

Endo International plc

Q2 2018 Earnings Report

August 8, 2018



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
- Q2 2018 Segment Results
- 2018 Milestones & Pipeline
- 2018 Financial Guidance
- Q&A

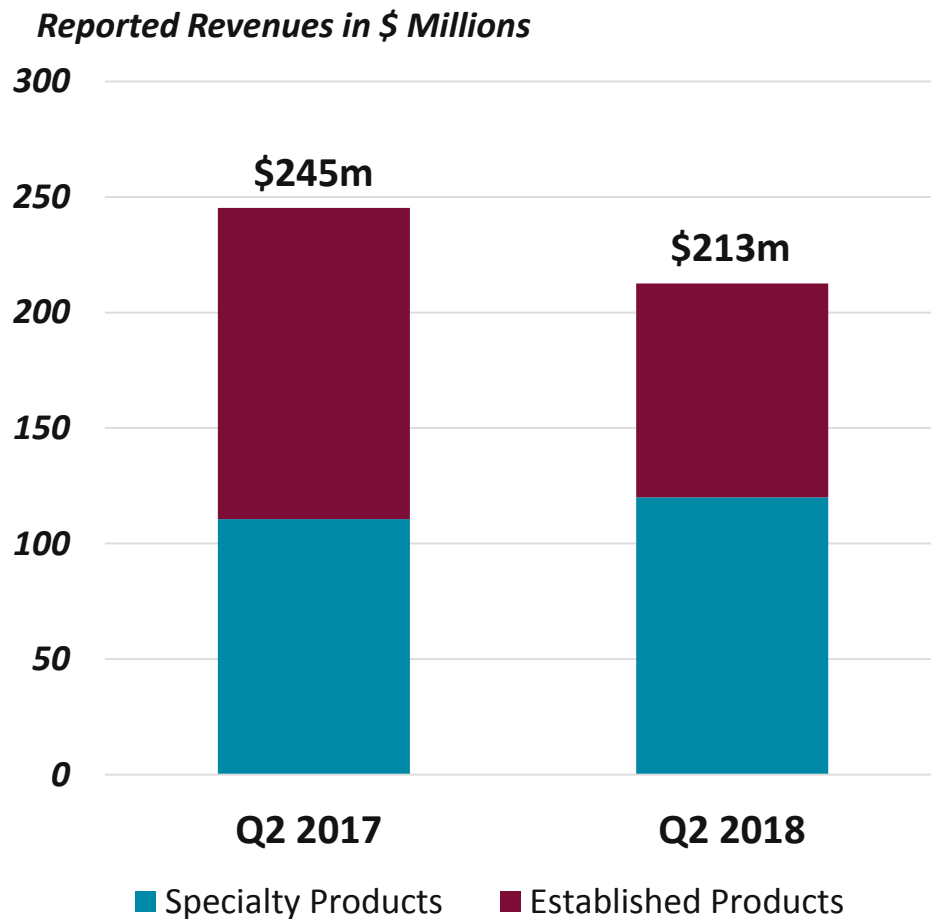
Overview

- Strong quarter of adjusted operating results; Strong performance in core growth areas – XIAFLEX[®] and Sterile Injectables
- Delivered solid Q2 2018 Adjusted EBITDA, with growth in Adjusted EBITDA margin versus Q2 2017
- Continued progress with building our portfolio for the future
 - CCH for cellulite trials recruited faster than expected – top-line results now anticipated in Q4 2018
 - Licensed five 505(b)(2) sterile injectable development products from Nevakar
 - Somerset Therapeutics acquisition remains on track to close in 2H'18
- Raising Full-Year 2018 Financial Guidance

Q2 2018 Snapshot

Revenue (US \$M)	Q2 2018	Q2 2017
U.S. Branded – Specialty and Established Pharmaceuticals	\$213	\$245
U.S. Branded – Sterile Injectables	\$218	\$180
U.S. Generic Pharmaceuticals	\$241	\$383
International Pharmaceuticals	\$43	\$67
Total	\$715	\$876

Q2 2018 Performance: U.S. Branded – Specialty & Established Pharmaceuticals



Specialty Products:

- +9% Y-o-Y growth driven primarily by XIAFLEX® (+27%)
- Continue to expect FY'18 Specialty products to grow mid-single digit percentage range
- Now expect FY'18 XIAFLEX® to grow in the high-teens percentage range

