

Endo International plc

Q2 2017 Earnings Report

August 8, 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 & Q2 2017 Snapshot
- Q2 2017 Business Unit Performance
 - U.S. Generic Pharmaceuticals
 - U.S. Branded Pharmaceuticals
 - International Pharmaceuticals
- Q2 2017 Financial Results
 - Manufacturing restructuring
 - Mesh update
- 2017 Financial Guidance – Update

Overview

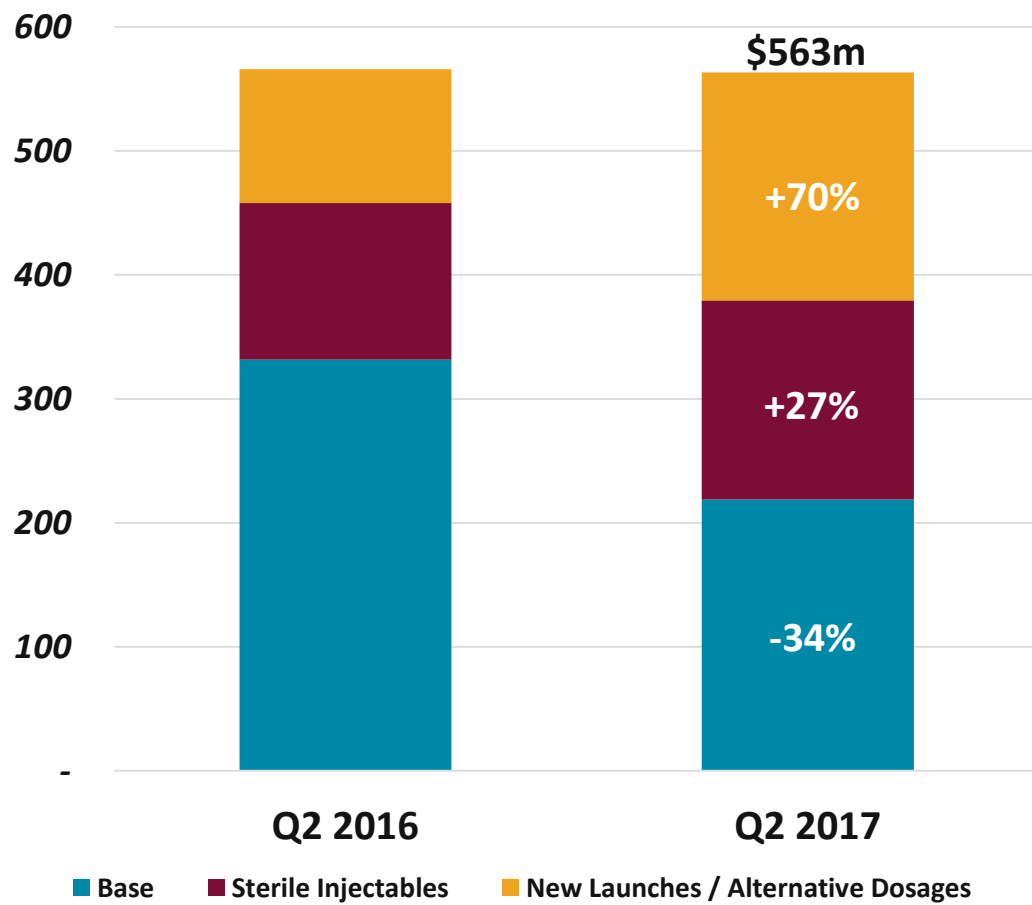
- Continued operational execution focus drives strong performance
- Product sales mix and savings from previously announced restructurings grew adjusted EBITDA in Q2 2017 vs. prior year
- Delivered solid adjusted bottom-line Q2 2017 results while making progress on several strategic initiatives
- Update of FY 2017 Financial Guidance

