Endo International plc

Q4 2017
Earnings Report

February 27, 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
- Q4 2017 and FY 2017 Segment Results
- Strategic Priorities Update
- Generics Pipeline
- CCH Update - Cellulite
- 2018 Financial Guidance

Overview

- Continued focus on operational execution drives strong performance in fourth-quarter 2017

- Delivered solid FY 2017 Adjusted EBITDA and strong Adjusted EBITDA margin growth vs. prior year driven by product sales mix and savings from previously announced restructurings

- FY 2017 Revenue in-line with guidance; FY 2017 Adjusted EBITDA and Adjusted EPS exceeded upper end of financial guidance ranges

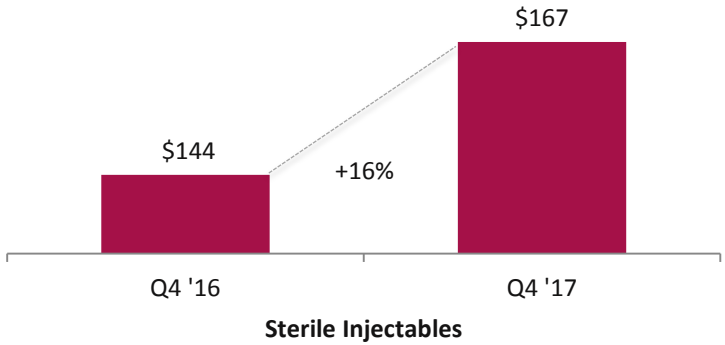
Q4 2017 Snapshot

Revenue (US $M)	**Q4 2017**	**Q4 2016**	**Y/Y Growth %**
U.S. Generic Pharmaceuticals	$499	$882	(43%)
U.S. Branded Pharmaceuticals	$228	$289	(21%)
International Pharmaceuticals	$41	$70	(41%)
Total	**$769**	**$1,242**	**(38%)**

Table may not total due to rounding

Q4 2017 Performance: U.S. Generic Pharmaceuticals

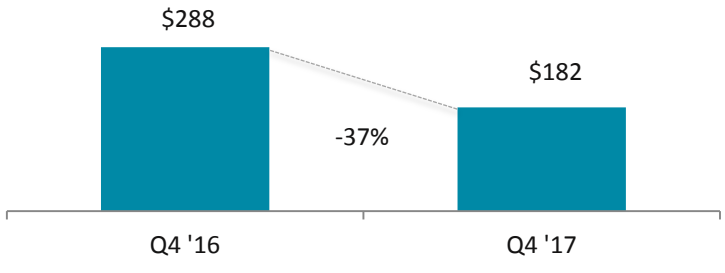
Reported Revenues in $ Millions



Sterile Injectables

Sterile injectables: FY'17: $654m (+23% vs. PY)

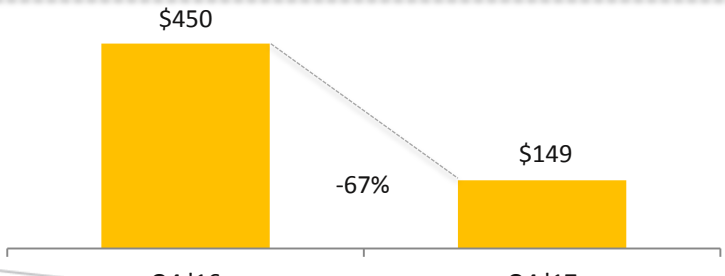
- Vasostrict® continues to grow with FY'17 revenues of $400 million (+16%) vs PY; Q4'17 revenues of $99m
- Adrenalin®: FY'17 revenues of $77m; Q4'17 revenues of $26m



Base

Base business: FY'17: $830m (-33% vs. PY)

- Declined low-30s percent FY'17 vs. FY'16 as guided



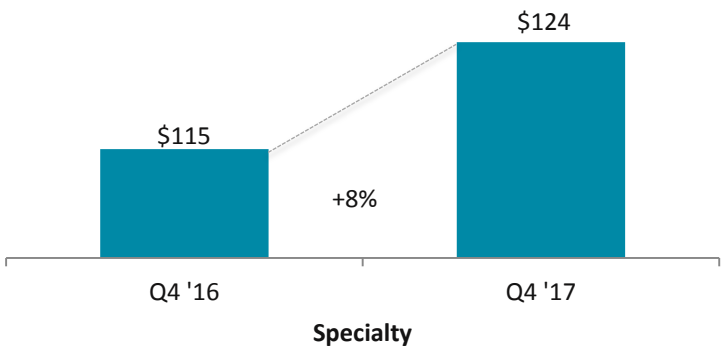
New Launches / Alternative Dosages

New launches/Alt dosages: FY'17: $797m (-1% vs. PY)

- Strong launch of ephedrine sulfate injectable and vigabatrin (oral solution)
- Launched ~20 products in 2017

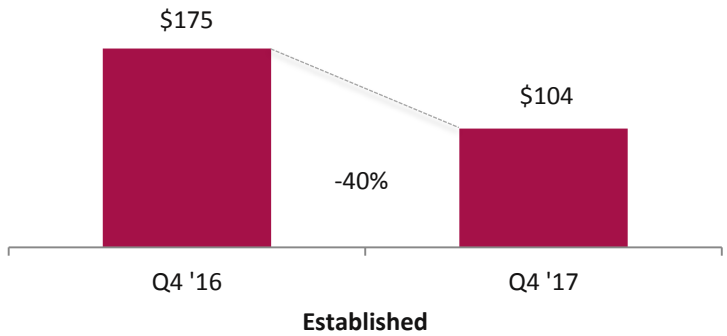
Q4 2017 Performance: U.S. Branded Pharmaceuticals