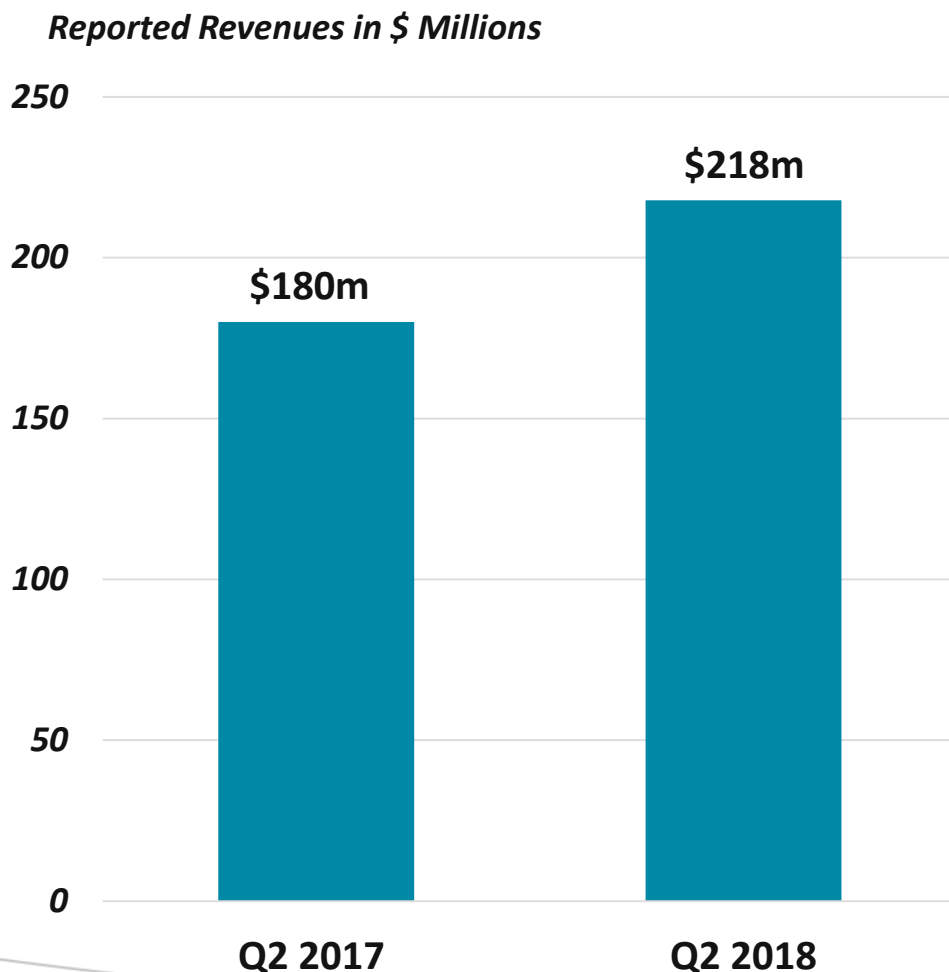
Established Products:

- Y-o-Y decline driven primarily by the voluntary withdrawal of OPANA® ER;

Pipeline:

- Completed recruitment of Phase 3 CCH trials for the treatment of cellulite – expect topline results Q4'18
- Ph2b encore data presented at Hot Topics at ASAPS meeting and Vegas Cosmetic Surgery (VCS) symposium

Q2 2018 Performance: U.S. Branded – Sterile Injectables



Sterile Products:

- +21% Y-o-Y growth driven by ADRENALIN[®] (+93%) and VASOSTRICT[®] (+11%)
- Launched glycopyrrolate inj. on May 1st
- Launched ertapenem for injection on July 26th
- Now expect FY'18 Sterile Injectables to grow in the high-teens percentage range

Nevakar licensing deal:

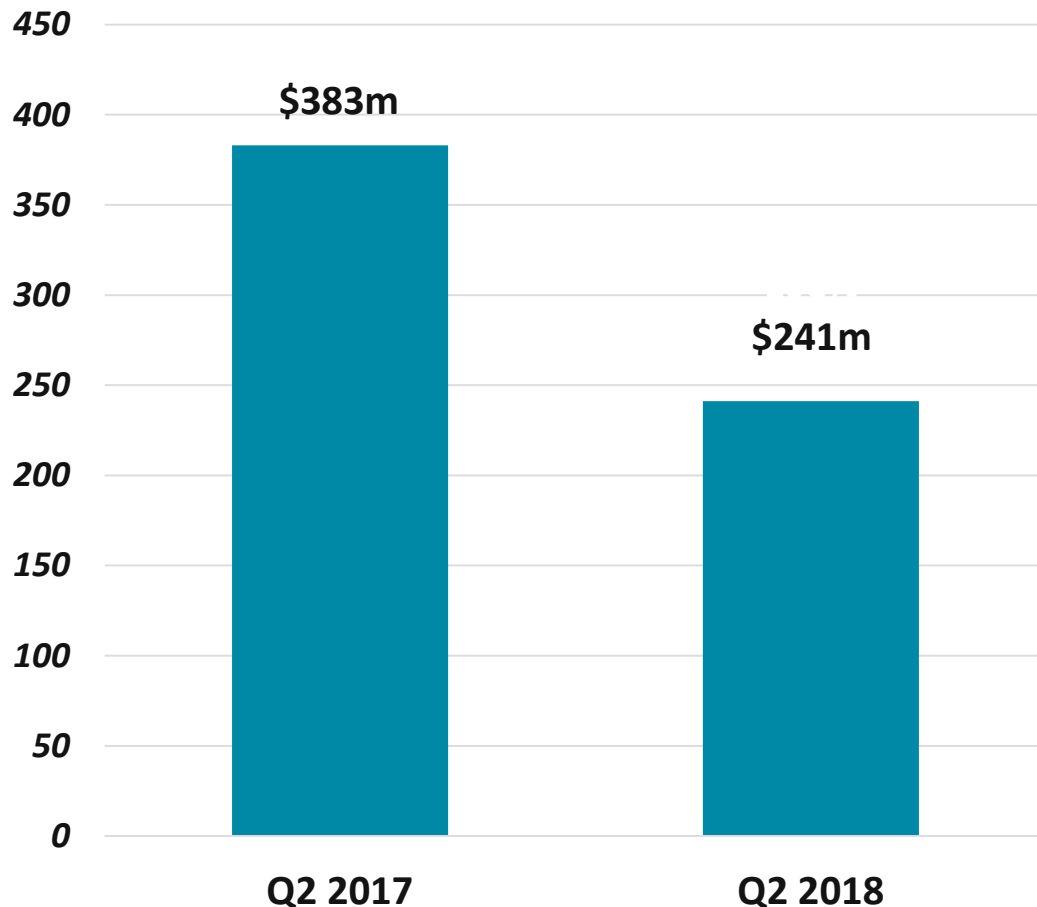
- 5 differentiated, 505(b)(2) sterile injectable development products for the U.S. and Canada