Q2 2017 Snapshot

Revenue (US \$M)	Q2 2017	Q2 2016	Y/Y Growth %
U.S. Generic Pharmaceuticals	\$563	\$565	--
U.S. Branded Pharmaceuticals	\$245	\$288	(15%)
International Pharmaceuticals	\$67	\$67	--
Total	\$876	\$921	(5%)

Q2 2017 Performance: U.S. Generic Pharmaceuticals

Reported Revenues in \$ Millions



Strong performance driven by Sterile Injectables & New Launches / Alternative Dosages

Sterile Injectables:

- Vasostrict® grew 24% vs. prior year
- Adrenalin® gaining share as unapproved products exit

New launches / Alt Dosages:

- Strong performance driven by Q4'16 FTF's; KCI liquid/powder and new injectable launches
- Launched 5 products in Q2'17

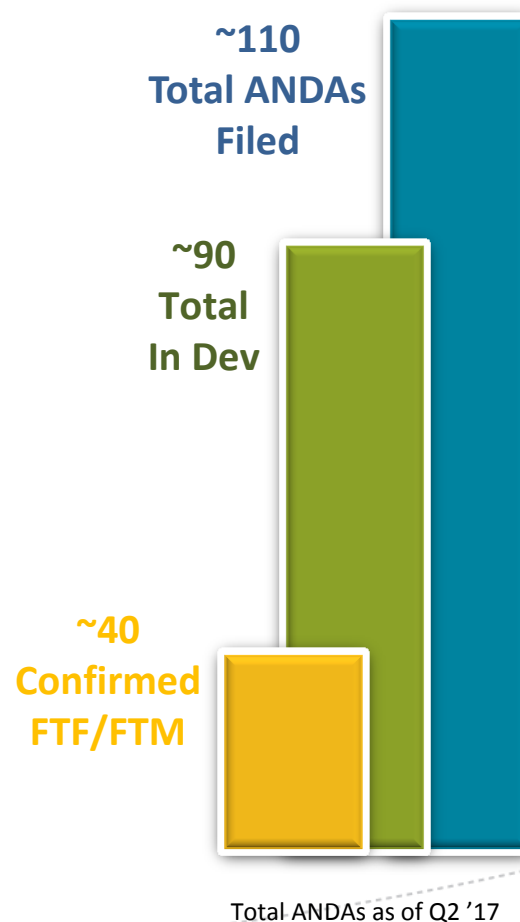
Base business:

- Declined 34% vs. prior year, due in part, to annualization of 2016 competitive events and product discontinuances; Price erosion in line with our previous expectations