Reported Revenues in $ Millions



Specialty: FY'17: $453m (+11% vs. PY)

- FY'17 growth across all Specialty products; XIAFLEX® double-digit growth (+12%) as guided

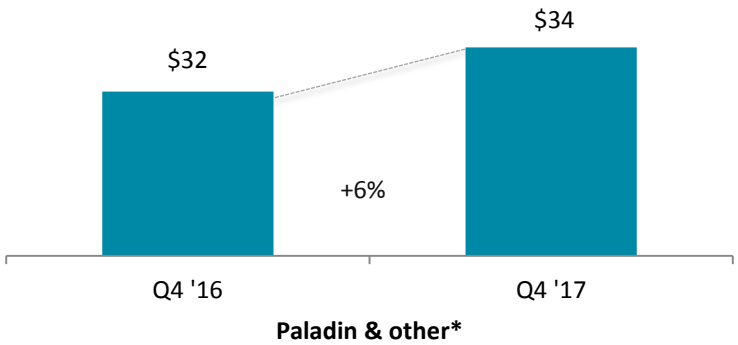


Established Products: FY'17:$505m (-34% vs. PY)

- FY'17 decline driven by continued decline of pain products including cessation of OPANA® ER shipments by Sept.1st, and the divestiture of STENDRA® and BELBUCA ®

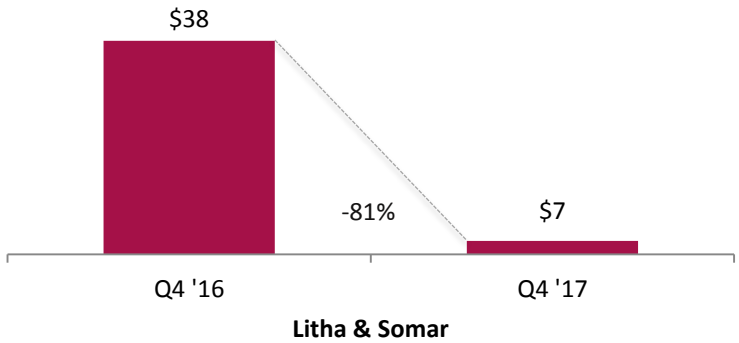
Q4 2017 Performance: International Pharmaceuticals

Reported Revenues in $ Millions



Paladin: FY'17: $111m (+2% vs. PY)

- Q4'17 revenue of $27m (-3%)
- Received Health Canada approval for XIAFLEX® for Peyronie's Disease in January 2018



Litha and Somar: FY'17: $94m

- Divested Litha – closed on July 3rd, 2017
- Divested Somar – closed on October 25th, 2017; Q4'17 sales of $7m

* Includes sales from Endo Ventures Limited and Par UK

Our Strategic Priorities

1 Reshape our Organization for Success

- **Simplify** our business through centralization and unification
- **Drive** productivity improvements
- **Create** a New Endo Culture

2 Build our Portfolio and Capabilities for the Future

- **Enhance** Generics pipeline through investment in hard-to-produce assets & technologies
- **Transform** Branded business into a highly focused Specialty business
- **Divest** non-core assets

3 Drive Margin Expansion and De-Lever

- **Focus** on differentiated/intelligent product selection
- **Drive** EBITDA margin improvements through operational execution and continuous improvements
- **De-lever** 3-4x range over time; committed to a highly disciplined capital allocation approach

U.S. Generics: 2017 Scorecard and Pipeline

2017 Scorecard & 2018 Milestones

- Launched 17 products in 2017
- Submitted 12 regulatory filings in 2017
- Unapproved sources of ADRENALIN® vacated the market in 2017
- Retained majority share of KCl powder market in 2017
- Expect ~20 product launches

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

~100 ANDAs filed w/FDA

~1/3 filed ANDAs FTF/FTM

~70 projects in development

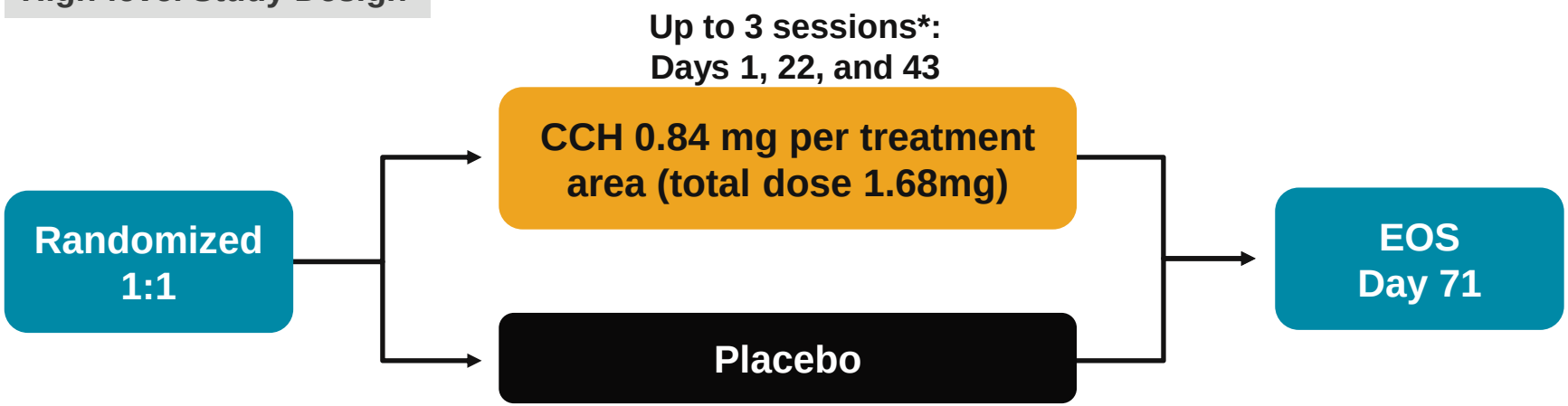
Product	IMS sales*	Settlement
DEXILANT® (dexlansoprazole)	~$1,200m	Confidential terms
AFINITOR® (everolimus)	~$850m	Confidential terms
CIPRODEX® (ciprofloxacin; dexamethasone otic suspension)	~$500m	2020
AMITIZA® (lubiprostone)	~$500m	Confidential terms
KUVAN® (sapropterin)	~$400m	10/1/2020
MITIGARE®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