Somerset Therapeutics:

- Expected to significantly expand our sterile injectable and ophthalmic portfolio
- Augments production and development capabilities
- On track to close by the end of 2018

Q2 2018 Performance: U.S. Generic Pharmaceuticals

Reported Revenues in \$ Millions

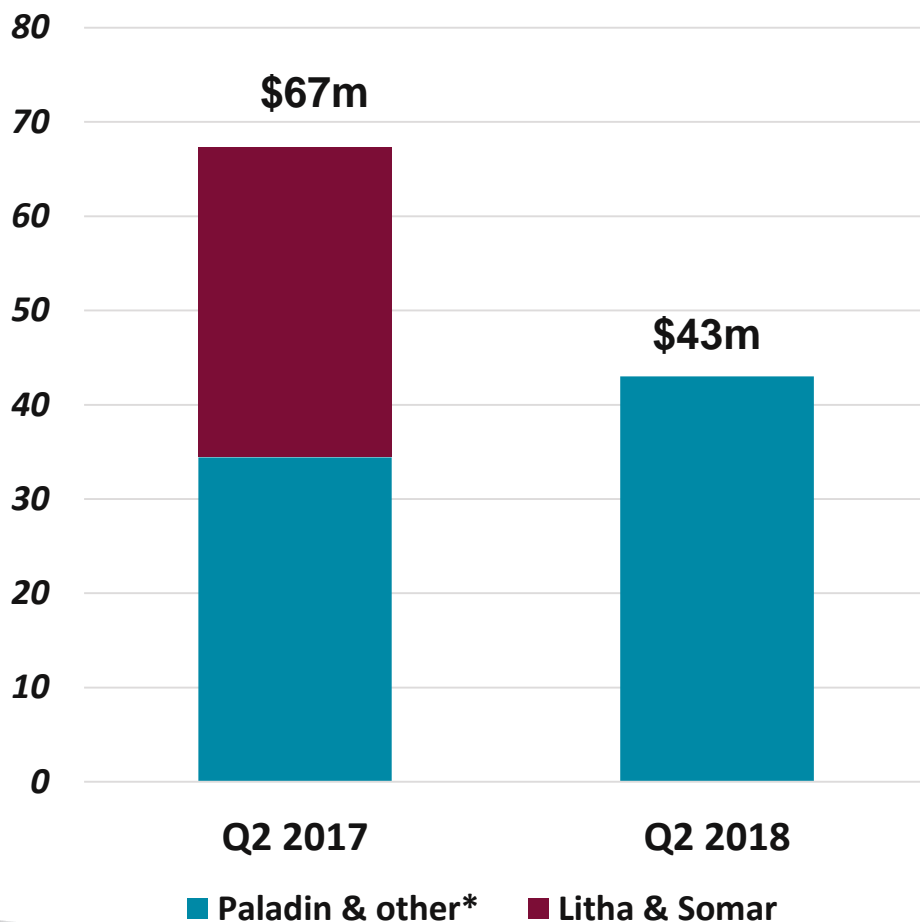


U.S. Generics:

- Performance reflects LOE of FTF ezetimibe, annualization of 2017 competitive entries, and product discontinuances
- Launched 1 FTM product in Q2'18
- Launched AG of COLCRYS® on July 1st
- Early signals of retail market stabilization
- Continue to expect FY'18 U.S. Generics to decline in the mid to high 30's percent range (FY'17 ezetimibe and quetiapine ER = ~\$250 million; guidance assumes potential new competition to certain key products with no or limited competition)