U.S. Generics: 2017 Progress and Current Pipeline

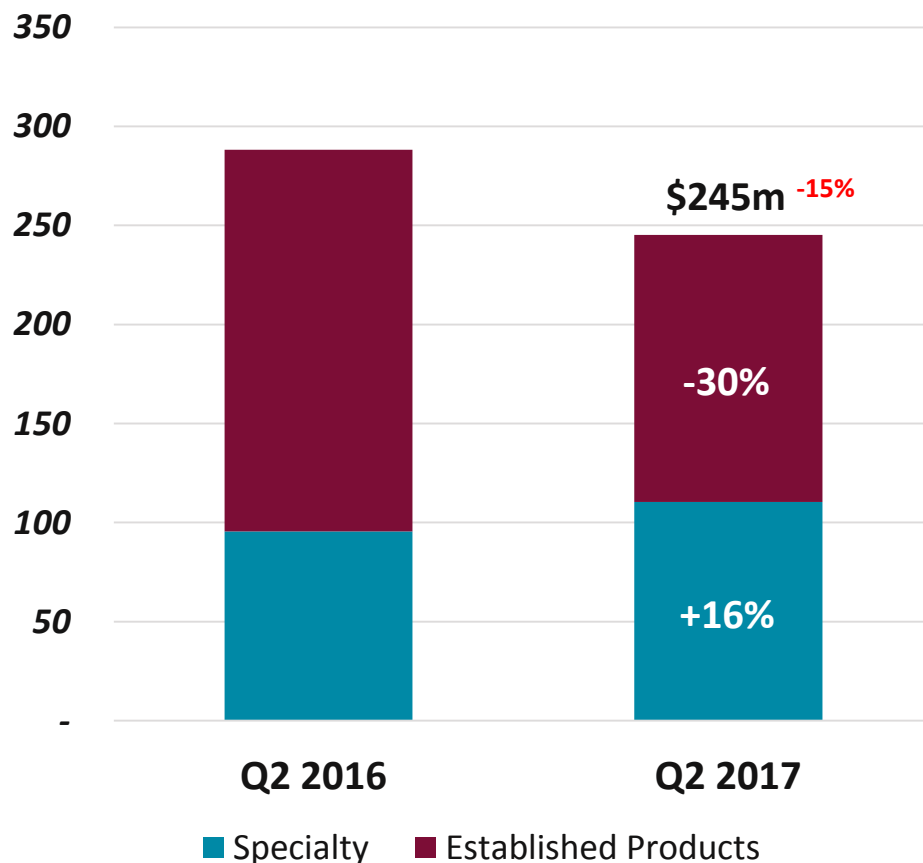
YTD Progress and 2017 Scorecard

- 9 launches year-to-date; expect >20 product launches with estimated market value: \$6bn*
- 6 regulatory submissions year-to-date; expect to file ~20 regulatory submissions
- Unapproved sources of Adrenalin® starting to vacate the market
- Expect majority share of the KCl powder market



Q2 2017 Performance: U.S. Branded Pharmaceuticals

Reported Revenues in \$ Millions



Specialty:

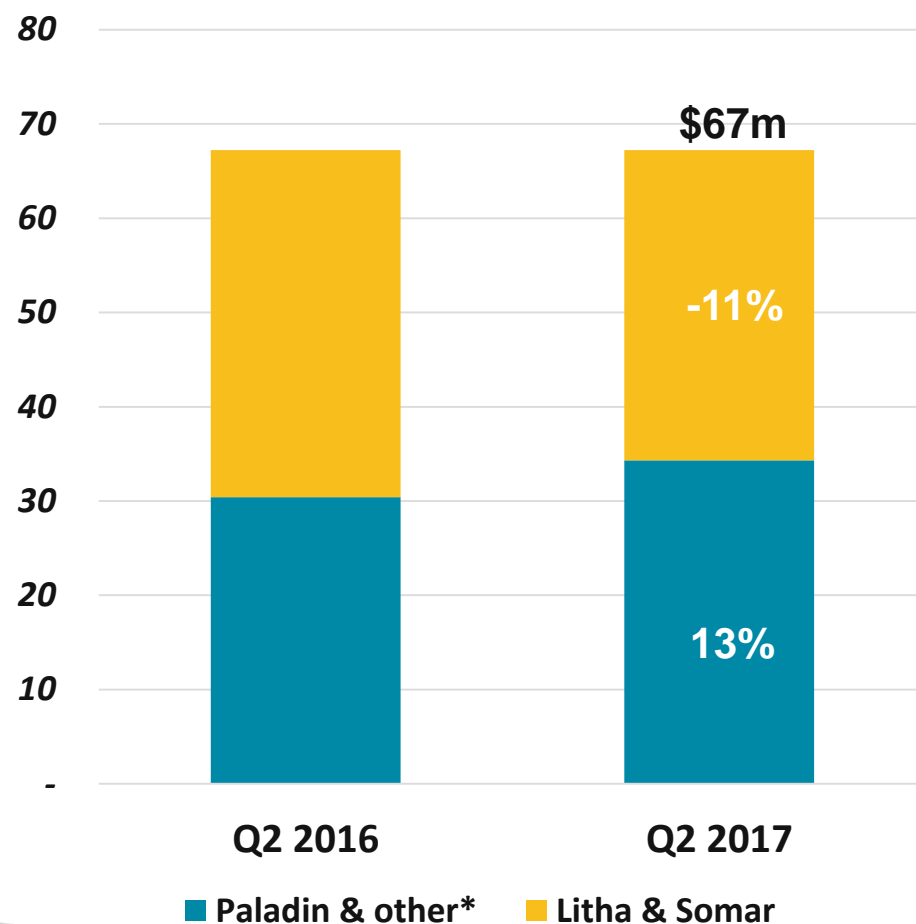
- +16% driven by XIAFLEX® (+18%) and SUPPRELIN® LA (+11%)
- Continue to expect FY'17 Specialty portfolio and XIAFLEX® to grow high-single to low-double digit