** IMS sales for 12 months*

CCH for Cellulite Development Update: RELEASE-1 And RELEASE-2 Phase 3 Trials Initiated And Enrolling

The Phase 3 studies are expected to enroll 840 women (420 in each trial) with moderate-to-severe buttock cellulite.

High-level Study Design



- **Primary endpoint:** Percentage of 2-level Composite Responders (≥2-level improvement from baseline in CR-PCSS score and PR-PCSS score) at day 71
- **Other efficacy parameters:** Percentage of 1-level Composite Responders, SSRS, PR-CIS, S-GAIS, I-GAIS, and Subject Satisfaction

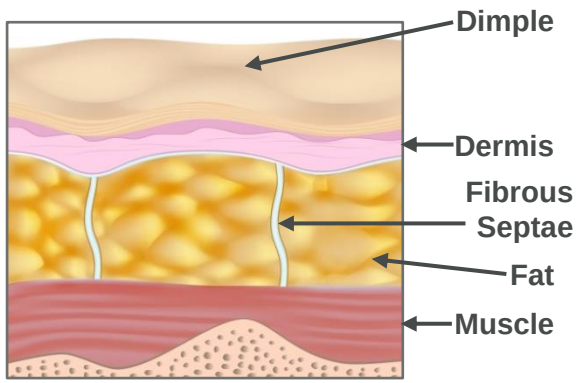
*12 injections (0.3 mL/injection) per treatment area for total of 24 injections.

CCH = collagenase clostridium histolyticum; CR-PCSS = Clinician-Reported Photonumeric Cellulite Severity Scale; EOS = end of study; I-GAIS = Investigator-Global Aesthetic Improvement Scale; PR-CIS = Patient-Reported Cellulite Impact Scale; PR-PCSS = Patient-Reported Photonumeric Cellulite Severity Scale; S-GAIS = Subject-Global Aesthetic Improvement Scale; SSRS=Subject Self Rating Scale.

Dimpled Skin is Caused by Thickening of Fibrous Septae; CCH Lyses Septae Which May Result in Smoother Skin Appearance

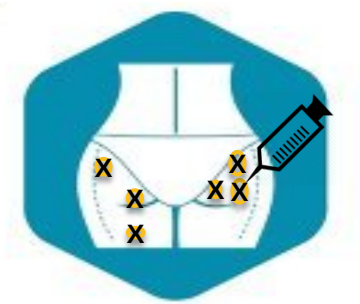
Cellulite Condition

- Cellulite is a contour abnormality of the skin resulting in dimpling[1]
- Dimpling is caused by the tethering of fibrous septae and fat cell volume secondarily[2]

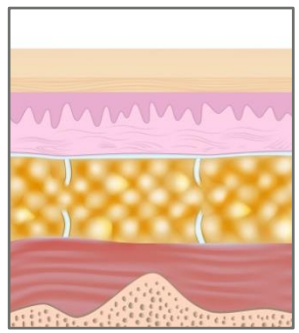


FOR ILLUSTRATIVE PURPOSES

CCH MoA


FOR ILLUSTRATIVE PURPOSES

When injected, CCH lyses septae, releasing dimple[1,3,4]

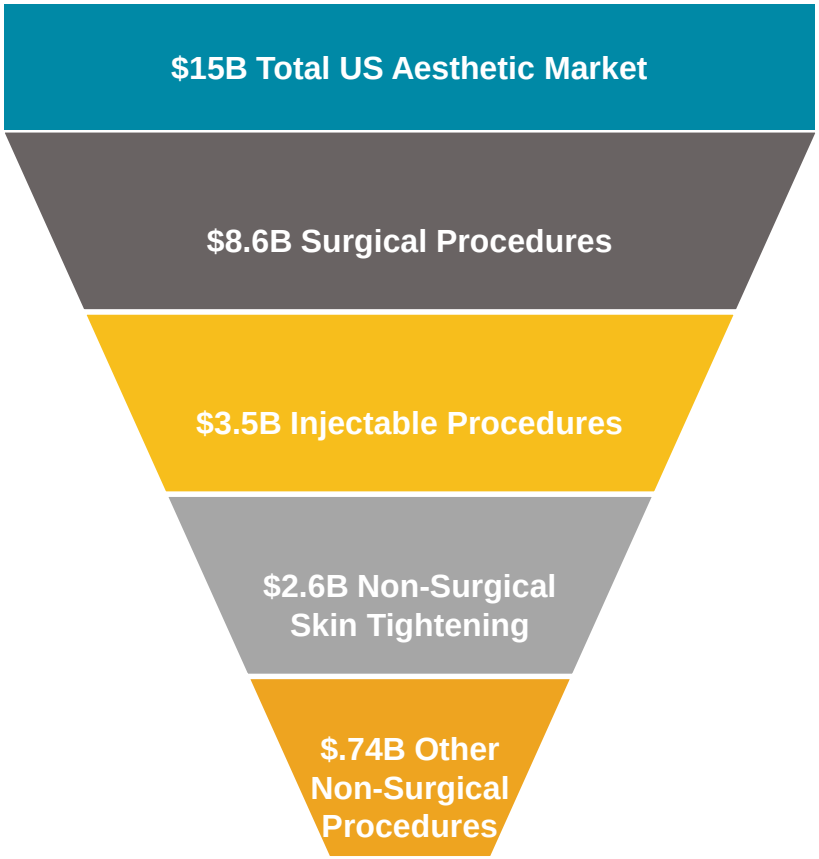

FOR ILLUSTRATIVE PURPOSES

The enzymatic disruption of septae may smooth and improve the appearance of cellulite[1]

Images adapted from: www.dreamstime.com.