Q2 2018 Performance: International Pharmaceuticals

Reported Revenues in \$ Millions



International

- Paladin +6% Y-o-Y growth better than expected due to new product launches and delayed competition on certain products
- Litha – divested Q2’17
- Somar – divested Q4’17
- Results include ~\$10 million of ex-U.S. XIAFLEX® sales, originally expected in Q3’18

2018 Scorecard and Pipeline

2018 YTD Scorecard & Milestones

- U.S. Branded Pharmaceuticals: Initiated and completed enrollment for 2 pivotal Ph3 trials of CCH for the treatment of cellulite;
- U.S. Sterile Injectables: Launched glycopyrrolate injection and ertapenem for injection
- U.S. Generic Pharmaceuticals: Launched 4 products; Filed 3 applications
- International Pharma: Launched Unisom Snore Relief OTC; launched Xiaflex® for PD; in-licensed pitolisant
- Expect ~15 Sterile and Generic launches

~100 ANDAs
filed w/FDA

~1/3 filed
ANDAs
FTF/FTM

~70 projects in
development

Pipeline & Select FTF/FTM Settlements Estimated Launches 2H'19 and beyond

Product	IMS sales*	Settlement
DEXILANT® (dexlansoprazole)	~\$1,200m	Confidential terms
AFINITOR® (everolimus)	~\$850m	Confidential terms
CIPRODEX® (ciprofloxacin; dexamethasone otic suspension)	~\$500m	2020
AMITIZA® (lubiprostone)	~\$500m	01/01/2021
KUVAN® (sapropterin)	~\$400m	10/1/2020
MITIGARE® (colchicine capsules)	~\$50m	Confidential terms



* IQVIA sales for 12 months

Q2 2018: Financial Results

(Continuing Operations*)

(US \$M, except EPS)	US GAAP		Non-GAAP	
	Q2 '18	Q2 '17	Q2 '18	Q2 '17
Revenue	\$715	\$876	\$715	\$876
Gross Margin	46.6%	38.4%	71.9%	61.8%
Operating Income (Loss)	\$55	(\$587)	\$322	\$359
Net Income (Loss)	(\$52)	(\$696)	\$172	\$207
Effective Tax Rate	(13.5%)	7.6%	10.7%	13.8%
Diluted Income (Loss) per share	(\$0.23)	(\$3.12)	\$0.76	\$0.93
Weighted Average Diluted Shares Outstanding	224	223	227	224

2018 Financial Guidance - Update (Continuing Operations*)

Measure	Prior (May '18)	Updated(Aug '18)
Revenue	\$2.60B - \$2.80B	\$2.75B - \$2.85B
Adjusted EBITDA	\$1.20B – \$1.30B	\$1.27B - \$1.33B
Adjusted Diluted EPS	\$2.15 - \$2.50	\$2.50- \$2.60

The Company's 2018 financial guidance is based on the following assumptions:

- Adjusted gross margin of approximately 68.5% to 69.5% (prev. 67.0% to 68.0%)
- Adjusted operating expenses as a percentage of revenues to be approximately 26.0% to 27.0% (prev. 25.5% to 26.5%)
- Adjusted interest expense of approximately \$530 million to \$540 million
- Adjusted effective tax rate of approximately 11% to 12%
- Full-year adjusted diluted shares outstanding of approximately 229 million (prev. 226 million)

Cash Flow - Update

US \$M	1H '18 Actual	Prior Guidance (May'18)		New Guidance (Aug'18)	
		FY 2018 Guidance Low	FY 2018 Guidance High	FY 2018 Guidance Low	FY 2018 Guidance High
Adjusted EBITDA Range	\$685	\$1,200	\$1,300	\$1,270	\$1,330
Cash Interest	(\$252)	~(\$520)		~(\$520)	
Changes in Net Working Capital ^[1]	\$60	~\$15		~\$40	
Changes in Other Assets and Liabilities	\$7	~(\$50)		~(\$20)	
Contingent Consideration	(\$29)	~(\$45)		~(\$45)	
Cash Taxes, net refund (payments)	(\$2)	~(\$25)		~(\$25)	
Milestone/Commercial Payments	(\$38)	~(\$30)		~(\$40)	
Restructuring and Integration Related Costs	(\$44)	~(\$65)		~(\$65)	
Cash Flow from Operations – Pre-Mesh and Other Settlements	\$386	~\$480	~\$580	~\$595	~\$655
Non-Mesh Settlement Payments, net ^[2]	(\$0)	~(\$140)		~(\$25)	
Cash Distributions to Settle Mesh Claims ^[3]	(\$166)	~(\$475)		~(\$360)	
Cash Flow from Operations	\$219	~(\$135)	~(\$35)	~\$210	~\$270
Change in Restricted Cash - Mesh Related	\$22	~\$65		~(\$50)	
Change in Restricted Cash - Non-Mesh Settlements	(\$78)	~\$0		~(\$80)	
Capital Expenditures	(\$42)	~(\$120)		~(\$120)	
Acquisitions and Other ^[4]	\$8	~(\$225)		~(\$225)	
Cash Flow Prior to Debt Payments	\$129	~(\$415)	~(\$315)	~(\$265)	~(\$205)
Unrestricted Cash Balance at Period-End	\$1,099	~\$537	~\$637	~\$687	~\$747

