

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
Commission File Number: 001-36326**

Endo International plc
(Exact name of registrant as specified in its charter)

Ireland

(State or other jurisdiction of incorporation or organization)

68-0683755

(I.R.S. Employer Identification No.)

First Floor, Minerva House, Simmonscourt Road

Ballsbridge, Dublin 4, Ireland

(Address of principal executive offices)

Not Applicable

(Zip Code)

011-353-1-268-2000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None (*)

(*) On August 26, 2022, Endo International plc's ordinary shares, which previously traded on the Nasdaq Global Select Market under the symbol ENDP, began trading exclusively on the over-the-counter market under the symbol ENDPQ. On September 14, 2022, Nasdaq filed a Form 25-NSE with the United States Securities and Exchange Commission and Endo International plc's ordinary shares were subsequently delisted from the Nasdaq Global Select Market. On December 13, 2022, Endo International plc's ordinary shares were deregistered under Section 12(b) of the Securities Exchange Act of 1934, as amended.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (†) Yes
No

(†) The registrant is a voluntary filer that is not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended. It has filed all reports that otherwise would be required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the past 90 days.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes
No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes
No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

The number of ordinary shares, nominal value \$0.0001 per share outstanding as of October 30, 2023 was 235,219,612.

**ENDO INTERNATIONAL PLC
(DEBTOR-IN-POSSESSION)
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FORWARD-LOOKING STATEMENTS

Statements contained or incorporated by reference in this document contain information that includes or is based on “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act) and the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, any statements relating to future financial results, cost savings, revenues, expenses, net income and income per share; the status, progress and/or outcome of litigation, proceedings under chapter 11 of title 11 of the United States (U.S.) Code (the Bankruptcy Code) and/or any other contingency planning initiatives, including the application and effect of the automatic stay thereunder; future financing activities; the impact of public health crises and epidemics on the health and welfare of our employees and on our business (including any economic impact, anticipated return to historical purchasing decisions by customers, changes in consumer spending, decisions to engage in certain medical procedures, future governmental orders that could impact our operations and the ability of our manufacturing facilities and suppliers to fulfill their obligations to us); the expansion of our product pipeline and any development, approval, launch or commercialization activities; and any other statements that refer to Endo’s expected, estimated or anticipated future results. We have tried, whenever possible, to identify such statements with words such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project,” “forecast,” “will,” “may” or similar expressions. We have based these forward-looking statements on our current expectations, assumptions and projections about, among other things, the growth of our business, our financial performance and the development of our industry.

Because these statements reflect our current views concerning future events, these forward-looking statements involve risks and uncertainties including, without limitation, the timing or results of any pending or future litigation, investigations, claims, actual or contingent liabilities, settlement discussions, negotiations or other adverse proceedings, including proceedings involving opioid-related matters, antitrust matters and tax matters with the U.S. Internal Revenue Service (IRS); unfavorable publicity regarding the misuse of opioids; the status, progress and/or outcome of our ongoing bankruptcy proceedings; changing competitive, market and regulatory conditions; changes in legislation; our ability to obtain and maintain adequate protection for our intellectual property rights; the impacts of competition such as those related to the loss of VASOSTRICT[®] exclusivity; the timing and uncertainty of the results of both the research and development and regulatory processes, including regulatory decisions, product recalls, withdrawals and other unusual items; domestic and foreign health care and cost containment reforms, including government pricing, tax and reimbursement policies; technological advances and patents obtained by competitors; the performance, including the approval, introduction and consumer and physician acceptance of new products and the continuing acceptance of currently marketed products; our ability to develop or expand our product pipeline and to continue to develop the market for XIAFLEX[®] and other branded or unbranded products; the impact that known and unknown side effects may have on market perception and consumer preference; the success of any acquisition, licensing or commercialization; the effectiveness of advertising and other promotional campaigns; the timely and successful implementation of any strategic and/or optimization initiatives; the uncertainty associated with the identification of and successful consummation and execution of external corporate development initiatives and strategic partnering transactions; our ability to obtain and successfully manufacture, maintain and distribute a sufficient supply of products to meet market demand in a timely manner; and the other risks and uncertainties more fully described under the caption “Risk Factors” in Part I, Item 1A of the Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission (SEC) on March 6, 2023 (the Annual Report), in Part II, Item 1A of the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 filed with the SEC on May 8, 2023 (the First-Quarter 2023 Form 10-Q) and in other reports that we file with the SEC.