1. Rossi AM, et al. *Dermatol Clin*. 2014;32:51-59.
2. Kaminer M, et al. *Derm Surgery*. 2017;43:1240 - 1248.
3. Edkins TJ, et al. *Clin Vaccine Immunol*. 2012;19(4):562-569.
4. Kaplan FT. *Drugs Today (Barc)*. 2011;47(9):653-667.

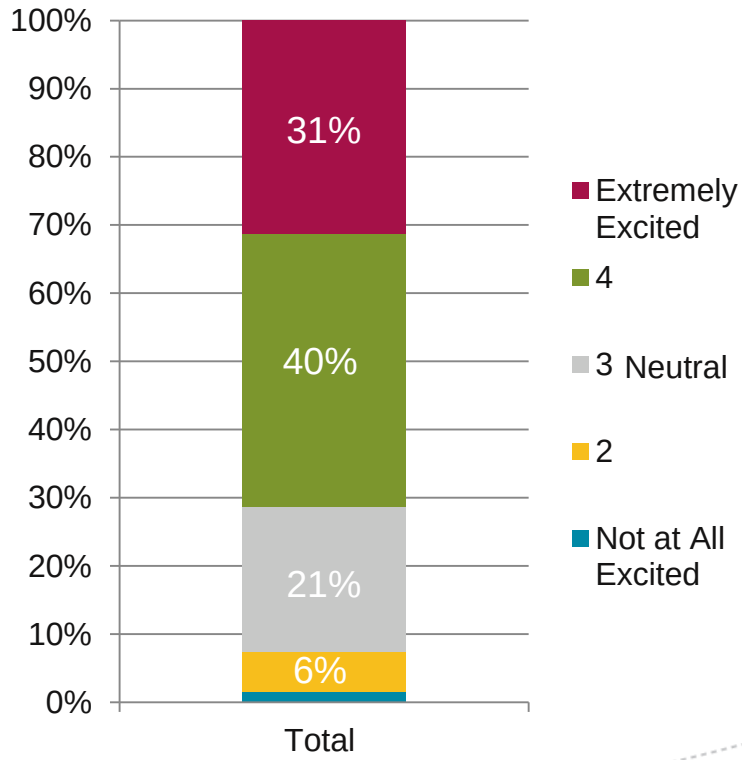
The Aesthetic Market is Large and Growing with Significant Excitement about CCH



Market exceeded **$15B** in 2016

Source: ASAPS Cosmetic Surgery National Data Bank Statistics (2016)

71% of Plastic Surgeons and Dermatologists are Extremely Excited or Excited about CCH for Cellulite



Source: CCH Cellulite HCP Quantitative Research, Hall & Partners, 2017.

Q4 2017: Financial Results (Continuing Operations*)

(US $M, except EPS)	US GAAP		Non-GAAP	
	Q4 '17	Q4 '16	Q4 '17	Q4 '16
Revenue	$769	$1,242	$769	$1,242
Gross Margin	34.2%	39.1%	65.7%	60.3%
Operating Income (Loss)	($304)	($3,295)	$299	$520
Net Income (Loss)	($272)	($3,333)	$174	$396
Effective Tax Rate	36.0%	2.1%	(2.1%)	2.8%
Diluted Income (Loss) per share	($1.22)	($14.96)	$0.77	$1.77
Weighted Average Diluted Shares Outstanding	223	223	225	223

endo

** Continuing Operations excludes ASTORA (formerly known as AMS Women's Health)*

Revenue – New Reporting Segment Presentation

Revenue (US $M)	FY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
U.S. Generic Pharmaceuticals	$1,988	$550	$383	$295	$303	$1,531
U.S. Branded—Specialty & Established Pharmaceuticals	$1,166	$250	$245	$234	$228	$958
U.S. Branded—Sterile Injectables	$577	$172	$180	$202	$196	$750
International Pharmaceuticals	$279	$66	$67	$56	$41	$230
Total	**$4,010**	**$1,038**	**$875**	**$787**	**$769**	**$3,469**

Table may not total due to rounding

2018 Financial Guidance (Continuing Operations)*

Measure	FY 2018
Revenue	**$2.6B - $2.8B**
Adjusted EBITDA	**$1.2B - $1.3B**
Adjusted Diluted EPS	**$2.15 - $2.55**

