Endo International plc

Q3 2017
Earnings Report

November 9, 2017

Forward Looking Statements; Non-GAAP Financial Measures

This presentation contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Canadian securities legislation. Statements including words such as “believes,” “expects,” “anticipates,” “intends,” “estimates,” “plan,” “will,” “may,” “look forward,” “intend,” “guidance,” “future projects” or similar expressions are forward looking statements. Because these statements reflect our current views, expectations and beliefs concerning future events, these forward looking statements involve risks and uncertainties. Although Endo believes that these forward looking statements and information are based upon reasonable assumptions and expectations, readers should not place undue reliance on them, or any other forward looking statements or information in this news release. Investors should note that many factors, as more fully described in the documents filed by Endo with securities regulators in the United States and Canada including under the caption “Risk Factors” in Endo’s Form 10-K, Form 10-Q and Form 8-K filings, as applicable, with the Securities and Exchange Commission and with securities regulators in Canada on System for Electronic Document Analysis and Retrieval (“SEDAR”) and as otherwise enumerated herein or therein, could affect Endo’s future financial results and could cause Endo’s actual results to differ materially from those expressed in any forward looking statements. The forward looking statements in this presentation are qualified by these risk factors. Endo assumes no obligation to publicly update any forward looking statements, whether as a result of new information, future developments or otherwise, except as may be required under applicable securities law.

This presentation may refer to non-GAAP financial measures, including, among others, adjusted diluted EPS and adjusted EBITDA, that are not prepared in accordance with accounting principles generally accepted in the United States and that may be different from non-GAAP financial measures used by other companies. Investors are encouraged to review Endo’s current report on Form 8-K furnished to the SEC for Endo’s reasons for including those non-GAAP financial measures in this presentation. Except as noted on Form 8-K, reconciliation of non-GAAP financial measures to the nearest comparable GAAP amounts have been provided within the appendix at the end of this presentation.

Today's Agenda

- Overview & Q3 2017 Snapshot
- Q3 2017 Business Unit Performance
  - U.S. Generic Pharmaceuticals
  - U.S. Branded Pharmaceuticals
  - International Pharmaceuticals
- Q3 2017 Financial Results
- 2017 Financial Guidance

Overview

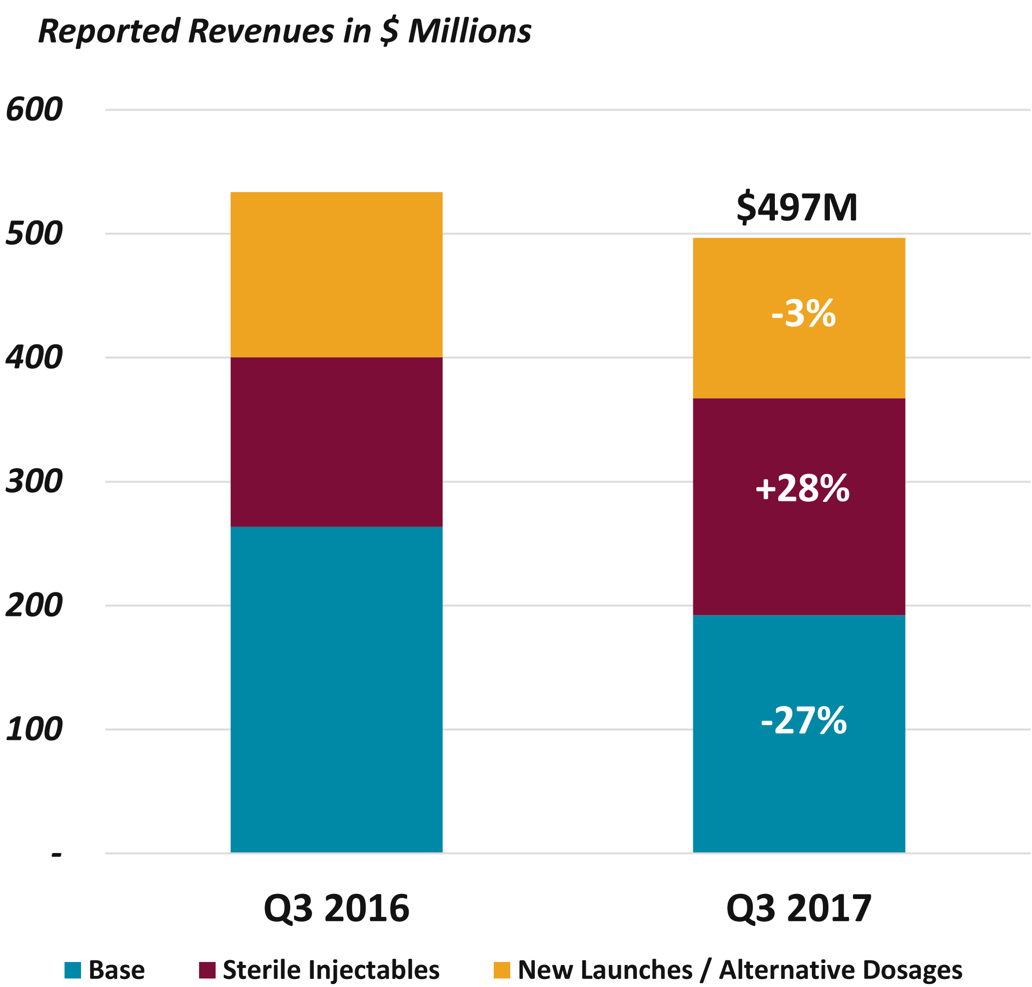
- Continued focus on operational execution drives strong performance
- Delivered solid adjusted EBITDA and adjusted EBITDA margin growth vs. prior year driven by product sales mix and savings from previously announced restructurings
- Reaffirm FY 2017 Revenue and Adjusted Financial Guidance