Established Products:

- -30% driven by Q2 continued decline of pain products, and the Q3 2016 divestiture of STENDRA®

Q2 2017 Performance: International Pharmaceuticals

Reported Revenues in \$ Millions



- **Paladin: Q2'17: \$28m**
 - +10% due to uptake on Nucynta & Xiaflex in addition to delayed competition on certain products
 - Expect 2017 sales to decline mid-single digit due to LOE, but solid gross margin in the high 50%'s
- **Litha & Somar: Q2'17: \$33m**
 - Divested Litha – closed on July 3rd, 2017
 - Agreement to divest Somar – close expected beginning of Q4'17

Q2 2017: Financial Results

(Continuing Operations*)

(US \$M, except EPS)	Q2 2017		Q2 2016	
	GAAP	Non-GAAP	GAAP	Non-GAAP
Revenue	\$876	\$876	\$921	\$921
Gross Margin	38.4%	61.8%	31.3%	59.1%
Operating Income (Loss)	(\$587)	\$359	(\$48)	\$312
(Loss) Income from Continuing Operations	(\$696)	\$207	\$390	\$192
Effective Tax Rate	NM	13.8%	NM	2.0%
Diluted Income (Loss) per share	(\$3.12)	\$0.93	\$1.75	\$0.86
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 Q2'2017 earnings press release

U.S. Generics: 2017 Manufacturing Restructuring

Estimated Financial Impact	2017	2018	Cumulative
Revenue Reduction	~\$10-\$15M	~\$45-\$50M	~\$60M
Savings, Net of Revenue Reduction	~\$5-\$10M	~\$50-\$60M	~\$55-\$65M
One-Time Charges ^[1]			
Increase in Inventory Reserve Levels	~\$10M	N/A	~\$10M
Intangible Asset Impairments	~\$60M	N/A	~\$60M
Fixed Asset Impairment	~\$30M	N/A	~\$30M
Fixed Asset Accelerated Depreciation	~\$125M	~\$40M	~\$165M
Other Restructuring Expenses	~\$50M	~\$10M	~\$60M

Q2 2017 Mesh Legal Liability Update

Mesh Liability Cash Call (\$ in millions)		
Product Liability Accrual (3/31/17)	\$714	Remaining liability related to previous Master Settlement Agreements (MSAs)
Q2 2017 Payments from QSF / to claimants	(\$195)	
Additional Product Liability Accrual (Q2'17)	\$775	Covers ~22,000 U.S. claims; all known Ex-U.S. claims and other Mesh-related matters
Total Product Liability Accrual as of 6/30/17	\$1,295	
Amount Funded in QSF as of 6/30/17	(\$359)	
Total Remaining Cash Call	~\$935	<u>Estimated Phasing:</u> <ul style="list-style-type: none"> • H2 2017: ~\$160-\$185 • 2018: ~\$500-\$525 • 2019: ~\$240-\$265

2017 Financial Guidance (Continuing Operations*)

Measure	FY 2017 Financial Guidance
Revenue	\$3.38B - \$3.53B
Adjusted EBITDA	\$1.48B - \$1.56B
Adjusted Diluted EPS	\$3.35 - \$3.65
GAAP Diluted (Loss) per share	(\$4.76) - (\$4.46)

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 22.5%
- Adjusted interest expense of approximately \$490 million to \$500 million
- Adjusted effective tax rate of approximately 14.0%
- 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.
- H2 Phasing: ~50% of revenue and ~45% of adjusted diluted EPS in Q3