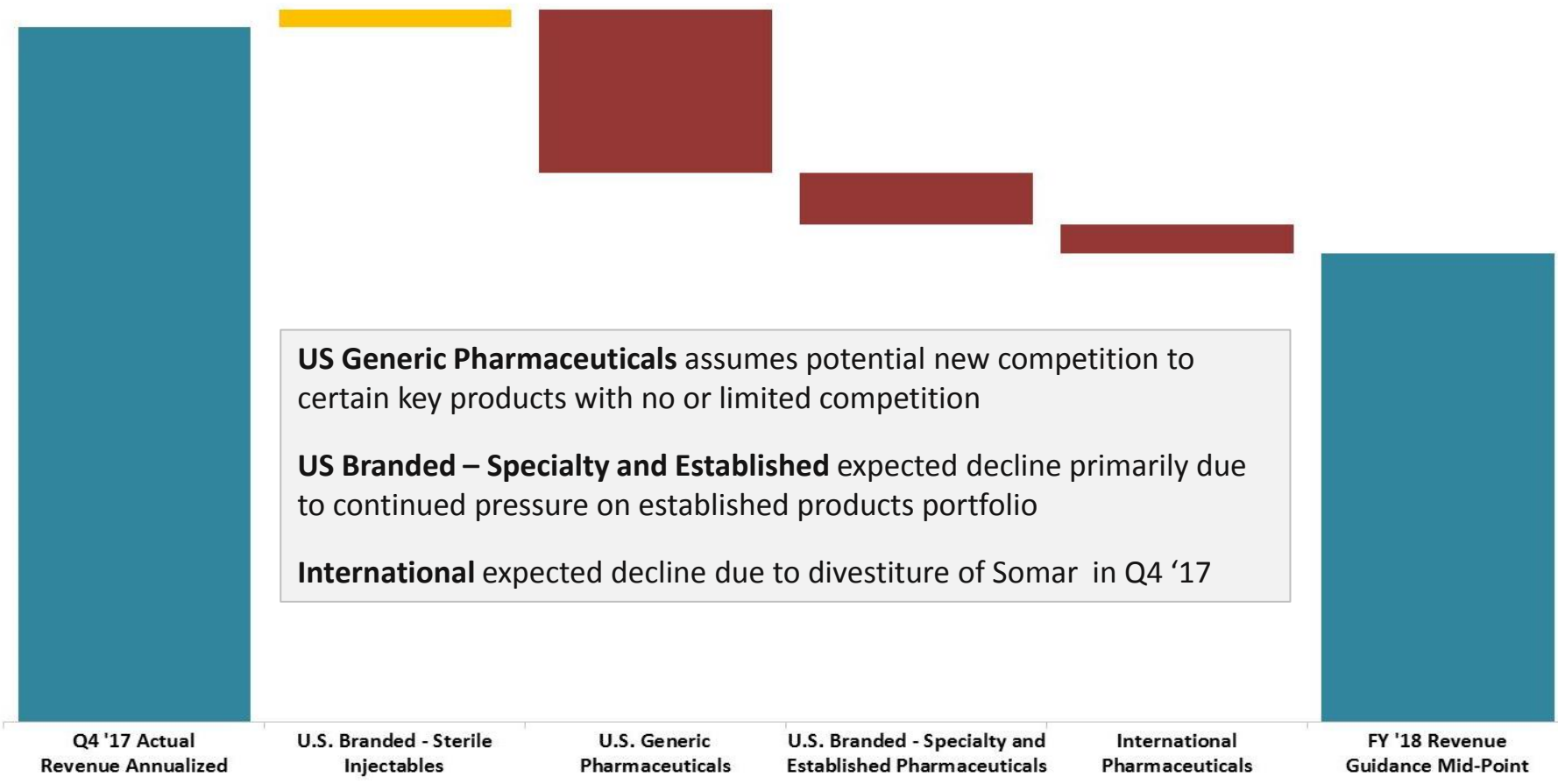
The Company's 2018 financial guidance is based on the following assumptions:

- Adjusted gross margin of approximately 67.0% to 68.0%
- Adjusted operating expenses as a percentage of revenues to be approximately 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 226 million

** Continuing Operations excludes ASTORA (formerly known as AMS Women's Health)*

Expected Revenue Movements in 2018

For illustrative purposes --- not to scale



US Generic Pharmaceuticals assumes potential new competition to certain key products with no or limited competition

US Branded – Specialty and Established expected decline primarily due to continued pressure on established products portfolio

International expected decline due to divestiture of Somar in Q4 '17

Cash Flow

US $M	FY '17 Actual	FY 2018 Guidance Low	FY 2018 Guidance High
Adjusted EBITDA Range	**$1,568**	**$1,200**	**$1,300**
Cash Interest	*($467)*	*~($520)*	
Changes in Net Working Capital [1]	*$355*	*$15*	
Changes in Other Assets and Liabilities	*($39)*	*~($50)*	
Contingent Consideration	*($38)*	*~($45)*	
Cash Taxes, net refund (payments)	*$9*	*~($25)*	
Milestone/Commercial Payments	*($20)*	*~($30)*	
Restructuring and Integration Related Costs	*($98)*	*~($65)*	
Cash Flow from Operations – Pre-Mesh and Other Settlements	**$1,271**	**~$480**	**~$580**
Non-Mesh Settlement Payments, net [2]	($28)	~($140)	
Cash Distributions to Settle Mesh Claims [3]	($689)	~($475)	
Cash Flow from Operations	**$554**	**~($135)**	**~($35)**
Change in Restricted Cash	($36)	~$65	
Capital Expenditures	($126)	~($120)	
Other [4]	$82	~($35)	
Cash Flow Prior to Debt Payments	**$474**	**~($225)**	**~($125)**
Unrestricted Cash Balance at 12/31	**$987**	**$727**	**$827**

Cash into the QSF and paid mesh legal expenses:
FY '17 $725M
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 20 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] "Other" FY'18 includes contingent consideration for certain products , as well as capital lease payments.