Q3 2017 Snapshot

Revenue (US $M)	Q3 2017	Q3 2016	Y/Y Growth %
U.S. Generic Pharmaceuticals	$497	$534	(7%)
U.S. Branded Pharmaceuticals	$234	$280	(16%)
International Pharmaceuticals	$56	$71	(20%)
Total	**$787**	**$884**	**(11%)**

Table may not total due to rounding

Q3 2017 Performance: U.S. Generic Pharmaceuticals



Sterile Injectables:

- Vasostrict® grew 15% vs. prior year; 21% YTD – 5 OB patents; 3 issued in Q3
- Adrenalin® gaining share as unapproved products exit; Q3'17 sales of $25M
- Continue to expect low-to-mid-20s percent growth for FY 2017

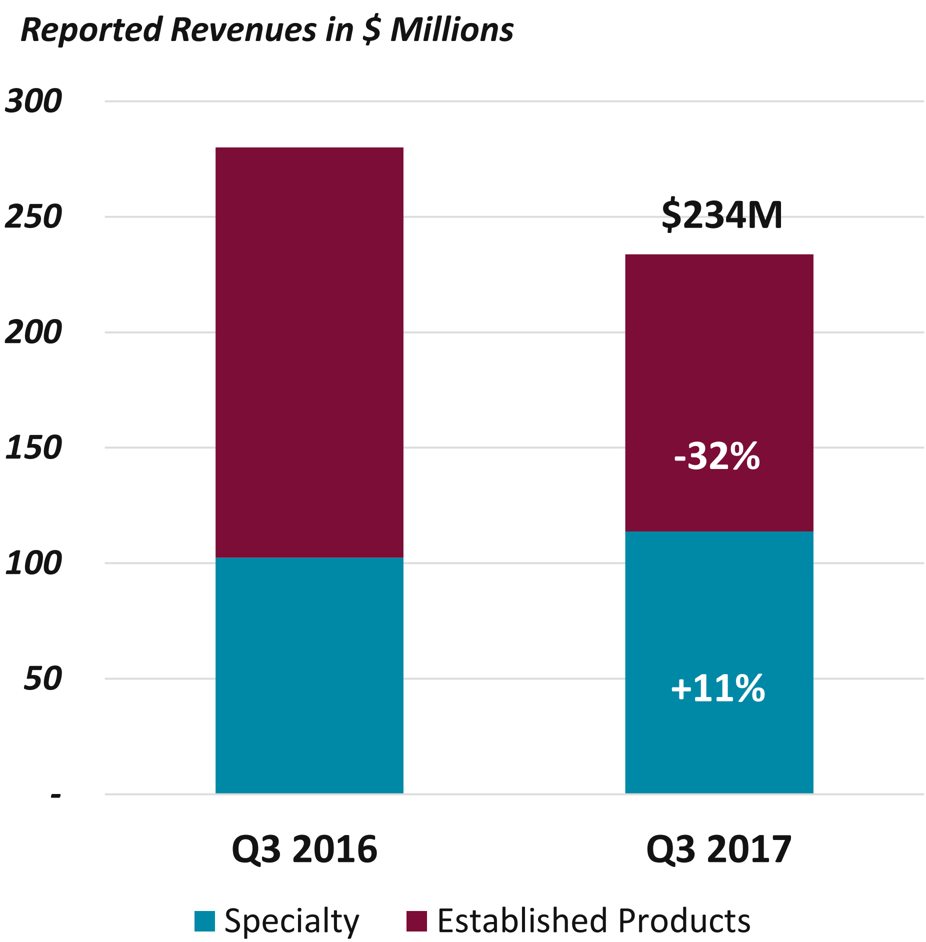
- **New launches / Alt Dosages:**
  - Encouraging launch of vigabatrin (oral solution)
  - Expect New launch/Alt dosages to be broadly flat FY 2017
- **Base business:**
  - Declined 27% vs. prior year, due in part, to annualization of 2016 competitive events and product discontinuances; Price erosion in line with our previous expectations
  - Base business decline guidance for FY 2017 unchanged

endo

U.S. Generics: YTD Milestone Progress

- Expect ~20 product launches
  - 14 launches year-to-date
- Expect ~20 regulatory submissions
  - 9 regulatory submissions year-to-date
- Unapproved sources of Adrenalin® expected to vacate the market by 2H'17
  - Estimated ~65% share of units
- Expect majority share of the KCl powder market
  - Achieved

