) / benefit	**(430.9)**	2,357.6
Equity in earnings of equity method investees, net of taxes	**12.9**	2.5
Income from continuing operations, net of taxes	**2,327.4**	4,253.5
Gain from discontinued operations, net of taxes	**—**	18.0
Net income	**$ 2,327.4**	$ 4,271.5

U.S. GAAP Consolidated Statements of Operations (continued)
(in millions USD, except per share amounts)

	12 months ended December 31,	
	2018	2017
Earnings per Ordinary Share – basic		
Earnings from continuing operations	**$ 2.55**	$ 4.69
Earnings from discontinued operations	**—**	0.02
Earnings per Ordinary Share – basic	**$ 2.55**	$ 4.71
Earnings per ADS – basic	**$ 7.65**	$ 14.14
Earnings per Ordinary Share – diluted		
Earnings from continuing operations	**$ 2.53**	$ 4.66
Earnings from discontinued operations	**—**	0.02
Earnings per Ordinary Share – diluted	**$ 2.53**	$ 4.68
Earnings per ADS – diluted	**$ 7.60**	$ 14.05
Weighted average number of shares:		
Basic	**913.0**	906.5
Diluted	**918.5**	912.0

U.S. GAAP Consolidated Statements of Cash Flows
(in millions USD)

	12 months ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 2,327.4**	$ 4,271.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**2,396.3**	2,264.2
Share based compensation	**189.5**	174.9
Expense related to the unwind of inventory fair value adjustments	**42.8**	747.8
Change in deferred taxes	**(246.0)**	(2,916.4)
Change in fair value of contingent consideration	**41.5**	120.7
Impairment of PP&E and intangible assets	**205.5**	289.9
Gain on sale of Oncology franchise	**(266.6)**	—
Other, net	**(37.8)**	68.4
Changes in operating assets and liabilities:		
Increase in accounts receivable	**(281.5)**	(487.6)
Increase in sales deduction accrual	**383.6**	314.1
Increase in inventory	**(355.9)**	(145.1)
(Increase)/decrease in prepayments and other assets	**(36.4)**	81.1
Increase/(decrease) in accounts payable and other liabilities	**247.7**	(526.8)
Net cash provided by operating activities	**4,610.1**	4,256.7
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of Oncology franchise	**2,412.2**	—
Purchases of PP&E	**(787.0)**	(798.8)
Acquisition of business, net of cash acquired	**(104.7)**	—
Proceeds from sale of investments	**31.8**	88.6
Other, net	**(98.1)**	23.1
Net cash provided by/(used in) investing activities	**1,454.2**	(687.1)

U.S. GAAP Consolidated Statements of Cash Flows (continued)
(in millions USD)

	12 months ended December 31,	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving line of credit, long term and short term borrowings	**4,398.9**	4,236.7
Repayment of revolving line of credit, long term and short term borrowings	**(9,551.7)**	(7,681.4)
Payment of contingent consideration	**(396.0)**	—
Payment of dividend	**(327.5)**	(281.3)
Proceeds from issuance of stock for share-based compensation arrangements	**306.8**	134.1
Other, net	**(26.7)**	(27.4)
Net cash used in financing activities	**(5,596.2)**	(3,619.3)
Effect of foreign exchange rate changes on cash and cash equivalents	**(13.3)**	7.1
Net increase/(decrease) in cash, cash equivalents, and restricted cash	**454.8**	(42.6)
Cash, cash equivalents, and restricted cash at beginning of period	**511.8**	554.4
Cash, cash equivalents, and restricted cash at end of period	**$ 966.6**	$ 511.8

Selected Notes to the U.S. GAAP Financial Statements

(1) Earnings Per Share (EPS)

(in millions USD, shares in millions)

	12 months ended December 31,	
	2018	2017
Income from continuing operations	**$ 2,327.4**	$ 4,253.5
Gain from discontinued operations	**—**	18.0
Numerator for EPS	**$ 2,327.4**	$ 4,271.5
Weighted average number of shares:		
Basic	**913.0**	906.5
Effect of dilutive shares:		
Share based awards to employees	**5.5**	5.5
Diluted	**918.5**	912.0

The share equivalents not included in the calculation of the diluted weighted average number of shares are shown below:

Share based awards to employees	**12.4**	15.2

Non GAAP reconciliations
(in millions USD)

Reconciliation of U.S. GAAP total revenues to Non GAAP total revenues:

	12 months ended December 31,	
	2018	2017
U.S. GAAP total revenues	**$ 15,490.0**	$ 15,160.6
Revenue from upfront license fee	**(7.5)**	(74.6)
Non GAAP total revenues	**$ 15,482.5**	$ 15,086.0

Reconciliation of U.S. GAAP net income to Non GAAP EBITDA and Non GAAP operating income:

	12 months ended December 31,	
	2018	2017
U.S. GAAP net income	**$ 2,327.4**	$ 4,271.5
Add back/(deduct):		
Gain from discontinued operations, net of taxes	**—**	(18.0)
Equity in earnings of equity method investees, net of taxes	**(12.9)**	(2.5)
Income taxes	**430.9**	(2,357.6)
Other expense, net	**499.4**	561.8
U.S. GAAP operating income from continuing operations	**3,244.8**	2,455.2
Add back/(deduct) Non GAAP adjustments:		
Revenue from upfront license fee	**(7.5)**	(74.6)
Expense related to the unwind of inventory fair value adjustments	**42.8**	747.8
Program wind-down and one-time employee related costs	**9.7**	(4.0)
Impairment of acquired intangible assets	**30.0**	20.0
Costs relating to license arrangements	**16.8**	131.2
Legal and litigation costs	**155.2**	10.6
Amortization of acquired intangible assets	**1,806.2**	1,768.4
Integration and acquisition costs	**585.1**	894.5
Reorganization costs	**286.2**	47.9
Gain on sale of Oncology and product rights	**(266.6)**	(0.4)
Depreciation	**590.1**	495.8
Non GAAP EBITDA	**6,492.8**	6,492.4
Depreciation	**(590.1)**	(495.8)
Non GAAP operating income	**$ 5,902.7**	$ 5,996.6
Net income margin[(1)]	**15%**	28%
Non GAAP EBITDA margin[(2)]	**42%**	43%

[(1)] Net income as a percentage of total revenues.
[(2)] Non GAAP EBITDA as a percentage of Non GAAP total revenues.

Reconciliation of U.S. GAAP gross margin to Non GAAP gross margin:

	12 months ended December 31,	
	2018	2017
U.S. GAAP total revenues	**$ 15,490.0**	$ 15,160.6
Cost of sales (U.S. GAAP)	**(4,739.2)**	(4,700.8)
U.S. GAAP gross margin[(1)]	**10,750.8**	10,459.8
Add back Non GAAP adjustments:		
Revenue from upfront license fee	**(7.5)**	(74.6)
Expense related to the unwind of inventory fair value adjustments	**42.8**	747.8
Litigation costs related to patent infringement	**155.2**	—
Depreciation	**317.8**	276.1
Non GAAP gross margin	**$ 11,259.1**	$ 11,409.1
U.S. GAAP gross margin [(1)(2)]	***69.4 %***	*69.0%*
Non GAAP gross margin [(2)]	***72.7 %***	*75.6%*

(1) U.S. GAAP gross margin excludes amortization of acquired intangible assets.
(2) U.S. GAAP gross margin as a percentage of total revenues. Non GAAP gross margin as a percentage of Non

Reconciliation of U.S. GAAP net income to Non GAAP net income:

	12 months ended December 31,	
	2018	2017
U.S. GAAP net income	**$ 2,327.4**	$ 4,271.5
Revenue from upfront license fee	**(7.5)**	(74.6)
Expense related to the unwind of inventory fair value adjustments	**42.8**	747.8
Program wind-down and one-time employee related costs	**9.7**	(4.0)
Impairment of acquired intangible assets	**30.0**	20.0
Costs relating to license arrangements	**16.8**	131.2
Legal and litigation costs	**155.2**	10.6
Amortization of acquired intangible assets	**1,806.2**	1,768.4
Integration and acquisition costs	**585.1**	894.5
Reorganization costs	**286.2**	47.9
Gain on sale of Oncology and product rights	**(266.6)**	(0.4)
Amortization of one-time upfront borrowing costs for Baxalta and Dyax	**2.3**	6.1
Gain on sale of non-core investments	**—**	(28.7)
Gain from discontinued operations	**—**	(26.9)
Costs related to bond tender offer	**40.6**	—
Fair value adjustment for joint venture net written option	**11.0**	15.0
Non GAAP tax adjustments	**(391.8)**	(3,174.3)
Non GAAP net income	**$ 4,647.4**	$ 4,604.1

Non GAAP reconciliations
(in millions USD, except per ADS amounts)

Reconciliation of U.S. GAAP diluted earnings per ADS to Non GAAP diluted earnings per ADS:

	12 months ended December 31,	
	2018	2017
U.S. GAAP diluted earnings per ADS	**$ 7.60**	$ 14.05
Revenue from upfront license fee	**(0.02)**	(0.25)
Expense related to the unwind of inventory fair value adjustments	**0.14**	2.46
Program wind-down and one-time employee related costs	**0.03**	(0.01)
Impairment of acquired intangible assets	**0.10**	0.07
Costs relating to license arrangements	**0.05**	0.43
Legal and litigation costs	**0.51**	0.03
Amortization of acquired intangible assets	**5.90**	5.82
Integration and acquisition costs	**1.91**	2.94
Reorganization costs	**0.93**	0.16
Gain on sale of Oncology and product rights	**(0.87)**	(0.00)
Amortization of one-time upfront borrowing costs for Baxalta and Dyax	**0.01**	0.02
Gain on sale of non-core investments	**—**	(0.09)
Gain from discontinued operations	**—**	(0.09)
Costs related to bond tender offer	**0.13**	—
Fair value adjustment for joint venture net written option	**0.04**	0.05
Non GAAP tax adjustments	**(1.28)**	(10.44)
Non GAAP diluted earnings per ADS	**$ 15.18**	$ 15.15

Reconciliation of U.S. GAAP net cash provided by operating activities to Non GAAP free cash flow:

	12 months ended December 31,	
	2018	2017
Net cash provided by operating activities	**$ 4,610.1**	$ 4,256.7
Receipts relating to license arrangements	**(7.5)**	(74.6)
Capital expenditures	**(787.0)**	(798.8)
Payments relating to milestone and license arrangements	**416.0**	47.5
Non GAAP free cash flow	**$ 4,231.6**	$ 3,430.8

Non GAAP net debt comprises:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	**$ 924.6**	$ 472.4
Long term borrowings (excluding capital leases)	**(10,749.9)**	(16,410.7)
Short term borrowings (excluding capital leases)	**(3,327.1)**	(2,781.2)
Capital leases	**(364.2)**	(349.2)
Non GAAP net debt	**$ (13,516.6)**	$ (19,068.7)

NON GAAP MEASURES

This press release contains financial measures not prepared in accordance with U.S. GAAP. These measures are referred to as "Non GAAP" measures and include: *Non GAAP total revenues; Non GAAP operating income; Non GAAP net income; Non GAAP diluted earnings per ADS; Non GAAP CER; Non GAAP gross margin; Non GAAP free cash flow; Non GAAP net debt; Non GAAP EBITDA; and Non GAAP EBITDA margin.*

The Non GAAP measures exclude the impact of certain specified items that are highly variable, difficult to predict, and of a size that may substantially impact Shire's results of operations. Upfront and milestone payments related to in-licensing and acquired products that have been expensed as R&D are also excluded as specified items as they are generally uncertain and often result in a different payment and expense recognition pattern than ongoing internal R&D activities. Intangible asset amortization has been excluded from certain measures to facilitate an evaluation of current and past operating performance, particularly in terms of cash returns, and is similar to how management internally assesses performance. The Non GAAP financial measures are presented in this press release as Takeda and Shire's management believes that they will provide investors with an additional analysis of Shire's results of operations, particularly in evaluating performance from one period to another.

Prior to the acquisition by Takeda, Shire's management used Non GAAP financial measures to make operating decisions as they facilitate additional internal comparisons of Shire's performance to historical results and to competitors' results, and provides them to investors as a supplement to Shire's reported results to provide additional insight into Shire's operating performance. Shire's Remuneration Committee used certain key Non GAAP measures when assessing the performance and compensation of employees, including Shire's executive directors, prior to the acquisition by Takeda.

The Non GAAP financial measures used by Shire may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies - refer to the section "Non GAAP Financial Measure Descriptions" below for additional information. In addition, these Non GAAP financial measures should not be considered in isolation as a substitute for, or as superior to, financial measures calculated in accordance with U.S. GAAP, and Shire's financial results calculated in accordance with U.S. GAAP and reconciliations to those financial statements should be carefully evaluated.

Non GAAP Financial Measure Descriptions

Where applicable, the following items, including their tax effect, have been excluded when calculating Shire's Non GAAP measures:

Amortization and asset impairments:

- Intangible asset amortization and impairment charges; and
- Other than temporary impairment of investments.

Acquisitions and integration activities:

- Upfront payments and milestones in respect of in-licensed and acquired products;
- Costs associated with acquisitions, including transaction costs, fair value adjustments on contingent consideration and acquired inventory;
- Costs associated with the integration of companies; and
- Non-controlling interests in consolidated variable interest entities.