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

	December 31, 2017	December 31, 2016	December 31, 2015
Total Revenue			
	$ 768,645	$ 1,241,513	$ 1,073,697
DSO:			
Accounts Receivable, net of allowance	$ 517,436	$ 992,153	$ 1,014,808
Less: Returns and allowances	(291,034)	(332,455)	(356,932)
Accounts Receivable, adjusted for non-cash items	$ 226,402	$ 659,698	$ 657,876
Total revenues per day	$ 8,355	$ 13,495	$ 11,671
DSO	27	49	56
DIO:			
Inventories, net	$ 391,437	$ 555,671	$ 752,493
Plus: Long-term inventory	17,146	22,705	24,891
Less: Inventory step-up	(109)	(652)	(111,190)
Inventory, adjusted for long-term and non-cash items	$ 408,474	$ 577,724	$ 666,194
Total revenues per day	$ 8,355	$ 13,495	$ 11,671
DIO	49	43	57
DPO:			
Trade Accounts Payable	$ 85,348	$ 126,712	$ 146,450
Plus: Accrued Royalties and Partner Payables	63,114	191,433	138,622
Plus: Accrued Rebates and Chargebacks paid in cash	182,937	260,798	350,479
Trade Accounts Payable, adjusted for royalties and rebates	$ 331,399	$ 578,943	$ 635,551
Total revenues per day	$ 8,355	$ 13,495	$ 11,671
DPO	40	43	54
Cash Conversion Cycle	36	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 twelve months ended December 31, 2017 and 2016 (in thousands):

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Net loss attributable to Endo International plc (GAAP)	$ (368,417)	$ (3,337,856)	$ (2,035,433)	$ (3,347,066)
Income tax benefit	(152,776)	(72,277)	(250,293)	(700,084)
Interest expense, net	126,961	111,783	488,228	452,679
Depreciation and amortization (18)	177,321	260,370	857,706	955,802
EBITDA (non-GAAP)	$ (216,911)	$ (3,037,980)	$ (939,792)	$ (2,638,669)
Inventory step-up and other cost savings (2)	$ 109	$ 13,912	$ 390	$ 125,699
Upfront and milestone-related payments (3)	2,531	2,455	9,483	8,330
Inventory reserve increase (decrease) from restructuring (4)	5,779	(137)	13,678	24,455
Royalty obligations (5)	—	—	—	(7,750)
Separation benefits and other restructuring (6)	78,692	37,216	198,770	83,036
Certain litigation-related and other contingencies, net (7)	200,006	(4,765)	185,990	23,950
Asset impairment charges (8)	130,446	3,518,085	1,154,376	3,781,165
Acquisition-related and integration costs (9)	—	8,356	8,137	63,778
Fair value of contingent consideration (10)	26,375	(956)	49,949	23,823
Loss on extinguishment of debt (11)	—	—	51,734	—
Share-based compensation	9,897	15,183	50,149	58,656
Other income, net (19)	(6,180)	(740)	(17,023)	(338)
Other adjustments	(151)	781	(226)	—
Discontinued operations, net of tax (15)	96,836	4,531	802,722	123,278
Net income attributable to noncontrolling interests (16)	—	—	—	16
Adjusted EBITDA (non-GAAP)	$ 327,429	$ 555,941	$ 1,568,337	$ 1,669,429

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 twelve months ended December 31, 2017 and 2016 (in thousands, except per share data):

Three Months Ended December 31, 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	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)	$ 768,640	$ 505,645	$ 262,995	34%	$ 566,571	74%	$ (303,576)	(39)%	$ 120,781	$ (424,357)	$ (152,776)	36%	$ (271,581)	$ (96,836)	$ (368,417)	$ (1.22)
Items impacting comparability:																
Amortization of intangible assets (1)	—	(158,276)	158,276		—		158,276		—	158,276	—		158,276	—	158,276	0.70
Inventory step-up and other cost savings (2)	—	(109)	109		—		109		—	109	—		109	—	109	—
Upfront and milestone-related payments (3)	—	(712)	712		(1,819)		2,531		—	2,531	—		2,531	—	2,531	0.01
Inventory reserve increase from restructuring (4)	—	(5,779)	5,779		—		5,779		—	5,779	—		5,779	—	5,779	0.03
Separation benefits and other restructuring (6)	—	(76,764)	76,764		(1,928)		78,692		—	78,692	—		78,692	—	78,692	0.35
Certain litigation-related and other contingencies, net (7)	—	—	—		(200,006)		200,006		—	200,006	—		200,006	—	200,006	0.90
Asset impairment charges (8)	—	—	—		(130,446)		130,446		—	130,446	—		130,446	—	130,446	0.58
Acquisition-related and integration costs (9)	—	—	—		—		—		—	—	—		—	—	—	—
Fair value of contingent consideration (10)	—	—	—		(26,375)		26,375		—	26,375	—		26,375	—	26,375	0.12
Other (13)	—	—	—		—		—		7,487	(7,487)	—		(7,487)	—	(7,487)	(0.03)
Tax adjustments (14)	—	—	—		—		—		—	—	149,283		(149,283)	—	(149,283)	(0.67)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	96,836	96,836	—
After considering items (non-GAAP)	$ 768,640	$ 264,005	$ 504,635	66%	$ 205,997	27%	$ 298,638	39 %	$ 128,268	$ 170,370	$ (3,493)	(2)%	$ 173,863	$ —	$ 173,863	$ 0.77