Cash into the mesh QSF and paid mesh legal expenses:
YTD Q2'18 (~\$144M)
FY '18 (~\$410M)

- ^[1] "Changes in Net Working Capital" defined as changes in Accounts Receivable adjusted for non-cash items, plus changes in Inventory adjusted for long-term and non-cash items, less changes in Accounts Payable adjusted for Royalties and Rebates (additional detail available on slide 15 in Appendix)
- ^[2] "Non-Mesh Settlement Payments" for FY'18 represent legal settlements that Endo expects to be paid during the year.
- ^[3] "Cash Distributions to Settle Mesh Claims" for FY '18 represents expected direct payments and payments from Qualified Settlement Funds to settle mesh product liabilities, as well as mesh related legal expenses.
- ^[4] "Acquisition and Other" for FY'18 includes acquisition cost, contingent consideration for certain products, as well as capital lease payments.

Table may not total due to rounding

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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 June 30, 2018, March 31, 2018, December 31, 2017 and December 31, 2016 (in thousands except for ratios):

	June 30, 2018	March 31, 2018	December 31, 2017	December 31, 2016
Total Revenue	\$ 714,696	\$ 700,527	\$ 768,645	\$ 1,241,513
DSO:				
Accounts Receivable, net of allowance	\$ 451,240	\$ 460,019	\$ 517,436	\$ 992,153
Less: Returns and allowances	(276,677)	(293,840)	(291,034)	(332,455)
Accounts Receivable, adjusted for non-cash items	\$ 174,563	\$ 166,179	\$ 226,402	\$ 659,698
Total revenues per day	\$ 7,854	\$ 7,784	\$ 8,355	\$ 13,495
DSO	22	21	27	49
DIO:				
Inventories, net	\$ 343,318	\$ 376,650	\$ 391,437	\$ 555,671
Plus: Long-term inventory	11,258	18,368	17,146	22,705
Less: Inventory step-up	(124)	(66)	(109)	(652)
Inventory, adjusted for long-term and non-cash items	\$ 354,452	\$ 394,952	\$ 408,474	\$ 577,724
Total revenues per day	\$ 7,854	\$ 7,784	\$ 8,355	\$ 13,495
DIO	45	51	49	43
DPO:				
Trade Accounts Payable	\$ 95,195	\$ 87,235	\$ 85,348	\$ 126,712
Plus: Accrued Royalties and Partner Payables	148,326	137,868	63,114	191,433
Plus: Accrued Rebates and Chargebacks paid in cash	52,515	59,607	182,937	260,798
Trade Accounts Payable, adjusted for royalties and rebates	\$ 296,036	\$ 284,710	\$ 331,399	\$ 578,943
Total revenues per day	\$ 7,854	\$ 7,784	\$ 8,355	\$ 13,495
DPO	38	37	40	43
Cash Conversion Cycle	30	36	36	49

Reconciliation of Non-GAAP Measures

The following table provides a reconciliation of Net loss (GAAP) to Adjusted EBITDA (non-GAAP) for the three and six months ended June 30, 2018 and 2017 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss (GAAP)	\$ (60,867)	\$ (1,396,518)	\$ (566,356)	\$ (1,570,346)
Income tax expense (benefit)	6,235	(57,480)	21,726	(69,408)
Interest expense, net	130,059	121,747	254,049	233,746
Depreciation and amortization (15)	170,011	212,801	344,469	496,910
EBITDA (non-GAAP)	\$ 245,438	\$ (1,119,450)	\$ 53,888	\$ (909,098)
Inventory step-up and other cost savings (2)	\$ 124	\$ 100	\$ 190	\$ 215
Upfront and milestone-related payments (3)	36,964	3,082	38,296	6,177
Inventory reserve increase from restructuring (4)	202	7,899	2,590	7,899
Separation benefits and other restructuring (5)	28,951	16,715	75,550	39,385
Certain litigation-related and other contingencies, net (6)	19,620	(2,600)	17,120	(1,664)
Asset impairment charges (7)	22,767	725,044	471,183	929,006
Acquisition-related and integration costs (8)	1,034	2,240	1,034	6,936
Fair value of contingent consideration (9)	4,127	1,950	10,962	8,134
Loss on extinguishment of debt (10)	—	51,734	—	51,734
Share-based compensation	12,096	7,512	29,986	27,005
Other income, net (16)	(28,831)	(6,709)	(31,709)	(8,746)
Other adjustments	(10)	(114)	(708)	(17)
Discontinued operations, net of tax (13)	8,388	700,498	16,139	708,903
Adjusted EBITDA (non-GAAP)	\$ 350,870	\$ 387,901	\$ 684,521	\$ 865,869