These risks and uncertainties, many of which are outside of our control, and any other risks and uncertainties that we are not currently able to predict or identify, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations and cash flows and could cause our actual results to differ materially and adversely from those expressed in forward-looking statements contained or referenced in this document, including with respect to opioid, tax or antitrust related proceedings or any other litigation; the effects of our ongoing bankruptcy proceedings and the related events of default under our indebtedness on our current and future liquidity and ability to fund our working capital, capital expenditures, business development, debt service requirements, acquisitions and any other obligations; our ability to attract and retain key personnel; our ability to adjust to changing market conditions; and/or the potential for a significant reduction in our short-term and long-term revenues and/or any other factor that could cause us to be unable to fund our operations and liquidity needs.

We do not undertake any obligation to update our forward-looking statements after the date of this document for any reason, even if new information becomes available or other events occur in the future, except as may be required under applicable securities laws. You are advised to consult any further disclosures we make on related subjects in our reports filed with the SEC and with securities regulators in Canada on the System for Electronic Document Analysis and Retrieval (SEDAR+). Also note that, in Part I, Item 1A of the Annual Report and Part II, Item 1A of the First-Quarter 2023 Form 10-Q, we provide a cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by Section 27A of the Securities Act and Section 21E of the Exchange Act. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider this to be a complete discussion of all potential risks or uncertainties.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ENDO INTERNATIONAL PLC
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in thousands, except share and per share data)

	September 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 823,305	\$ 1,018,883
Restricted cash and cash equivalents	167,939	145,358
Accounts receivable, net	387,485	493,988
Inventories, net	273,831	274,499
Prepaid expenses and other current assets	93,872	136,923
Income taxes receivable	6,844	7,117
Total current assets	<u>\$ 1,753,276</u>	<u>\$ 2,076,768</u>
PROPERTY, PLANT AND EQUIPMENT, NET	461,687	438,314
OPERATING LEASE ASSETS	24,125	28,070
GOODWILL	1,352,011	1,352,011
OTHER INTANGIBLES, NET	1,538,832	1,732,935
OTHER ASSETS	125,864	129,839
TOTAL ASSETS	<u><u>\$ 5,255,795</u></u>	<u><u>\$ 5,757,937</u></u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 562,628	\$ 687,183
Current portion of operating lease liabilities	898	903
Income taxes payable	1,106	1,541
Total current liabilities	<u>\$ 564,632</u>	<u>\$ 689,627</u>
DEFERRED INCOME TAXES	9,432	13,825
OPERATING LEASE LIABILITIES, LESS CURRENT PORTION	4,411	5,129
OTHER LIABILITIES	49,943	42,746
LIABILITIES SUBJECT TO COMPROMISE	8,786,571	9,168,782
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
SHAREHOLDERS' DEFICIT:		
Euro deferred shares, \$0.01 par value; 4,000,000 shares authorized and issued at both September 30, 2023 and December 31, 2022	42	43
Ordinary shares, \$0.0001 par value; 1,000,000,000 shares authorized; 235,219,612 and 235,208,039 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	24	24
Additional paid-in capital	8,980,561	8,969,322
Accumulated deficit	(12,912,944)	(12,904,620)
Accumulated other comprehensive loss	(226,877)	(226,941)
Total shareholders' deficit	<u>\$ (4,159,194)</u>	<u>\$ (4,162,172)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	<u><u>\$ 5,255,795</u></u>	<u><u>\$ 5,757,937</u></u>

See accompanying Notes to Condensed Consolidated Financial Statements.

ENDO INTERNATIONAL PLC
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(Dollars and shares in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
TOTAL REVENUES, NET	\$ 451,665	\$ 541,690	\$ 1,513,784	\$ 1,763,063
COSTS AND EXPENSES:				
Cost of revenues	230,286	261,232	696,880	798,233
Selling, general and administrative	138,772	192,221	427,294	600,212
Research and development	31,582	31,885	87,322	97,803
Acquired in-process research and development	—	800	—	68,700
Litigation-related and other contingencies, net	11,104	419,376	54,317	444,738
Asset impairment charges	—	150,200	146	1,951,216
Acquisition-related and integration items, net	1,062	(1,399)	1,824	(951)
Interest expense, net	10	74,753	239	349,486
Reorganization items, net	57,960	124,212	227,579	124,212
Other income, net	(2,217)	(3,998)	(2,163)	(22,147)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	\$ (16,894)	\$ (707,592)	\$ 20,346	\$ (2,648,439)
INCOME TAX EXPENSE	11,042	10,680	27,094	16,016
LOSS FROM CONTINUING OPERATIONS	\$ (27,936)	\$ (718,272)	\$ (6,748)	\$ (2,664,455)
DISCONTINUED OPERATIONS, NET OF TAX (NOTE 4)	(547)	(3,897)	(1,576)	(15,115)
NET LOSS	\$ (28,483)	\$ (722,169)	\$ (8,324)	\$ (2,679,570)
NET (LOSS) INCOME PER SHARE—BASIC:				
Continuing operations	\$ (0.12)	\$ (3.05)	\$ (0.03)	\$ (11.35)
Discontinued operations	—	(0.02)	(0.01)	(0.07)
Basic	\$ (0.12)	\$ (3.07)	\$ (0.04)	\$ (11.42)
NET (LOSS) INCOME PER SHARE—DILUTED:				
Continuing operations	\$ (0.12)	\$ (3.05)	\$ (0.03)	\$ (11.35)
Discontinued operations	—	(0.02)	(0.01)	(0.07)
Diluted	\$ (0.12)	\$ (3.07)	\$ (0.04)	\$ (11.42)
WEIGHTED AVERAGE SHARES:				
Basic	235,220	235,160	235,219	234,719
Diluted	235,220	235,160	235,219	234,719