Q3 2017 Performance: U.S. Branded Pharmaceuticals



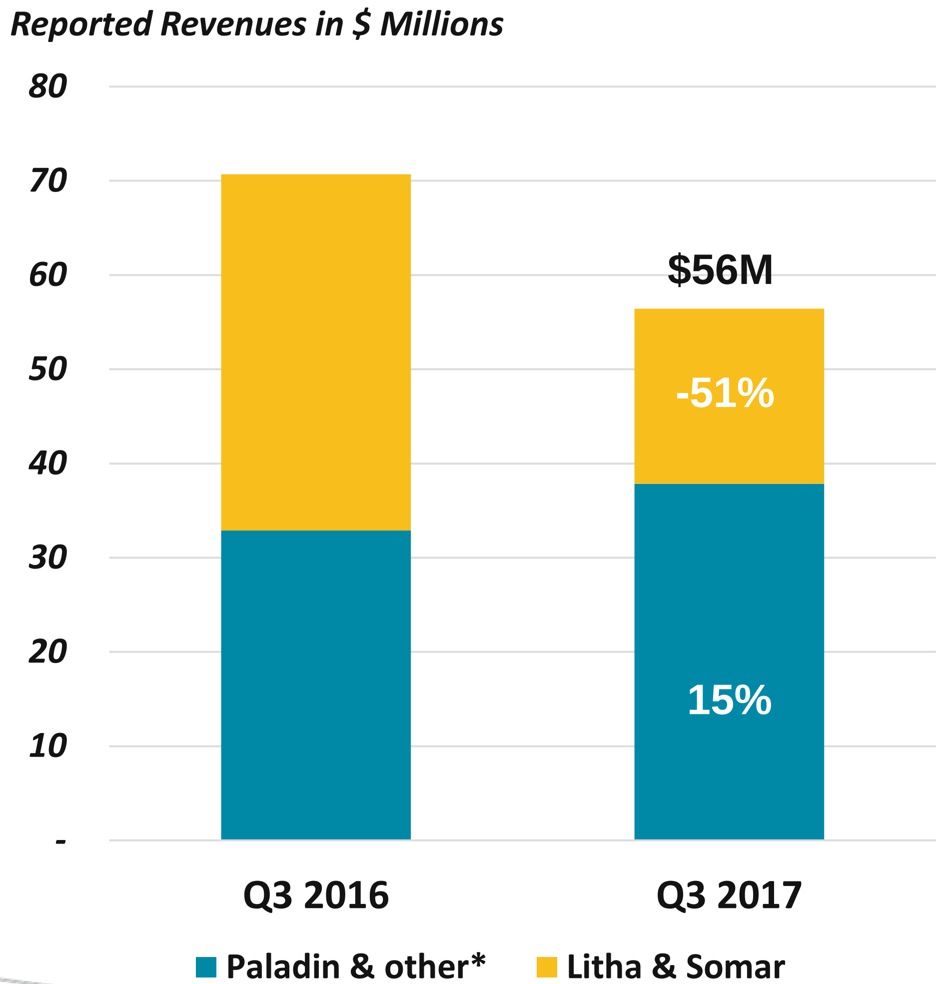
Specialty:

- +11% driven by XIAFLEX® (+10%) and 'Other Specialty' (+15%)
- Continue to expect FY'17 Specialty portfolio and XIAFLEX® to grow high-single to low-double digit

Established Products:

- -32% driven by continued decline of pain products incl. cessation of OPANA® ER shipments by Sept.1st, and the divestiture of STENDRA® and BELBUCA ®

Q3 2017 Performance: International Pharmaceuticals



- **Paladin:** Q3’17: $29M
  - +3% due to uptake on Nucynta & Xiaflex in addition to delayed competition on certain products
  - Now expect 2017 sales to be broadly flat with solid gross margin in the high 50%’s
- **Somar:** Q3’17: $19M
  - Divested Litha – closed on July 3rd, 2017
  - Divested Somar – closed on October 25th, 2017

* Includes sales from Endo Ventures Limited and Par UK

Q3 2017: Financial Results (Continuing Operations*)

(US $M, except EPS)	Q3 2017		Q3 2016	
	GAAP	*Non-GAAP*	*GAAP*	*Non-GAAP*
Revenue	**$787**	**$787**	**$884**	**$884**
Gross Margin	**34.6%**	**65.2%**	**37.0%**	**63.0%**
Operating Income (Loss)	**($2)**	**$340**	**($36)**	**$333**
(Loss) Income from Continuing Operations	**($100)**	**$204**	**($191)**	**$226**
Effective Tax Rate	**22%**	**6%**	**(32%)**	**(1%)**
Diluted Income (Loss) per share	**($0.45)**	**$0.91**	**($0.86)**	**$1.01**
Weighted Average Diluted Shares Outstanding	**223**	**224**	**223**	**223**

** Continuing Operations includes Endo and Par and excludes ASTORA (formerly known as AMS Women's Health)*
For reconciliation of GAAP to Non-GAAP, please refer to Reconciliation tables in the Q3'2017 earnings press release

2017 Financial Guidance - Update (Continuing Operations*)

Measure	FY 2017 Financial Guidance	
Revenue	$3.38B - $3.53B	
Adjusted EBITDA	$1.48B - $1.56B	upper end of range
Adjusted Diluted EPS	$3.35 - $3.65	upper end of range
GAAP Diluted (Loss) per share	($4.94) - ($4.64)	

The Company's 2017 financial guidance is based on the following assumptions:

- Adjusted gross margin of approximately 62.5% to 63.5%
- Adjusted operating expenses as a percentage of revenues to be approximately 22%
- Adjusted interest expense of approximately $490 million to $500 million
- Adjusted effective tax rate of approximately 12% to 13%
- Adjusted diluted EPS and GAAP Diluted (Loss) per share from continuing operations assumes full-year adjusted diluted shares outstanding of approximately 224 million shares and 223 million shares, respectively.