Note: FY'17 net cash tax receipts of approximately \$15 million



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

2017: Cash Flow Update

\$ in Millions

		FY 2017 Guidance	
	Q2 '17 YTD	Low	High
Adjusted EBITDA Range	\$866	\$1,480	\$1,560
Cash Interest	(\$220)	~(\$465)	
Changes in Working Capital and Other Assets & Liabilities	\$227	\$220	
Cash Taxes, net refund (payments)	\$9	~\$15	
Milestone/Commercial Payments	(\$6)	~(\$40)	
Restructuring and Integration Related Costs ^[1]	(\$59)	~(\$100)	
Cash Flow from Operations – Pre-Mesh and Other Settlements	\$816	~\$1,110	~\$1,190
Non-Mesh Settlement Payments ^[2]	(\$10)	~(\$50)	
Cash Distributions to Settle Mesh Claims and Related Legal Expenses ^[3]	(\$465)	~(\$975)	
Cash Flow from Operations	\$341	~\$85	~\$165
Change in Restricted Cash	(\$83)	~\$240	
Capital Expenditures	(\$60)	~(\$140)	
Other ^[4]	(\$79)	~\$80	
Cash Flow Prior to Debt Payments^[5]	\$119	~\$265	~\$345

Cash into the QSF
and paid mesh
legal expenses:
YTD '17 \$547M
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 additional legal settlements and expenses that Endo paid Q2 '17 YTD and expects to pay in FY '17

^[3] "Cash Distributions to Settle Mesh Claims and Related Legal Expenses" for Q2 '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] Q2 YTD "Cash Flow Prior to Debt Payments" includes \$21M related to Litha and 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



Q2 2017 Mesh Update

- Beginning in the second quarter of 2017, Endo aggressively executed a settlement strategy in connection with our U.S. Mesh product liability litigation and we have reached agreements to resolve virtually all known U.S. product liability claims and are engaged in discussions to resolve the known remaining U.S. claims at reasonable values.
- We believe that, in considering the potential costs and continued distraction of litigation, putting this litigation substantially behind us through settlements enables us to move forward with even greater focus on executing against our core strategic priorities. We also believe this action will assist most mesh claimants in moving forward with their lives.
- The \$775M mesh product liability charge in Q2'17 reflects an estimate for the expected future payments related to the resolved U.S. mesh product liability claims (resolved claims are subject to a validation process), the small portion of known unresolved U.S. claims, all of the known international mesh product liability claims and other mesh-related matters.
- With respect to the resolved claims, Endo agreed to make installment payments beginning in the fourth quarter of 2017 and continuing through the fourth quarter of 2019.
- We are unable to estimate the number of claims that might be made in the future; however, our expectation is that future cases will not be brought on a mass basis due to a number of factors; specifically, case management orders, global resolution with all key plaintiff attorneys, we are no longer selling mesh (as of March 31, 2016); settlements entered into by other manufacturers / decrease in advertising and the continued running of statutes of limitations.

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, 2017, March 31, 2017, December 31, 2016 and December 31, 2015 (in thousands except for ratios):