Reconciliation of Non-GAAP Measures

	Three Months Ended December 31, 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)	$1,241,513	$ 756,578	$ 484,935	39%	$3,779,494	304%	$(3,294,559)	(265)%	$ 111,043	$(3,405,602)	$ (72,277)	2%	$(3,333,325)	$ (4,531)	$ (3,337,856)	$ (14.96)
Items impacting comparability:																
Amortization of intangible assets (1)	—	(240,390)	240,390		—		240,390		—	240,390	—		240,390	—	240,390	1.08
Inventory step-up and other cost savings (2)	—	(13,912)	13,912		—		13,912		—	13,912	—		13,912	—	13,912	0.06
Upfront and milestone-related payments (3)	—	(655)	655		(1,800)		2,455		—	2,455	—		2,455	—	2,455	0.01
Inventory reserve decrease from restructuring (4)	—	137	(137)		—		(137)		—	(137)	—		(137)	—	(137)	—
Separation benefits and other restructuring (6)	—	(9,284)	9,284		(27,932)		37,216		—	37,216	—		37,216	—	37,216	0.17
Certain litigation-related and other contingencies, net (7)	—	—	—		4,765		(4,765)		—	(4,765)	—		(4,765)	—	(4,765)	(0.02)
Asset impairment charges (8)	—	—	—		(3,518,085)		3,518,085		—	3,518,085	—		3,518,085	—	3,518,085	15.79
Acquisition-related and integration costs (9)	—	—	—		(8,356)		8,356		—	8,356	—		8,356	—	8,356	0.04
Fair value of contingent consideration (10)	—	—	—		956		(956)		—	(956)	—		(956)	—	(956)	—
Other (13)	—	—	—		—		—		1,836	(1,836)	—		(1,836)	—	(1,836)	(0.01)
Tax adjustments (14)	—	—	—		—		—		—	—	83,604		(83,604)	—	(83,604)	(0.38)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	4,531	4,531	—
After considering items (non-GAAP)	$1,241,513	$ 492,474	$ 749,039	60%	$ 229,042	18%	$ 519,997	42 %	$ 112,879	$ 407,118	$ 11,327	3%	$ 395,791	$ —	$ 395,791	$ 1.77

Reconciliation of Non-GAAP Measures

	Year Ended December 31, 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 (16)	Diluted (loss) income per share from continuing operations (17)
Reported (GAAP)	$3,468,858	$2,228,530	$1,240,328	36%	$2,200,393	63%	$ (960,065)	(28)%	$ 522,939	$(1,483,004)	$ (250,293)	17%	$(1,232,711)	$ (802,722)	$ (2,035,433)	$ (5.52)
Items impacting comparability:																
Amortization of intangible assets (1)	—	(773,766)	773,766		—		773,766		—	773,766	—		773,766	—	773,766	3.47
Inventory step-up and other cost savings (2)	—	(390)	390		—		390		—	390	—		390	—	390	—
Upfront and milestone-related payments (3)	—	(2,751)	2,751		(6,732)		9,483		—	9,483	—		9,483	—	9,483	0.04
Inventory reserve increase from restructuring (4)	—	(13,678)	13,678		—		13,678		—	13,678	—		13,678	—	13,678	0.06
Separation benefits and other restructuring (6)	—	(162,131)	162,131		(36,639)		198,770		—	198,770	—		198,770	—	198,770	0.89
Certain litigation-related and other contingencies, net (7)	—	—	—		(185,990)		185,990		—	185,990	—		185,990	—	185,990	0.83
Asset impairment charges (8)	—	—	—		(1,154,376)		1,154,376		—	1,154,376	—		1,154,376	—	1,154,376	5.17
Acquisition-related and integration costs (9)	—	—	—		(8,137)		8,137		—	8,137	—		8,137	—	8,137	0.04
Fair value of contingent consideration (10)	—	—	—		(49,949)		49,949		—	49,949	—		49,949	—	49,949	0.22
Loss on extinguishment of debt (11)	—	—	—		—		—		(51,734)	51,734	—		51,734	—	51,734	0.23
Other (13)	—	—	—		—		—		8,620	(8,620)	—		(8,620)	—	(8,620)	(0.04)
Tax adjustments (14)	—	—	—		—		—		—	—	344,581		(344,581)	—	(344,581)	(1.54)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	802,722	802,722	—
After considering items (non-GAAP)	$3,468,858	$1,275,814	$2,193,044	63%	$ 758,570	22%	$ 1,434,474	41 %	$ 479,825	$ 954,649	$ 94,288	10%	$ 860,361	$ —	$ 860,361	$ 3.84

Reconciliation of Non-GAAP Measures

Year Ended December 31, 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)	**$4,010,274**	**$2,634,973**	**$1,375,301**	**34%**	**$4,846,816**	**121%**	**$(3,471,515)**	**(87)%**	**$ 452,341**	**$(3,923,856)**	**$ (700,084)**	**18%**	**$(3,223,772)**	**$ (123,278)**	**$ (3,347,066)**	**$ (14.48)**
Items impacting comparability:																
Amortization of intangible assets (1)	—	(876,451)	876,451		—		876,451		—	876,451	—		876,451	—	876,451	3.94
Inventory step-up and other cost savings (2)	—	(124,349)	124,349		(1,350)		125,699		—	125,699	—		125,699	—	125,699	0.56
Upfront and milestone-related payments (3)	—	(2,628)	2,628		(5,702)		8,330		—	8,330	—		8,330	—	8,330	0.04
Inventory reserve increase from restructuring (4)	—	(24,455)	24,455		—		24,455		—	24,455	—		24,455	—	24,455	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)	—	(28,678)	28,678		(54,358)		83,036		—	83,036	—		83,036	—	83,036	0.37
Certain litigation-related and other contingencies, net (7)	—	—	—		(23,950)		23,950		—	23,950	—		23,950	—	23,950	0.11
Asset impairment charges (8)	—	—	—		(3,781,165)		3,781,165		—	3,781,165	—		3,781,165	—	3,781,165	16.98
Acquisition-related and integration costs (9)	—	—	—		(63,778)		63,778		—	63,778	—		63,778	—	63,778	0.29
Fair value of contingent consideration (10)	—	—	—		(23,823)		23,823		—	23,823	—		23,823	—	23,823	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)		(1,077)	(7,273)	—		(7,273)	—	(7,273)	(0.03)
Tax adjustments (14)	—	—	—		—		—		—	—	721,602		(721,602)	—	(721,602)	(3.25)
Exclude discontinued operations, net of tax (15)	—	—	—		—		—		—	—	—		—	123,278	123,278	—
After considering items (non-GAAP)	**$4,010,274**	**$1,586,162**	**$2,424,112**	**60%**	**$ 901,040**	**22%**	**$ 1,523,072**	**38 %**	**$ 447,172**	**$ 1,075,900**	**$ 21,518**	**2%**	**$ 1,054,382**	**$ —**	**$ 1,054,366**	**$ 4.73**