Out-license, divestments, reorganizations, and discontinued operations:

- Revenue from upfront and milestone receipts from out-license arrangements;
- Gains and losses on the sale of non-core assets;
- Costs associated with restructuring and reorganization activities;
- Termination costs; and
- Gains and losses from divestitures and discontinued operations.

Legal and litigation costs:

- Net legal costs related to the settlement of litigation, government investigations, and other disputes (excluding internal legal team costs).

Additionally, in any given period Shire may have significant, unusual, or non-recurring gains or losses, which it may exclude from its Non GAAP earnings for that period. When applicable, these items would be fully disclosed and incorporated into the required reconciliations from U.S. GAAP to Non GAAP measures.

Depreciation, which is included in Cost of sales, R&D, and SG&A costs in Shire's U.S. GAAP results, has been separately disclosed for presentational purposes.

Free cash flow represents net cash provided by operating activities, excluding upfront and milestone payments, or receipts, for in-licensed and acquired products, but including capital expenditure in the ordinary course of business.

Non GAAP net debt represents cash and cash equivalents less short and long term borrowings, capital leases, and other debt.

A reconciliation of Non GAAP financial measures to the most directly comparable measure under U.S. GAAP is presented on pages 11 to 13.

Non GAAP CER growth is computed by restating 2018 results using average 2017 foreign exchange rates for the relevant period.

Average exchange rates used by Shire for the three months ended December 31, 2018 were $1.29:£1.00 and $1.14:€1.00 (2017: $1.34:£1.00 and $1.18:€1.00). Average exchange rates used by Shire for the twelve months ended December 31, 2018 were $1.34:£1.00 and $1.18:€1.00 (2017: 1.29:£1.00 and $1.13: €1.00).

About Takeda Pharmaceutical Company Limited
Takeda Pharmaceutical Company Limited (TSE:4502/NYSE:TAK) is a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan, committed to bringing Better Health and a Brighter Future to patients by translating science into highly-innovative medicines. Takeda focuses its R&D efforts on four therapeutic areas: Oncology, Gastroenterology (GI), Neuroscience and Rare Diseases. We also make targeted R&D investments in Plasma-Derived Therapies and Vaccines. We are focusing on developing highly innovative medicines that contribute to making a difference in people's lives by advancing the frontier of new treatment options and leveraging our enhanced collaborative R&D engine and capabilities to create a robust, modality-diverse pipeline. Our employees are committed to improving quality of life for patients and to working with our partners in health care in approximately 80 countries and regions.

For more information, visit https://www.takeda.com.

Shire is now part of Takeda

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Forward-Looking Statements

This release may contain forward-looking statements, beliefs or opinions regarding Takeda or Shire's future business, future position and results of operations, including estimates, forecasts, targets and plans for Takeda or Shire. Without limitation, forward looking statements often include the words such as "targets", "plans", "believes", "hopes", "continues", "expects", "aims", "intends", "will", "may", "should", "would", "could" "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof. Any forward-looking statements in this document are based on the current assumptions and beliefs of Takeda and Shire in light of the information currently available to them. Such forward-looking statements do not represent any guarantee by Takeda, Shire or their management of future performance and involve known and unknown risks, uncertainties and other factors, including but not limited to: the economic circumstances surrounding Takeda's business, including general economic conditions in Japan, the United States and worldwide; competitive pressures and developments; applicable laws and regulations; the success of or failure of product development programs; decisions of regulatory authorities and the timing there of; changes in exchange rates; claims or concerns regarding the safety or efficacy of marketed products or products candidates; post-merger integration with acquired companies; or other factors identified by Takeda in its registration statement on Form 20-F or by Shire in its latest annual report on Form 10-K and its quarterly reports on Form 10-Q, each of which have been filed with the U.S. Securities and Exchange Commission and are available on its website at www.sec.gov, any of which may cause actual results, performance, achievements or financial position of Takeda, or of the Shire businesses acquired by it, to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Neither Takeda, Shire nor their management gives any assurances that the expectations expressed in these forward-looking statements will turn out to be correct, and actual results, performance or achievements could materially differ from expectations. Persons receiving this document should not place undue reliance on forward looking statements. Takeda and Shire undertake no obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make except as may be required by law or applicable rule. Past performance is not an indicator of future results and the results of Takeda or Shire in this document may not be indicative of, and are not an estimate, forecast or projection of Takeda's future results or those of the Shire businesses acquired by it.

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