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

Reconciliation of Non-GAAP Measures

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net (loss) income attributable to Endo International plc (GAAP)	\$ (1,396,518)	\$ 343,578	\$ (1,570,346)	\$ 209,709
Income tax benefit	(57,480)	(555,277)	(69,408)	(673,992)
Interest expense, net	121,747	111,919	233,746	228,712
Depreciation and amortization (18)	212,801	231,478	496,910	464,912
EBITDA (non-GAAP)	\$ (1,119,450)	\$ 131,698	\$ (909,098)	\$ 229,341
Inventory step-up and other cost savings (2)	\$ 100	\$ 29,103	\$ 215	\$ 97,579
Upfront and milestone-related payments (3)	3,082	2,688	6,177	4,105
Inventory reserve increase from restructuring (4)	7,899	6,706	7,899	33,633
Royalty obligations (5)	—	—	—	(7,750)
Separation benefits and other restructuring (6)	16,715	15,468	39,385	26,997
Certain litigation-related and other contingencies, net (7)	(2,600)	5,259	(1,664)	10,459
Asset impairment charges (8)	725,044	39,951	929,006	169,576
Acquisition-related and integration costs (9)	2,240	24,287	6,936	47,515
Fair value of contingent consideration (10)	1,950	23,884	8,134	13,210
Loss on extinguishment of debt (11)	51,734	—	51,734	—
Share-based compensation	7,512	14,203	27,005	28,520
Other (income) expense, net (19)	(6,709)	5,175	(8,746)	3,268
Other adjustments	(114)	5,783	(17)	(1,395)
Discontinued operations, net of tax (15)	700,498	46,216	708,903	91,324
Net income attributable to noncontrolling interests (16)	—	18	—	16
Adjusted EBITDA (non-GAAP)	\$ 387,901	\$ 350,439	\$ 865,869	\$ 746,398

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 six months ended June 30, 2017 and 2016 (in thousands, except per share data):

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 attributable to Endo International plc	Diluted (loss) income per share from continuing operations (17)
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 (6)	—	(5,026)	5,026		(11,689)		16,715		—	16,715	—		16,715	—	16,715	0.07
Certain litigation-related and other contingencies, net (7)	—	—	—		2,600		(2,600)		—	(2,600)	—		(2,600)	—	(2,600)	(0.01)
Asset impairment charges (8)	—	—	—		(725,044)		725,044		—	725,044	—		725,044	—	725,044	3.25
Acquisition-related and integration costs (9)	—	—	—		(2,240)		2,240		—	2,240	—		2,240	—	2,240	0.01
Fair value of contingent consideration (10)	—	—	—		(1,950)		1,950		—	1,950	—		1,950	—	1,950	0.01
Loss on extinguishment of debt (11)	—	—	—		—		—		(51,734)	51,734	—		51,734	—	51,734	0.23
Other (13)	—	—	—		—		—		3,233	(3,233)	—		(3,233)	—	(3,233)	(0.01)
Tax adjustments (14)	—	—	—		—		—		—	—	90,653		(90,653)	—	(90,653)	(0.41)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	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

Three Months Ended June 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	(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)	\$ 920,887	\$ 632,218	\$ 288,669	31%	\$ 337,040	37%	\$ (48,371)	(5)%	\$ 117,094	\$ (165,465)	\$ (555,277)	336%	\$ 389,812	\$ (46,216)	\$ 343,578	\$ 1.75
Items impacting comparability:																
Amortization of intangible assets (1)	—	(212,844)	212,844		—		212,844		—	212,844	—		212,844	—	212,844	0.95
Inventory step-up and other cost savings (2)	—	(29,103)	29,103		—		29,103		—	29,103	—		29,103	—	29,103	0.13
Upfront and milestone-related payments (3)	—	(642)	642		(2,046)		2,688		—	2,688	—		2,688	—	2,688	0.01
Inventory reserve increase from restructuring (4)	—	(6,706)	6,706		—		6,706		—	6,706	—		6,706	—	6,706	0.03
Separation benefits and other restructuring (6)	—	(6,405)	6,405		(9,063)		15,468		—	15,468	—		15,468	—	15,468	0.07
Certain litigation-related and other contingencies, net (7)	—	—	—		(5,259)		5,259		—	5,259	—		5,259	—	5,259	0.02
Asset impairment charges (8)	—	—	—		(39,951)		39,951		—	39,951	—		39,951	—	39,951	0.18
Acquisition-related and integration costs (9)	—	—	—		(24,287)		24,287		—	24,287	—		24,287	—	24,287	0.11
Fair value of contingent consideration (10)	—	—	—		(23,884)		23,884		—	23,884	—		23,884	—	23,884	0.11
Other (13)	—	—	—		—		—		(1,541)	1,541	—		1,541	—	1,541	0.01
Tax adjustments (14)	—	—	—		—		—		—	—	559,202		(559,202)	—	(559,202)	(2.51)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	46,216	46,216	—
After considering items (non-GAAP)	\$ 920,887	\$ 376,518	\$ 544,369	59%	\$ 232,550	25%	\$ 311,819	34 %	\$ 115,553	\$ 196,266	\$ 3,925	2%	\$ 192,341	\$ —	\$ 192,323	\$ 0.86