Note: FY'17 net cash tax receipts of approximately $10 million

endo

** Continuing Operations includes Endo and Par and excludes ASTORA (formerly known as AMS Women's Health)*

2017: Cash Flow Update

$ in Millions

	Q3 '17 YTD	FY 2017 Guidance Low	FY 2017 Guidance High
Adjusted EBITDA Range	**$1,241**	**$1,480**	**$1,560**
Cash Interest	*($407)*	*~($465)*	
Changes in Working Capital and Other Assets & Liabilities	*$268*	*$245*	
Cash Taxes, net refund (payments)	*$6*	*~$10*	
Milestone/Commercial Payments	*($15)*	*~($40)*	
Restructuring and Integration Related Costs [1]	*($82)*	*~($100)*	
Cash Flow from Operations – Pre-Mesh and Other Settlements	**$1,011**	**~$1,130**	**~$1,210**
Non-Mesh Settlement Payments, net [2]	($12)	~($25)	
Cash Distributions to Settle Mesh Claims and Related Legal Expenses [3]	($575)	~($800)	
Cash Flow from Operations	**$424**	**~$305**	**~$385**
Change in Restricted Cash	($79)	~$65	
Capital Expenditures	($94)	~($140)	
Other [4]	($21)	~$80	
Cash Flow Prior to Debt Payments[5]	**$230**	**~$310**	**~$390**

Cash into the QSF and paid mesh legal expenses: YTD '17 $654M FY '17 $735M

[1] FY '17 Guidance includes restructuring and integration related costs of ~$30M related to the Pain/Branded Restructuring, ~$20M of Severance costs related to the Corporate and R&D restructuring, ~$40M in restructuring costs related to the Generics restructuring and rationalization, ~$10M in costs associated with ASTORA Women's Health

[2] "Non-Mesh Settlement Payments" represent net additional legal settlements and expenses that Endo paid Q3 '17 YTD and expects to pay in FY '17

[3] "Cash Distributions to Settle Mesh Claims and Related Legal Expenses" for Q3 '17 YTD and FY '17 represent direct payments and payments from Qualified Settlement Funds to settle mesh product liabilities, as well as mesh related legal expenses

[4] "Other" FY'17 includes proceeds from the divestiture of Litha Products, Somar and the Charlotte manufacturing facility, as well as contingent consideration payments

[5] Q3 YTD "Cash Flow Prior to Debt Payments" includes $1M related to Somar, which is classified as "Movement in cash held for sale" on the Statement of Cash Flows, and excludes $29M of net debt proceeds from the Q2 refinancing.

Table may not total due to rounding

Q&A

Appendix

Cash Conversion Cycle

We use days sales outstanding (DSO), days inventory outstanding (DIO) and days payable outstanding (DPO), the sum of which is the cash conversion cycle, to evaluate our working capital performance. The following table summarizes the details of the financial metrics used to calculate these working capital performance statistics for the quarters ended September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016 and December 31, 2015 (in thousands except for ratios):

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2015
Total Revenue					
	$ 786,887	$ 875,731	$ 1,037,600	$ 1,241,513	$ 1,073,697
DSO:					
Accounts Receivable, net of allowance	$ 531,488	$ 580,123	$ 689,602	$ 992,153	$ 1,014,808
Less: Returns and allowances	(293,285)	(310,852)	(321,408)	(332,455)	(356,932)
Accounts Receivable, adjusted for non-cash items	$ 238,203	$ 269,271	$ 368,194	$ 659,698	$ 657,876
Total revenues per day	$ 8,553	$ 9,623	$ 11,529	$ 13,495	$ 11,671
DSO	28	28	32	49	56
DIO:					
Inventories, net	$ 443,270	$ 489,752	$ 549,138	$ 555,671	$ 752,493
Plus: Long-term inventory	20,844	27,169	24,923	22,705	24,891
Less: Inventory step-up	(372)	(438)	(538)	(652)	(111,190)
Inventory, adjusted for long-term and non-cash items	$ 463,742	$ 516,483	$ 573,523	$ 577,724	$ 666,194
Total revenues per day	$ 8,553	$ 9,623	$ 11,529	$ 13,495	$ 11,671
DIO	54	54	50	43	57
DPO:					
Trade Accounts Payable	$ 89,685	$ 114,710	$ 97,681	$ 126,712	$ 146,450
Plus: Accrued Royalties and Partner Payables	66,558	63,807	130,380	191,433	138,622
Plus: Accrued Rebates and Chargebacks paid in cash	196,256	236,592	235,590	260,798	350,479
Trade Accounts Payable, adjusted for royalties and rebates	$ 352,499	$ 415,109	$ 463,651	$ 578,943	$ 635,551
Total revenues per day	$ 8,553	$ 9,623	$ 11,529	$ 13,495	$ 11,671
DPO	41	43	40	43	54
Cash Conversion Cycle	41	39	42	49	59

Reconciliation of Non-GAAP Measures

The following table provides a reconciliation of Net loss attributable to Endo International plc (GAAP) to Adjusted EBITDA (non-GAAP) for the three and nine months ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss attributable to Endo International plc (GAAP)	$ (96,670)	$ (218,919)	$ (1,667,016)	$ (9,210)
Income tax (benefit) expense	(28,109)	46,185	(97,517)	(627,807)
Interest expense, net	127,521	112,184	361,267	340,896
Depreciation and amortization (18)	183,475	230,520	680,385	695,432
EBITDA (non-GAAP)	$ 186,217	$ 169,970	$ (722,881)	$ 399,311
Inventory step-up and other cost savings (2)	$ 66	$ 14,208	$ 281	$ 111,787
Upfront and milestone-related payments (3)	775	1,770	6,952	5,875
Inventory reserve (decrease) increase from restructuring (4)	—	(9,041)	7,899	24,592
Royalty obligations (5)	—	—	—	(7,750)
Separation benefits and other restructuring (6)	80,693	18,823	120,078	45,820
Certain litigation-related and other contingencies, net (7)	(12,352)	18,256	(14,016)	28,715
Asset impairment charges (8)	94,924	93,504	1,023,930	263,080
Acquisition-related and integration costs (9)	1,201	7,907	8,137	55,422
Fair value of contingent consideration (10)	15,440	11,569	23,574	24,779
Loss on extinguishment of debt (11)	—	—	51,734	—
Share-based compensation	13,247	14,953	40,252	43,473
Other (income) expense, net (19)	(2,097)	(2,866)	(10,843)	402
Other adjustments	(58)	614	(75)	(781)
Discontinued operations, net of tax (15)	(3,017)	27,423	705,886	118,747
Net income attributable to noncontrolling interests (16)	—	—	—	16
Adjusted EBITDA (non-GAAP)	$ 375,039	$ 367,090	$ 1,240,908	$ 1,113,488