See accompanying Notes to Condensed Consolidated Financial Statements.

ENDO INTERNATIONAL PLC
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
NET LOSS	\$ (28,483)	\$ (722,169)	\$ (8,324)	\$ (2,679,570)
OTHER COMPREHENSIVE (LOSS) INCOME:				
Net unrealized (loss) gain on foreign currency	\$ (3,434)	\$ (10,649)	\$ 64	\$ (13,088)
Total other comprehensive (loss) income	\$ (3,434)	\$ (10,649)	\$ 64	\$ (13,088)
COMPREHENSIVE LOSS	\$ (31,917)	\$ (732,818)	\$ (8,260)	\$ (2,692,658)

See accompanying Notes to Condensed Consolidated Financial Statements.

ENDO INTERNATIONAL PLC
(DEBTOR-IN-POSSESSION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollars in thousands)

	Nine Months Ended September 30,	
	2023	2022
OPERATING ACTIVITIES:		
Net loss	\$ (8,324)	\$ (2,679,570)
Adjustments to reconcile Net loss to Net cash provided by operating activities:		
Depreciation and amortization	232,090	302,338
Share-based compensation	11,240	13,506
Amortization of debt issuance costs and discount	—	9,406
Deferred income taxes	(4,424)	(8,337)
Change in fair value of contingent consideration	1,824	(951)
Acquired in-process research and development charges	—	68,700
Asset impairment charges	146	1,951,216
Non-cash reorganization items, net	—	89,197
Gain on sale of business and other assets	(1,309)	(11,760)
Other	(21)	2,083
Changes in assets and liabilities which provided (used) cash:		
Accounts receivable	101,485	154,645
Inventories	412	(31,100)
Prepaid and other assets	28,849	72,111
Accounts payable, accrued expenses and other liabilities	(41,754)	219,668
Income taxes payable/receivable, net	(173)	8,459
Net cash provided by operating activities	<u>\$ 320,041</u>	<u>\$ 159,611</u>
INVESTING ACTIVITIES:		
Capital expenditures, excluding capitalized interest	(74,245)	(77,865)
Capitalized interest payments	—	(3,140)
Proceeds from the U.S. Government Agreement	32,560	13,601
Acquisitions, including in-process research and development, net of cash and restricted cash acquired	—	(89,520)
Proceeds from sale of business and other assets	3,538	22,378
Net cash used in investing activities	<u>\$ (38,147)</u>	<u>\$ (134,546)</u>
FINANCING ACTIVITIES:		
Repayments of notes	—	(180,342)
Repayments of term loans	—	(10,000)
Adequate protection payments	(445,519)	(168,643)
Repayments of other indebtedness	(4,999)	(4,501)
Payments for contingent consideration	(4,353)	(1,939)
Payments of tax withholding for restricted shares	—	(1,898)
Net cash used in financing activities	<u>\$ (454,871)</u>	<u>\$ (367,323)</u>
Effect of foreign exchange rate	(20)	(4,674)
NET DECREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS	<u>\$ (172,997)</u>	<u>\$ (346,932)</u>
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,249,241</u>	<u>1,631,310</u>
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,076,244</u>	<u>\$ 1,284,378</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

**ENDO INTERNATIONAL PLC
(DEBTOR-IN-POSSESSION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023**

NOTE 1. BASIS OF PRESENTATION

Basis of Presentation

Endo International plc is an Ireland-domiciled specialty pharmaceutical company that conducts business through its operating subsidiaries. Unless otherwise indicated or required by the context, references throughout to “Endo,” the “Company,” “we,” “our” or “us” refer to Endo International plc and its subsidiaries.