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 attributable to Endo International plc	Diluted (loss) income per share from continuing operations (17)
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 (6)	—	(6,687)	6,687		(32,698)		39,385		—	39,385	—		39,385	—	39,385	0.18
Certain litigation-related and other contingencies, net (7)	—	—	—		1,664		(1,664)		—	(1,664)	—		(1,664)	—	(1,664)	(0.01)
Asset impairment charges (8)	—	—	—		(929,006)		929,006		—	929,006	—		929,006	—	929,006	4.16
Acquisition-related and integration costs (9)	—	—	—		(6,936)		6,936		—	6,936	—		6,936	—	6,936	0.03
Fair value of contingent consideration (10)	—	—	—		(8,134)		8,134		—	8,134	—		8,134	—	8,134	0.04
Loss on extinguishment of debt (11)	—	—	—		—		—		(51,734)	51,734	—		51,734	—	51,734	0.23
Other (13)	—	—	—		—		—		4,168	(4,168)	—		(4,168)	—	(4,168)	(0.02)
Tax adjustments (14)	—	—	—		—		—		—	—	153,842		(153,842)	—	(153,842)	(0.69)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	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

Six Months Ended June 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	(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)	\$1,884,426	\$1,320,923	\$ 563,503	30%	\$ 704,466	37%	\$ (140,963)	(7)%	\$ 231,980	\$ (372,943)	\$ (673,992)	181%	\$ 301,049	\$ (91,324)	\$ 209,709	\$ 1.35
Items impacting comparability:																
Amortization of intangible assets (1)	—	(424,513)	424,513		—		424,513		—	424,513	—		424,513	—	424,513	1.90
Inventory step-up and other cost savings (2)	—	(96,229)	96,229		(1,350)		97,579		—	97,579	—		97,579	—	97,579	0.44
Upfront and milestone-related payments (3)	—	(1,309)	1,309		(2,796)		4,105		—	4,105	—		4,105	—	4,105	0.02
Inventory reserve increase from restructuring (4)	—	(33,633)	33,633		—		33,633		—	33,633	—		33,633	—	33,633	0.15
Royalty obligations (5)	—	7,750	(7,750)		—		(7,750)		—	(7,750)	—		(7,750)	—	(7,750)	(0.03)
Separation benefits and other restructuring (6)	—	(6,405)	6,405		(20,592)		26,997		—	26,997	—		26,997	—	26,997	0.11
Certain litigation-related and other contingencies, net (7)	—	—	—		(10,459)		10,459		—	10,459	—		10,459	—	10,459	0.05
Asset impairment charges (8)	—	—	—		(169,576)		169,576		—	169,576	—		169,576	—	169,576	0.76
Acquisition-related and integration costs (9)	—	—	—		(47,515)		47,515		—	47,515	—		47,515	—	47,515	0.21
Fair value of contingent consideration (10)	—	—	—		(13,210)		13,210		—	13,210	—		13,210	—	13,210	0.06
Non-cash and penalty interest charges (12)	—	—	—		—		—		(4,092)	4,092	—		4,092	—	4,092	0.02
Other (13)	—	—	—		8,350		(8,350)		(2,860)	(5,490)	—		(5,490)	—	(5,490)	(0.02)
Tax adjustments (14)	—	—	—		—		—		—	—	686,416		(686,416)	—	(686,416)	(3.08)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	91,324	91,324	—
After considering items (non-GAAP)	\$1,884,426	\$ 766,584	\$1,117,842	59%	\$ 447,318	24%	\$ 670,524	36 %	\$ 225,028	\$ 445,496	\$ 12,424	3%	\$ 433,072	\$ —	\$ 433,056	\$ 1.94