endo

Reconciliation of Non-GAAP Measures

The following tables provide detailed reconciliations of various other income statement data between the GAAP and non-GAAP amounts for the three and nine months ended September 30, 2017 and 2016 (in thousands, except per share data):

Three Months Ended September 30, 2017

	Total revenues	Cost of revenues	Gross margin	Gross margin %	Total operating expenses	Operating expense to revenue %	Operating (loss) income from continuing operations	Operating margin %	Other non-operating expense, net	(Loss) income from continuing operations before income tax	Income tax (benefit) expense	Effective tax rate	(Loss) income from continuing operations	Discontinued operations, net of tax	Net (loss) income attributable to Endo International plc	Diluted (loss) income per share from continuing operations (17)
Reported (GAAP)	$ 786,887	$ 514,522	$ 272,365	35%	$ 274,737	35%	$ (2,372)	— %	$ 125,424	$ (127,796)	$ (28,109)	22%	$ (99,687)	$ 3,017	$ (96,670)	$ (0.45)
Items impacting comparability:																
Amortization of intangible assets (1)	—	(161,413)	161,413		—		161,413		—	161,413	—		161,413	—	161,413	0.73
Inventory step-up and other cost savings (2)	—	(66)	66		—		66		—	66	—		66	—	66	—
Upfront and milestone-related payments (3)	—	(688)	688		(87)		775		—	775	—		775	—	775	—
Separation benefits and other restructuring (6)	—	(78,680)	78,680		(2,013)		80,693		—	80,693	—		80,693	—	80,693	0.36
Certain litigation-related and other contingencies, net (7)	—	—	—		12,352		(12,352)		—	(12,352)	—		(12,352)	—	(12,352)	(0.06)
Asset impairment charges (8)	—	—	—		(94,924)		94,924		—	94,924	—		94,924	—	94,924	0.43
Acquisition-related and integration costs (9)	—	—	—		(1,201)		1,201		—	1,201	—		1,201	—	1,201	0.01
Fair value of contingent consideration (10)	—	—	—		(15,440)		15,440		—	15,440	—		15,440	—	15,440	0.07
Other (13)	—	—	—		—		—		(3,035)	3,035	—		3,035	—	3,035	0.01
Tax adjustments (14)	—	—	—		—		—		—	—	41,456		(41,456)	—	(41,456)	(0.19)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	(3,017)	(3,017)	—
After considering items (non-GAAP)	$ 786,887	$ 273,675	$ 513,212	65%	$ 173,424	22%	$ 339,788	43 %	$ 122,389	$ 217,399	$ 13,347	6%	$ 204,052	$ —	$ 204,052	$ 0.91

Reconciliation of Non-GAAP Measures

Three Months Ended September 30, 2016

	Total revenues	Cost of revenues	Gross margin	Gross margin %	Total operating expenses	Operating expense to revenue %	Operating (loss) income from continuing operations	Operating margin %	Other non-operating expense, net	(Loss) income from continuing operations before income tax	Income tax expense (benefit)	Effective tax rate	(Loss) income from continuing operations	Discontinued operations, net of tax	Net (loss) income attributable to Endo International plc (16)	Diluted (loss) income per share from continuing operations (17)
Reported (GAAP)	**$ 884,335**	**$ 557,472**	**$ 326,863**	**37%**	**$ 362,856**	**41%**	**$ (35,993)**	**(4)%**	**$ 109,318**	**$ (145,311)**	**$ 46,185**	**(32)%**	**$ (191,496)**	**$ (27,423)**	**$ (218,919)**	**$ (0.86)**
Items impacting comparability:																
Amortization of intangible assets (1)	—	(211,548)	211,548		—		211,548		—	211,548	—		211,548	—	211,548	0.95
Inventory step-up and other cost savings (2)	—	(14,208)	14,208		—		14,208		—	14,208	—		14,208	—	14,208	0.06
Upfront and milestone-related payments (3)	—	(664)	664		(1,106)		1,770		—	1,770	—		1,770	—	1,770	0.01
Inventory reserve decrease from restructuring (4)	—	9,041	(9,041)		—		(9,041)		—	(9,041)	—		(9,041)	—	(9,041)	(0.04)
Separation benefits and other restructuring (6)	—	(12,989)	12,989		(5,834)		18,823		—	18,823	—		18,823	—	18,823	0.08
Certain litigation-related and other contingencies, net (7)	—	—	—		(18,256)		18,256		—	18,256	—		18,256	—	18,256	0.08
Asset impairment charges (8)	—	—	—		(93,504)		93,504		—	93,504	—		93,504	—	93,504	0.42
Acquisition-related and integration costs (9)	—	—	—		(7,907)		7,907		—	7,907	—		7,907	—	7,907	0.04
Fair value of contingent consideration (10)	—	—	—		(11,569)		11,569		—	11,569	—		11,569	—	11,569	0.05
Other (13)	—	—	—		—		—		(53)	53	—		53	—	53	—
Tax adjustments (14)	—	—	—		—		—		—	—	(48,418)		48,418	—	48,418	0.22
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	27,423	27,423	—
After considering items (non-GAAP)	$ 884,335	$ 327,104	$ 557,231	63 %	$ 224,680	25 %	$ 332,551	38 %	$ 109,265	$ 223,286	$ (2,233)	(1)%	$ 225,519	$ —	$ 225,519	$ 1.01