The accompanying unaudited Condensed Consolidated Financial Statements of Endo International plc and its subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and the instructions to Form 10-Q and Article 8-03 of Regulation S-X of the SEC for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying Condensed Consolidated Financial Statements of Endo International plc and its subsidiaries, which are unaudited, include all normal and recurring adjustments necessary for a fair statement of the Company’s financial position as of September 30, 2023 and the results of its operations and its cash flows for the periods presented. Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. The year-end Condensed Consolidated Balance Sheet data as of December 31, 2022 was derived from audited financial statements but does not include all disclosures required by U.S. GAAP.

The information included in this Quarterly Report on Form 10-Q should be read in conjunction with our Consolidated Financial Statements and accompanying Notes included in the Annual Report.

Going Concern

As further discussed herein, thousands of governmental and private plaintiffs have filed suit against us and/or certain of our subsidiaries alleging opioid-related claims, most of which we have not been able to settle. As a result of the possibility or occurrence of an unfavorable outcome with respect to these proceedings, other legal proceedings and certain other risks and uncertainties, we explored a wide array of potential actions as part of our contingency planning and, as further described in the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 filed with the SEC on August 9, 2022 (the Second-Quarter 2022 Form 10-Q), we previously concluded that the related conditions and events gave rise to substantial doubt about our ability to continue as a going concern.

Subsequent to the filing of the Second-Quarter 2022 Form 10-Q, beginning on August 16, 2022 (the Petition Date), Endo International plc, together with certain of its direct and indirect subsidiaries (the Debtors), filed voluntary petitions for relief under the Bankruptcy Code, which constituted an event of default that accelerated our obligations under substantially all of our then-outstanding debt instruments. However, section 362 of the Bankruptcy Code stays creditors from taking any action to enforce the related financial obligations and creditors’ rights of enforcement in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code. Refer to Note 2. Bankruptcy Proceedings and Note 14. Debt for additional information. As a result of these conditions and events, management continues to believe there is substantial doubt about our ability to continue as a going concern within one year after the date of issuance of these Condensed Consolidated Financial Statements. The accompanying Condensed Consolidated Financial Statements have been prepared under the going concern basis of accounting as required by U.S. GAAP and do not include any adjustments that might be necessary should we be unable to continue as a going concern.

NOTE 2. BANKRUPTCY PROCEEDINGS

Chapter 11 Filing

As noted above, on the Petition Date, certain of the Debtors filed voluntary petitions for relief under the Bankruptcy Code. Certain additional Debtors filed voluntary petitions for relief under the Bankruptcy Code on May 25, 2023 and May 31, 2023. The Debtors have received approval from the U.S. Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) to jointly administer their chapter 11 cases (the Chapter 11 Cases) for administrative purposes only pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure under the caption *In re Endo International plc, et al.* Certain entities consolidated by Endo International plc and included in these Condensed Consolidated Financial Statements are not party to the Chapter 11 Cases. These entities are collectively referred to herein as the Non-Debtor Affiliates.

The Debtors will continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. As debtors-in-possession, the Debtors are generally permitted to continue to operate as ongoing businesses and pay debts and honor obligations arising in the ordinary course of their businesses after the Petition Date. However, the Debtors generally may not pay third-party claims or creditors on account of obligations arising before the Petition Date or engage in transactions outside the ordinary course of business without approval of the Bankruptcy Court. Under the Bankruptcy Code, third-party actions to collect pre-petition indebtedness owed by the Debtors, as well as most litigation pending against the Debtors as of the Petition Date, are generally subject to an automatic stay. However, under the Bankruptcy Code, certain legal proceedings, such as those involving the assertion of a governmental entity's police or regulatory powers, may not be subject to the automatic stay and may continue unless otherwise ordered by the Bankruptcy Court.

Among other requirements, chapter 11 proceedings must comply with the priority scheme established by the Bankruptcy Code, under which certain post-petition and secured or "priority" pre-petition liabilities generally need to be satisfied before general unsecured creditors and shareholders are entitled to receive any distribution.

Under the Bankruptcy Code, the Debtors may assume, modify, assign or reject certain executory contracts and unexpired leases, including, without limitation, leases of real property and equipment, subject to the approval of the Bankruptcy Court and certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a pre-petition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves the Debtors from performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a pre-petition general unsecured claim for damages caused by such deemed breach. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing monetary defaults under such executory contract or unexpired lease and provide adequate assurance of future performance. Accordingly, any description of an executory contract or unexpired lease in this report, including, where applicable, the express termination rights thereunder or a quantification of obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights the Debtors have under the Bankruptcy Code.