Reconciliation of Non-GAAP Measures

Three Months Ended June 30, 2018

	Total revenues	Cost of revenues	Gross margin	Gross margin %	Total operating expenses	Operating expense to revenue %	Operating income from continuing operations	Operating margin %	Other non-operating expense, net	(Loss) income from continuing operations before income tax	Income tax expense	Effective tax rate	(Loss) income from continuing operations	Discontinued operations, net of tax	Net (loss) income	Diluted (loss) income per share from continuing operations (14)
Reported (GAAP)	\$ 714,696	\$ 381,905	\$ 332,791	47%	\$ 277,807	39%	\$ 54,984	8%	\$ 101,228	\$ (46,244)	\$ 6,235	(13)%	\$ (52,479)	\$ (8,388)	\$ (60,867)	\$ (0.23)
Items impacting comparability:																
Amortization of intangible assets (1)	—	(153,215)	153,215		—		153,215		—	153,215	—		153,215	—	153,215	0.67
Inventory step-up and other cost savings (2)	—	(124)	124		—		124		—	124	—		124	—	124	—
Upfront and milestone-related payments (3)	—	(694)	694		(36,270)		36,964		—	36,964	—		36,964	—	36,964	0.17
Inventory reserve increase from restructuring (4)	—	(202)	202		—		202		—	202	—		202	—	202	—
Separation benefits and other restructuring (5)	—	(26,613)	26,613		(2,338)		28,951		—	28,951	—		28,951	—	28,951	0.13
Certain litigation-related and other contingencies, net (6)	—	—	—		(19,620)		19,620		—	19,620	—		19,620	—	19,620	0.09
Asset impairment charges (7)	—	—	—		(22,767)		22,767		—	22,767	—		22,767	—	22,767	0.10
Acquisition-related and integration costs (8)	—	—	—		(1,034)		1,034		—	1,034	—		1,034	—	1,034	—
Fair value of contingent consideration (9)	—	—	—		(4,127)		4,127		—	4,127	—		4,127	—	4,127	0.02
Other (11)	—	—	—		—		—		28,007	(28,007)	—		(28,007)	—	(28,007)	(0.13)
Tax adjustments (12)	—	—	—		—		—		—	—	14,323		(14,323)	—	(14,323)	(0.06)
Exclude discontinued operations, net of tax (13)	—	—	—		—		—		—	—	—		—	8,388	8,388	—
After considering items (non-GAAP)	\$ 714,696	\$ 201,057	\$ 513,639	72%	\$ 191,651	27%	\$ 321,988	45%	\$ 129,235	\$ 192,753	\$ 20,558	11%	\$ 172,195	\$ —	\$ 172,195	\$ 0.76

Reconciliation of Non-GAAP Measures

Three Months Ended June 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	Diluted (loss) income per share from continuing operations (14)
Reported (GAAP)	\$ 875,731	\$ 539,401	\$ 336,330	38%	\$ 923,058	105%	\$ (586,728)	(67)%	\$ 166,772	\$ (753,500)	\$ (57,480)	8%	\$ (696,020)	\$ (700,498)	\$ (1,396,518)	\$ (3.12)
Items impacting comparability:																
Amortization of intangible assets (1)	—	(190,943)	190,943		—		190,943		—	190,943	—		190,943	—	190,943	0.86
Inventory step-up and other cost savings (2)	—	(100)	100		—		100		—	100	—		100	—	100	—
Upfront and milestone-related payments (3)	—	(682)	682		(2,400)		3,082		—	3,082	—		3,082	—	3,082	0.01
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 (5)	—	(5,026)	5,026		(11,689)		16,715		—	16,715	—		16,715	—	16,715	0.07
Certain litigation-related and other contingencies, net (6)	—	—	—		2,600		(2,600)		—	(2,600)	—		(2,600)	—	(2,600)	(0.01)
Asset impairment charges (7)	—	—	—		(725,044)		725,044		—	725,044	—		725,044	—	725,044	3.25
Acquisition-related and integration costs (8)	—	—	—		(2,240)		2,240		—	2,240	—		2,240	—	2,240	0.01
Fair value of contingent consideration (9)	—	—	—		(1,950)		1,950		—	1,950	—		1,950	—	1,950	0.01
Loss on extinguishment of debt (10)	—	—	—		—		—		(51,734)	51,734	—		51,734	—	51,734	0.23
Other (11)	—	—	—		—		—		3,233	(3,233)	—		(3,233)	—	(3,233)	(0.01)
Tax adjustments (12)	—	—	—		—		—		—	—	90,653		(90,653)	—	(90,653)	(0.41)
Exclude discontinued operations, net of tax (13)	—	—	—		—		—		—	—	—		—	700,498	700,498	—
After considering items (non-GAAP)	\$ 875,731	\$ 334,751	\$ 540,980	62%	\$ 182,335	21%	\$ 358,645	41%	\$ 118,271	\$ 240,374	\$ 33,173	14%	\$ 207,201	\$ —	\$ 207,201	\$ 0.93