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, 2017 and 2016 are as follows:

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Amortization of intangible assets excluding fair value step-up from contingent consideration	\$ 180,886	\$ 204,593	\$ 433,775	\$ 407,973
Amortization of intangible assets related to fair value step-up from contingent consideration	10,057	8,251	20,302	16,540
Total	\$ 190,943	\$ 212,844	\$ 454,077	\$ 424,513

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

	Three Months Ended June 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Fair value step-up of inventory sold	\$ 100	\$ —	\$ 26,600	\$ —
Excess manufacturing costs that will be eliminated pursuant to integration plans	—	—	2,503	—
Total	\$ 100	\$ —	\$ 29,103	\$ —

	Six Months Ended June 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Fair value step-up of inventory sold	\$ 215	\$ —	\$ 87,970	\$ 957
Excess manufacturing costs that will be eliminated pursuant to integration plans	—	—	8,259	393
Total	\$ 215	\$ —	\$ 96,229	\$ 1,350

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

	Three Months Ended June 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Sales-based milestones	\$ 682	\$ —	\$ 642	\$ —
Development-based milestones	—	2,400	—	2,046
Total	\$ 682	\$ 2,400	\$ 642	\$ 2,046

	Six Months Ended June 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Sales-based milestones	\$ 1,351	\$ —	\$ 1,309	\$ —
Development-based milestones	—	4,826	—	2,796
Total	\$ 1,351	\$ 4,826	\$ 1,309	\$ 2,796

- (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.
- (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 June 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Separation benefits	\$ 609	\$ 128	\$ 6,405	\$ 2,014
Accelerated depreciation and product discontinuation	—	—	—	3,402
Other	4,417	11,561	—	3,647
Total	\$ 5,026	\$ 11,689	\$ 6,405	\$ 9,063

	Six Months Ended June 30,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Separation benefits	\$ 2,270	\$ 19,255	\$ 6,405	\$ 8,773
Accelerated depreciation and product discontinuation charges	—	398	—	7,771
Other	4,417	13,045	—	4,048
Total	\$ 6,687	\$ 32,698	\$ 6,405	\$ 20,592

- (7) To exclude litigation settlement charges or reimbursements.

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

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 withdraw 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 withdrawal of OPANA® ER from the market 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 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 six months ended June 30, 2016, we recorded pre-tax, non-cash impairment charges of \$40 million and \$170 million, respectively. The charge for the three months ended June 30, 2016 resulted from certain market conditions impacting the commercial potential of certain intangible assets in our U.S. Generic Pharmaceuticals segment. The charges for the six months ended June 30, 2016, were primarily driven by our 2016 U.S. Generic Pharmaceuticals restructuring initiative, which resulted in the discontinuation of certain commercial products and the abandonment of certain IPR&D projects.

Reconciliation of Non-GAAP Measures

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Integration costs (primarily third-party consulting fees)	\$ 2,233	\$ 18,731	\$ 4,476	\$ 31,186
Transition services	—	3,621	—	8,470
Other	7	1,935	2,460	7,859
Total	\$ 2,240	\$ 24,287	\$ 6,936	\$ 47,515

- (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 June 30,			
	2017		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	\$ —	\$ (3,233)	\$ —	\$ 417
Other miscellaneous	—	—	—	1,124
Total	\$ —	\$ (3,233)	\$ —	\$ 1,541

	Six Months Ended June 30,			
	2017		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	\$ —	\$ (5,927)	\$ —	\$ 1,672
Other miscellaneous expense (income)	—	1,759	(8,350)	1,188
Total	\$ —	\$ (4,168)	\$ (8,350)	\$ 2,860

- (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. This benefit was excluded from our adjusted effective tax rate in accordance with our 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
GAAP EPS	223,158	222,863	223,086	223,021
Non-GAAP EPS	223,785	222,863	223,560	223,021

- (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

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