endo

Reconciliation of Non-GAAP Measures

Nine Months Ended September 30, 2017

	Total revenues	Cost of revenues	Gross margin	Gross margin %	Total operating expenses	Operating expense to revenue %	Operating (loss) income from continuing operations	Operating margin %	Other non-operating expense, net	(Loss) income from continuing operations before income tax	Income tax (benefit) expense	Effective tax rate	(Loss) income from continuing operations	Discontinued operations, net of tax	Net (loss) income attributable to Endo International plc	Diluted (loss) income per share from continuing operations (17)
Reported (GAAP)	$2,700,218	$1,722,885	$ 977,333	36%	$1,633,822	61%	$ (656,489)	(24)%	$ 402,158	$(1,058,647)	$ (97,517)	9%	$ (961,130)	$ (705,886)	$ (1,667,016)	$ (4.31)
Items impacting comparability:																
Amortization of intangible assets (1)	—	(615,490)	615,490		—		615,490		—	615,490	—		615,490	—	615,490	2.75
Inventory step-up and other cost savings (2)	—	(281)	281		—		281		—	281	—		281	—	281	—
Upfront and milestone-related payments (3)	—	(2,039)	2,039		(4,913)		6,952		—	6,952	—		6,952	—	6,952	0.03
Inventory reserve increase from restructuring (4)	—	(7,899)	7,899		—		7,899		—	7,899	—		7,899	—	7,899	0.04
Separation benefits and other restructuring (6)	—	(85,367)	85,367		(34,711)		120,078		—	120,078	—		120,078	—	120,078	0.54
Certain litigation-related and other contingencies, net (7)	—	—	—		14,016		(14,016)		—	(14,016)	—		(14,016)	—	(14,016)	(0.06)
Asset impairment charges (8)	—	—	—		(1,023,930)		1,023,930		—	1,023,930	—		1,023,930	—	1,023,930	4.59
Acquisition-related and integration costs (9)	—	—	—		(8,137)		8,137		—	8,137	—		8,137	—	8,137	0.04
Fair value of contingent consideration (10)	—	—	—		(23,574)		23,574		—	23,574	—		23,574	—	23,574	0.11
Loss on extinguishment of debt (11)	—	—	—		—		—		(51,734)	51,734	—		51,734	—	51,734	0.23
Other (13)	—	—	—		—		—		1,133	(1,133)	—		(1,133)	—	(1,133)	(0.01)
Tax adjustments (14)	—	—	—		—		—		—	—	195,298		(195,298)	—	(195,298)	(0.88)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	705,886	705,886	—
After considering items (non-GAAP)	$2,700,218	$1,011,809	$1,688,409	63%	$ 552,573	20%	$ 1,135,836	42 %	$ 351,557	$ 784,279	$ 97,781	12%	$ 686,498	$ —	$ 686,498	$ 3.07

Reconciliation of Non-GAAP Measures

Nine Months Ended September 30, 2016

	Total revenues	Cost of revenues	Gross margin	Gross margin %	Total operating expenses	Operating expense to revenue %	Operating (loss) income from continuing operations	Operating margin %	Other non-operating expense, net	(Loss) income from continuing operations before income tax	Income tax (benefit) expense	Effective tax rate	Income from continuing operations	Discontinued operations, net of tax	Net (loss) income attributable to Endo International plc (16)	Diluted income (loss) per share from continuing operations (17)
Reported (GAAP)	**$2,768,761**	**$1,878,395**	**$ 890,366**	**32%**	**$1,067,322**	**39%**	**$ (176,956)**	**(6)%**	**$ 341,298**	**$ (518,254)**	**$ (627,807)**	**121%**	**$ 109,553**	**$ (118,747)**	**$ (9,210)**	**$ 0.49**
Items impacting comparability:																
Amortization of intangible assets (1)	—	(636,061)	636,061		—		636,061		—	636,061	—		636,061	—	636,061	2.84
Inventory step-up and other cost savings (2)	—	(110,437)	110,437		(1,350)		111,787		—	111,787	—		111,787	—	111,787	0.50
Upfront and milestone-related payments (3)	—	(1,973)	1,973		(3,902)		5,875		—	5,875	—		5,875	—	5,875	0.03
Inventory reserve increase from restructuring (4)	—	(24,592)	24,592		—		24,592		—	24,592	—		24,592	—	24,592	0.11
Royalty obligations (5)	—	7,750	(7,750)		—		(7,750)		—	(7,750)	—		(7,750)	—	(7,750)	(0.03)
Separation benefits and other restructuring (6)	—	(19,394)	19,394		(26,426)		45,820		—	45,820	—		45,820	—	45,820	0.21
Certain litigation-related and other contingencies, net (7)	—	—	—		(28,715)		28,715		—	28,715	—		28,715	—	28,715	0.13
Asset impairment charges (8)	—	—	—		(263,080)		263,080		—	263,080	—		263,080	—	263,080	1.18
Acquisition-related and integration costs (9)	—	—	—		(55,422)		55,422		—	55,422	—		55,422	—	55,422	0.25
Fair value of contingent consideration (10)	—	—	—		(24,779)		24,779		—	24,779	—		24,779	—	24,779	0.11
Non-cash and penalty interest charges (12)	—	—	—		—		—		(4,092)	4,092	—		4,092	—	4,092	0.02
Other (13)	—	—	—		8,350		(8,350)		(2,913)	(5,437)	—		(5,437)	—	(5,437)	(0.02)
Tax adjustments (14)	—	—	—		—		—		—	—	637,998		(637,998)	—	(637,998)	(2.87)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	118,747	118,747	—
After considering items (non-GAAP)	$2,768,761	$1,093,688	$1,675,073	60%	$ 671,998	24%	$ 1,003,075	36 %	$ 334,293	$ 668,782	$ 10,191	2%	$ 658,591	$ —	$ 658,575	$ 2.95