Reconciliation of Non-GAAP Measures

Six Months Ended June 30, 2018

	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	Effective tax rate	(Loss) income from continuing operations	Discontinued operations, net of tax	Net (loss) income	Diluted (loss) income per share from continuing operations (14)
Reported (GAAP)	\$1,415,223	\$ 785,503	\$ 629,720	44%	\$ 935,871	66%	\$ (306,151)	(22)%	\$ 222,340	\$ (528,491)	\$ 21,726	(4)%	\$ (550,217)	\$ (16,139)	\$ (566,356)	\$ (2.46)
Items impacting comparability:																
Amortization of intangible assets (1)	—	(310,387)	310,387		—		310,387		—	310,387	—		310,387	—	310,387	1.38
Inventory step-up and other cost savings (2)	—	(190)	190		—		190		—	190	—		190	—	190	—
Upfront and milestone-related payments (3)	—	(1,350)	1,350		(36,046)		38,296		—	38,296	—		38,296	—	38,296	0.17
Inventory reserve increase from restructuring (4)	—	(2,590)	2,590		—		2,590		—	2,590	—		2,590	—	2,590	0.01
Separation benefits and other restructuring (5)	—	(53,831)	53,831		(21,719)		75,550		—	75,550	—		75,550	—	75,550	0.34
Certain litigation-related and other contingencies, net (6)	—	—	—		(17,120)		17,120		—	17,120	—		17,120	—	17,120	0.08
Asset impairment charges (7)	—	—	—		(471,183)		471,183		—	471,183	—		471,183	—	471,183	2.10
Acquisition-related and integration costs (8)	—	—	—		(1,034)		1,034		—	1,034	—		1,034	—	1,034	—
Fair value of contingent consideration (9)	—	—	—		(10,962)		10,962		—	10,962	—		10,962	—	10,962	0.05
Other (11)	—	—	—		630		(630)		30,631	(31,261)	—		(31,261)	—	(31,261)	(0.14)
Tax adjustments (12)	—	—	—		—		—		—	—	22,856		(22,856)	—	(22,856)	(0.10)
Exclude discontinued operations, net of tax (13)	—	—	—		—		—		—	—	—		—	16,139	16,139	—
After considering items (non-GAAP)	\$1,415,223	\$ 417,155	\$ 998,068	71%	\$ 377,537	27%	\$ 620,531	44%	\$ 252,971	\$ 367,560	\$ 44,582	12%	\$ 322,978	\$ —	\$ 322,978	\$ 1.43

Reconciliation of Non-GAAP Measures

Six Months Ended June 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	Diluted (loss) income per share from continuing operations (14)
Reported (GAAP)	\$1,913,331	\$1,208,363	\$ 704,968	37%	\$1,359,085	71%	\$ (654,117)	(34)%	\$ 276,734	\$ (930,851)	\$ (69,408)	7%	\$ (861,443)	\$ (708,903)	\$ (1,570,346)	\$ (3.86)
Items impacting comparability:																
Amortization of intangible assets (1)	—	(454,077)	454,077		—		454,077		—	454,077	—		454,077	—	454,077	2.03
Inventory step-up and other cost savings (2)	—	(215)	215		—		215		—	215	—		215	—	215	—
Upfront and milestone-related payments (3)	—	(1,351)	1,351		(4,826)		6,177		—	6,177	—		6,177	—	6,177	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 (5)	—	(6,687)	6,687		(32,698)		39,385		—	39,385	—		39,385	—	39,385	0.18
Certain litigation-related and other contingencies, net (6)	—	—	—		1,664		(1,664)		—	(1,664)	—		(1,664)	—	(1,664)	(0.01)
Asset impairment charges (7)	—	—	—		(929,006)		929,006		—	929,006	—		929,006	—	929,006	4.16
Acquisition-related and integration costs (8)	—	—	—		(6,936)		6,936		—	6,936	—		6,936	—	6,936	0.03
Fair value of contingent consideration (9)	—	—	—		(8,134)		8,134		—	8,134	—		8,134	—	8,134	0.04
Loss on extinguishment of debt (10)	—	—	—		—		—		(51,734)	51,734	—		51,734	—	51,734	0.23
Other (11)	—	—	—		—		—		4,168	(4,168)	—		(4,168)	—	(4,168)	(0.02)
Tax adjustments (12)	—	—	—		—		—		—	—	153,842		(153,842)	—	(153,842)	(0.69)
Exclude discontinued operations, net of tax (13)	—	—	—		—		—		—	—	—		—	708,903	708,903	—
After considering items (non-GAAP)	\$1,913,331	\$ 738,134	\$1,175,197	61%	\$ 379,149	20%	\$ 796,048	42 %	\$ 229,168	\$ 566,880	\$ 84,434	15%	\$ 482,446	\$ —	\$ 482,446	\$ 2.16