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 twelve months ended December 31, 2017 and 2016 are as follows:

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

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Amortization of intangible assets excluding fair value step-up from contingent consideration	$ 148,120	$ 228,876	$ 733,145	$ 834,966
Amortization of intangible assets related to fair value step-up from contingent consideration	10,156	11,514	40,621	41,485
Total	$ 158,276	$ 240,390	$ 773,766	$ 876,451

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

	Three Months Ended December 31,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Fair value step-up of inventory sold	$ 109	$ —	$ 9,669	$ —
Excess manufacturing costs that will be eliminated pursuant to integration plans	—	—	4,243	—
Total	$ 109	$ —	$ 13,912	$ —

	Year Ended December 31,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Fair value step-up of inventory sold	$ 390	$ —	$ 108,768	$ 957
Excess manufacturing costs that will be eliminated pursuant to integration plans	—	—	15,581	393
Total	$ 390	$ —	$ 124,349	$ 1,350

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

	Three Months Ended December 31,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Sales-based milestones	$ 712	$ —	$ 655	$ —
Development-based milestones	—	1,819	—	1,800
Total	$ 712	$ 1,819	$ 655	$ 1,800

	Year Ended December 31,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Sales-based milestones	$ 2,751	$ —	$ 2,628	$ —
Development-based milestones	—	6,732	—	5,702
Total	$ 2,751	$ 6,732	$ 2,628	$ 5,702

(4) To exclude charges reflecting adjustments to excess inventory reserves related to the 2017 U.S. Generic Pharmaceuticals Restructuring Initiative and 2016 U.S. Generic Pharmaceuticals Restructuring Initiative during the three and twelve months ended December 31, 2017 and twelve months ended December 31, 2016 and to exclude decreases of excess inventory reserves recorded during the three months ended December 31, 2016, primarily related to the 2016 U.S. Generic Pharmaceuticals Restructuring Initiative. The 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 December 31,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Separation benefits	$ 10,087	$ 1,622	$ 6,150	$ 21,772
Accelerated depreciation and product discontinuation charges	63,508	—	3,134	5,729
Other	3,169	306	—	431
Total	$ 76,764	$ 1,928	$ 9,284	$ 27,932

	Year Ended December 31,			
	2017		2016	
	Cost of revenues	Operating expenses	Cost of revenues	Operating expenses
Separation benefits	$ 31,892	$ 21,161	$ 18,119	$ 39,780
Accelerated depreciation and product discontinuation charges	123,313	398	10,559	8,532
Other	6,926	15,080	—	6,046
Total	$ 162,131	$ 36,639	$ 28,678	$ 54,358

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

Reconciliation of Non-GAAP Measures

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

During the fourth quarter of 2017, we recorded total pre-tax, non-cash impairment charges of $130 million. Approximately $125 million was largely the result of market conditions impacting the recoverability of certain indefinite and finite-lived intangible assets in our U.S. Generic Pharmaceuticals segment. The remaining charges during the fourth quarter were related to plant, property and equipment impairments.

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 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 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 pre-tax, non-cash 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 fourth quarter of 2016, in connection with our annual goodwill impairment assessment, we recorded pre-tax, non-cash goodwill impairment charges of $2,343 million, $273 million, $33 million and $26 million for our U.S. Generics, Paladin, Somar and Litha reporting units, respectively. Additionally, we recorded pre-tax, non-cash intangible asset impairment charges of $830 million, including: (i) approximately $507 million and $285 million related our U.S. Generic Pharmaceuticals and International Pharmaceuticals segments, respectively, resulting from certain market conditions, including price erosion and increased competition and (ii) $38 million related to our U.S. Branded Pharmaceuticals segment, resulting primarily from the termination of our BELBUCA™ product. 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 first nine months of 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.

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

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
Integration costs (primarily third-party consulting fees)	$ —	$ 6,441	$ 4,476	$ 44,752
Transition services	—	—	—	9,729
Other	—	1,915	3,661	9,297
Total	$ —	$ 8,356	$ 8,137	$ 63,778

(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 December 31,			
	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	$ —	$ 1,519	$ —	$ (1,192)
Other miscellaneous	—	(9,006)	—	(644)
Total	$ —	$ (7,487)	$ —	$ (1,836)

	Year Ended December 31,			
	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	$ —	$ (1,403)	$ —	$ 366
Other miscellaneous expense (income)	—	(7,217)	(8,350)	711
Total	$ —	$ (8,620)	$ (8,350)	$ 1,077

(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 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 Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
GAAP EPS	223,322	222,870	223,198	222,651
Non-GAAP EPS	224,577	223,178	223,978	223,090

(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, net per the Consolidated Statement of Operations.

Endo International plc

Q4 2017
Earnings Report

February 27, 2018