endo

Reconciliation of Non-GAAP Measures

Notes to certain line items included in the reconciliations of the GAAP financial measures to the Non-GAAP financial measures for the three and nine months ended September 30, 2017 and 2016 are as follows:

(1) Adjustments for amortization of commercial intangible assets included the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Amortization of intangible assets excluding fair value step-up from contingent consideration	$ 151,250	$ 198,117	$ 585,025	$ 606,090
Amortization of intangible assets related to fair value step-up from contingent consideration	10,163	13,431	30,465	29,971
Total	$ 161,413	$ 211,548	$ 615,490	$ 636,061

(2) Adjustments for inventory step-up and other cost savings included the following (in thousands):

	Three Months Ended September 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Fair value step-up of inventory sold	$ 66	$ —	$ 11,129	$ —
Excess manufacturing costs that will be eliminated pursuant to integration plans	—	—	3,079	—
Total	$ 66	$ —	$ 14,208	$ —

	Nine Months Ended September 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Fair value step-up of inventory sold	$ 281	$ —	$ 99,099	$ 957
Excess manufacturing costs that will be eliminated pursuant to integration plans	—	—	11,338	393
Total	$ 281	$ —	$ 110,437	$ 1,350

(3) Adjustments for upfront and milestone-related payments to partners included the following (in thousands):

	Three Months Ended September 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Sales-based milestones	$ 688	$ —	$ 664	$ —
Development-based milestones	—	87	—	1,106
Total	$ 688	$ 87	$ 664	$ 1,106

	Nine Months Ended September 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Sales-based milestones	$ 2,039	$ —	$ 1,973	$ —
Development-based milestones	—	4,913	—	3,902
Total	$ 2,039	$ 4,913	$ 1,973	$ 3,902

(4) To exclude charges reflecting adjustments to excess inventory reserves related to the 2017 U.S. Generics Pharmaceuticals restructuring initiative and 2016 U.S. Generic Pharmaceuticals restructuring initiative during the nine months ended September 30, 2017 and 2016 and exclude decreases of excess inventory reserves recorded during the three months ended September 30, 2016, primarily related to the 2016 U.S. Generic Pharmaceuticals restructuring initiative. This 2016 adjustment resulted from the sell-through of certain inventory previously reserved.

(5) To adjust for the reversal of the remaining VOLTAREN® Gel minimum royalty obligations as a result of a generic entrant during the first quarter of 2016.

(6) Adjustments for separation benefits and other restructuring included the following (in thousands):

	Three Months Ended September 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Separation benefits	$ 19,535	$ 284	$ 5,564	$ 9,234
Accelerated depreciation and product discontinuation	59,805	—	7,425	(4,968)
Other	(660)	1,729	—	1,568
Total	$ 78,680	$ 2,013	$ 12,989	$ 5,834

	Nine Months Ended September 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Separation benefits	$ 21,805	$ 19,539	$ 11,969	$ 18,008
Accelerated depreciation and product discontinuation charges	59,805	398	7,425	2,803
Other	3,757	14,774	—	5,615
Total	$ 85,367	$ 34,711	$ 19,394	$ 26,426

(7) To exclude litigation-related settlement charges, reimbursements and certain settlements related to intellectual property suits previously filed by our subsidiaries.

(8) To exclude pre-tax, non-cash goodwill, intangible asset and property, plant and equipment impairment charges.

During the third quarter of 2017, we recorded total pre-tax, non-cash impairment charges of $95 million. Approximately $17 million was related to property, plant and equipment charges related to our previously announced restructuring initiatives and held-for-sale accounting for Somar. The remaining charges during the third quarter were largely the result of market conditions impacting the recoverability of certain indefinite and finite-lived intangible assets in our U.S. Generic Pharmaceuticals and U.S. Branded Pharmaceuticals segments.

During the second quarter of 2017, we recorded total pre-tax, non-cash impairment charges of $725 million. We announced the 2017 U.S. Generic Pharmaceuticals restructuring initiative in July 2017, which includes the discontinuation of certain commercial products. As a result, we assessed the recoverability of the impacted products, resulting in pre-tax, non-cash intangible asset impairment charges of approximately $58 million. We also recorded property, plant and equipment impairments related to this restructuring totaling $32 million. As a result of the decision to withdrawal OPANA® ER, we determined that the carrying amount of this intangible asset was no longer recoverable, resulting in a pre-tax, non-cash impairment charge of $21 million, representing the remaining carrying amount. As a result of the aforementioned actions related to OPANA® ER and the continued erosion of its U.S. Branded Pharmaceuticals segment's Established Products portfolio, we initiated an interim goodwill impairment analysis of our Branded reporting unit. We recorded a pre-tax, non-cash asset impairment charge of $180 million for the amount by which the carrying amount exceeded the reporting unit's fair value. We entered into a definitive agreement to sell Somar on June 30, 2017, which resulted in Somar's assets and liabilities being classified as held for sale. The initiation of held-for-sale accounting, together with the agreed upon sale price, triggered an impairment review. Accordingly, we performed an impairment analysis using a market approach and determined that impairment charges were required. We recorded pre-tax non-cash impairment charges of $26 million, $90 million and $10 million related to Somar's goodwill, other intangible assets and property, plant and equipment, respectively. The remaining charges during the second quarter were largely the result of market conditions impacting the recoverability of certain indefinite and finite-lived intangible assets in our U.S. Generic Pharmaceuticals, U.S. Branded Pharmaceuticals and International Pharmaceuticals segments.