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 six months ended June 30, 2018 and 2017 are as follows:

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

	Three Month: Ended June 30,		Six Month: Ended June 30,	
	2018	2017	2018	2017
Amortization of intangible assets excluding fair value step-up from contingent consideration	\$ 146,906	\$ 180,886	\$ 296,766	\$ 433,775
Amortization of intangible assets related to fair value step-up from contingent consideration	6,309	10,057	13,621	20,302
Total	\$ 153,215	\$ 190,943	\$ 310,387	\$ 454,077

- (2) To exclude adjustments for inventory step-up.

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

	Three Month: Ended June 30,			
	2018		2017	
	Cost of revenues:	Operating expenses:	Cost of revenues:	Operating expenses:
Sales-based	\$ 694	\$ —	\$ 682	\$ —
Development-based	—	36,270	—	2,400
Total	\$ 694	\$ 36,270	\$ 682	\$ 2,400

	Six Month: Ended June 30,			
	2018		2017	
	Cost of revenues:	Operating expenses:	Cost of revenues:	Operating expenses:
Sales-based	\$ 1,350	\$ —	\$ 1,351	\$ —
Development-based	—	36,946	—	4,826
Total	\$ 1,350	\$ 36,946	\$ 1,351	\$ 4,826

- (4) To exclude charges reflecting adjustments to excess inventory reserves related to our various restructuring initiatives.

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

	Three Month: Ended June 30,			
	2018		2017	
	Cost of revenues:	Operating expenses:	Cost of revenues:	Operating expenses:
Separation benefits	\$ 3,983	\$ 1,440	\$ 609	\$ 128
Accelerated depreciation and product discontinuation charges	18,045	—	—	—
Other	4,585	898	4,417	11,561
Total	\$ 26,613	\$ 2,338	\$ 5,026	\$ 11,689

	Six Month: Ended June 30,			
	2018		2017	
	Cost of revenues:	Operating expenses:	Cost of revenues:	Operating expenses:
Separation benefits	\$ 13,768	\$ 16,836	\$ 2,270	\$ 19,255
Accelerated depreciation and product discontinuation charges	35,177	—	—	398
Other	4,886	4,883	4,417	13,045
Total	\$ 53,831	\$ 21,719	\$ 6,687	\$ 32,698

- (6) To exclude litigation-related settlement charges, reimbursements and certain settlements proceeds related to suits filed by our subsidiaries.

- (7) Adjustments for asset impairment charges included the following (in thousands):

	Three Month: Ended June 30,		Six Month: Ended June 30,	
	2018	2017	2018	2017
Goodwill impairment charges	\$ —	\$ 206,143	\$ 391,000	\$ 288,745
Other intangible asset impairment charges	22,767	476,971	76,967	595,877
Property, plant and equipment impairment charges	—	41,930	3,216	44,384
Total asset impairment charges	\$ 22,767	\$ 725,044	\$ 471,183	\$ 929,006

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

	Three Month: Ended June 30,		Six Month: Ended June 30,	
	2018	2017	2018	2017
Integration costs (primarily third-party consulting fees)	\$ —	\$ 2,233	\$ —	\$ 4,476
Acquisition costs	1,034	—	1,034	—
Other	—	7	—	2,460
Total	\$ 1,034	\$ 2,240	\$ 1,034	\$ 6,936

- (9) 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.

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

- (11) Other adjustments included the following (in thousands):

	Three Month: Ended June 30,			
	2018		2017	
	Operating expenses:	Other non-operating expenses:	Operating expenses:	Other non-operating expenses:
Foreign currency impact related to the re-measurement of intercompany debt instruments	\$ —	\$ (574)	\$ —	\$ (3,233)
(Gain) loss on sale of business and other assets	—	(23,837)	—	—
Other miscellaneous	—	(3,596)	—	—
Total	\$ —	\$ (28,007)	\$ —	\$ (3,233)

	Six Month: Ended June 30,			
	2018		2017	
	Operating expenses:	Other non-operating expenses:	Operating expenses:	Other non-operating expenses:
Foreign currency impact related to the re-measurement of intercompany debt instruments	\$ —	\$ (3,088)	\$ —	\$ (5,927)
(Gain) loss on sale of business and other assets	—	(23,837)	—	—
Other miscellaneous	(630)	(3,706)	—	1,759
Total	\$ (630)	\$ (30,631)	\$ —	\$ (4,168)

- (12) 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.

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

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

	Three Month: Ended June 30,		Six Month: Ended June 30,	
	2018	2017	2018	2017
GAAP EPS	223,834	223,158	223,677	223,086
Non-GAAP EPS	227,273	223,785	226,114	223,560

- (15) 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.

- (16) To exclude Other income, net per the Consolidated Statement of Operations.

Endo International plc

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