During the first quarter of 2017, we recorded total impairment charges of $204 million. Pursuant to an existing agreement with Novartis AG, Endo's subsidiary, Paladin Labs Inc., licensed the Canadian rights to commercialize serelaxin, an investigational drug for the treatment of acute heart failure (AHF). On March 22, 2017, Novartis announced that a Phase III study of serelaxin in patients with AHF failed to meet its primary endpoints. As a result, Endo has concluded that its serelaxin in-process research and development intangible asset is fully impaired resulting in a $45 million non-cash impairment charge. As a result of the serelaxin intangible impairment, Endo assessed the recoverability of its Paladin goodwill balance and determined that the estimated fair value of the Paladin reporting unit was below its book value, resulting in a non-cash goodwill impairment charge of $83 million. The remaining charges were largely the result of certain market conditions impacting the recoverability of developed technology intangible assets in Endo's U.S. Generic Pharmaceuticals segment.

During the three and nine months ended September 30, 2016, we recorded pre-tax, non-cash impairment charges of $94 million and $263 million, respectively. As a result of unfavorable formulary changes and generic competition for sumatriptan, we experienced a downturn in the performance of our SUMAVEL® DOSEPRO® product, resulting in a non-cash impairment charge of $73 million during the third quarter of 2016. Also during the third quarter of 2016, we determined that we would not pursue commercialization of a product in certain international markets, resulting in a non-cash asset impairment charge of $16 million. As a result of the 2016 U.S. Generic Pharmaceuticals restructuring initiative, we recorded $100 million of non-cash impairment charges during the first quarter of 2016 resulting from the discontinuation of certain commercial products and the abandonment of certain IPR&D projects. The remaining charges during the three and nine months ended September 30, 2016 were largely the result of market and regulatory conditions impacting the recoverability certain indefinite and finite-lived intangible assets in our U.S. Generic Pharmaceuticals segment.

endo

Reconciliation of Non-GAAP Measures

(9) Adjustments for acquisition and integration items primarily relate to various acquisitions. Amounts included the following (in thousands):

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Integration costs (primarily third-party consulting fees)	$ —	$ 7,125	$ 4,476	$ 38,311
Transition services	—	1,259	—	9,729
Other	1,201	(477)	3,661	7,382
Total	$ 1,201	$ 7,907	$ 8,137	$ 55,422

(10) To exclude the impact of changes in the fair value of contingent consideration resulting from changes in market conditions impacting the commercial potential of the underlying products.

(11) To exclude the loss on the extinguishment of debt associated with our April 2017 refinancing.

(12) To exclude penalty interest charges.

(13) Adjustments to other included the following (in thousands):

	Three Months Ended September 30, 2017		Three Months Ended September 30, 2016	
	Operating expenses	Other non-operating expenses	Operating expenses	Other non-operating expenses
Foreign currency impact related to the re-measurement of intercompany debt instruments	$ —	$ 3,005	$ —	$ (114)
Other miscellaneous	—	30	—	167
Total	$ —	$ 3,035	$ —	$ 53

	Nine Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	Operating expenses	Other non-operating expenses	Operating expenses	Other non-operating expenses
Foreign currency impact related to the re-measurement of intercompany debt instruments	$ —	$ (2,922)	$ —	$ 1,558
Other miscellaneous expense (income)	—	1,789	(8,350)	1,355
Total	$ —	$ (1,133)	$ (8,350)	$ 2,913

(14) Adjusted income taxes are calculated by tax effecting adjusted pre-tax income and permanent book-tax differences at the applicable effective tax rate that will be determined by reference to statutory tax rates in the relevant jurisdictions in which the Company operates. Adjusted income taxes include current and deferred income tax expense commensurate with the non-GAAP measure of profitability.

As previously disclosed, during the second quarter of 2016, Endo recorded a discrete GAAP tax benefit of $636 million arising from outside basis differences generated as part of a legal entity restructuring. This benefit and the associated component of the 2016 U.S. federal return to provision adjustment recorded in the third quarter of 2017 were excluded from our adjusted effective tax rate in accordance with the Company's non-GAAP accounting policy.

(15) To exclude the results of the businesses reported as discontinued operations, net of tax in the Condensed Consolidated Statement of Operations.

(16) Net income attributable to noncontrolling interests is excluded from Adjusted EBITDA (non-GAAP) and Net (loss) income attributable to Endo International plc.

(17) Calculated as income (loss) from continuing operations divided by the applicable weighted average share number. The applicable weighted average share numbers are as follows (in thousands):

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
GAAP EPS	223,299	222,767	223,157	223,060
Non-GAAP EPS	224,216	223,139	223,779	223,060

(18) Depreciation and amortization per the Adjusted EBITDA reconciliations do not include certain depreciation amounts reflected in other lines of the reconciliations, including Acquisition-related and integration costs and Separation benefits and other restructuring.

(19) To exclude Other (income) expense, net per the Condensed Consolidated Statement of Operations.

Endo International plc

Q3 2017
Earnings Report

November 9, 2017