To ensure their ability to continue operating in the ordinary course of business, the Debtors have filed with the Bankruptcy Court a variety of motions seeking "first day" relief, including the authority to access cash collateral, continue using their cash management system, pay employee wages and benefits and pay vendors in the ordinary course of business. At a hearing held on August 18, 2022, the Bankruptcy Court generally approved the relief sought in these motions on an interim basis. Following subsequent hearings held on September 28, 2022, October 13, 2022 and October 19, 2022, the Bankruptcy Court entered orders approving substantially all of the relief sought on a final basis.

Events of Default

The August 16, 2022 bankruptcy filings by the Debtors constituted an event of default that accelerated our obligations under substantially all of our then-outstanding debt instruments. However, section 362 of the Bankruptcy Code stays creditors from taking any action to enforce the related financial obligations and creditors' rights of enforcement in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code. Refer to Note 14. Debt for additional information.

Restructuring Support Agreement

On August 16, 2022, we entered into a Restructuring Support Agreement (the RSA) with an ad hoc group (the Ad Hoc First Lien Group) of certain creditors holding in excess of 50% of the aggregate outstanding principal amount of Secured Debt (as defined in that certain collateral trust agreement, dated as of April 27, 2017, among Endo International plc, certain subsidiaries of Endo International plc, the other grantors from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent under the Credit Agreement (as defined below), and Wells Fargo Bank, National Association, as indenture trustee, and Wilmington Trust, National Association, as collateral trustee (the Collateral Trust Agreement)), pursuant to which, among other things, one or more entities formed in a manner acceptable to the Ad Hoc First Lien Group (the Stalking Horse Bidder or the Purchaser) will serve as stalking horse bidder as we seek to sell all or substantially all of our assets in a sale pursuant to section 363 of the Bankruptcy Code (the Sale).

As described in the RSA, the Stalking Horse Bidder's bid (the Stalking Horse Bid), which was subject to higher or otherwise better bids from other parties, includes an offer to purchase substantially all of our assets for an aggregate purchase price including: (i) a credit bid in full satisfaction of the Prepetition First Lien Indebtedness (as defined in the RSA); (ii) \$5 million in cash on account of certain unencumbered assets; (iii) \$122 million to wind-down our operations following the Sale closing date (the Wind-Down Amount); (iv) pre-closing professional fees; and (v) the assumption of certain liabilities. As part of the Stalking Horse Bid, the Stalking Horse Bidder will also make offers of employment to all of our active employees. The proposed purchase and sale agreement with respect to the Stalking Horse Bid as filed with the Bankruptcy Court on November 23, 2022, and as amended and subsequently filed with the Bankruptcy Court on March 24, 2023 and July 7, 2023, includes customary representations and warranties and customary covenants by the parties thereto.

On November 23, 2022, we filed: (i) a motion seeking Bankruptcy Court approval of bidding procedures in connection with the Sale and (ii) a motion seeking to set deadlines (bar dates) for all claimants to file claims against the Debtors. At a hearing on December 15, 2022, the Bankruptcy Court directed the Debtors and certain key parties in interest in the Chapter 11 Cases to participate in a mediation process to attempt to resolve certain objections and contested issues relating to the bidding procedures motion, the Sale and other critical matters in the Chapter 11 Cases.

In March 2023, the Debtors announced that, as a result of the mediation process, the Ad Hoc First Lien Group (and Stalking Horse Bidder) reached certain resolutions in principle with both the unsecured creditors' committee (the UCC) and opioid claimants' committee (the OCC) appointed in the Chapter 11 Cases and certain ad hoc groups of debtholders. These resolutions, documented in the stipulation filed with the Bankruptcy Court on March 24, 2023 (and described in further detail below), are supported by the Debtors. In connection with such resolutions, the Company agreed in principle with the Ad Hoc First Lien Group to reduce the Wind-Down Amount associated with the Stalking Horse Bid from \$122 million to approximately \$116 million, subject to definitive documentation. Following a hearing, the Bankruptcy Court entered orders on April 3, 2023 approving the bidding procedures motion (the Bidding Procedures Order) and the bar date motion.

As part of the Bidding Procedures Order, the Bankruptcy Court also approved certain internal restructuring transactions under Irish law that will allow us to pursue the Sale in a tax efficient manner (the Reconstruction Steps). The Reconstruction Steps were completed on May 31, 2023, and involved, among other things: (i) the conversion from private limited companies to private unlimited companies under Irish law of our subsidiaries Endo Ventures Limited and Endo Global Biologics Limited and their re-registration as Endo Ventures Unlimited (EVU) and Endo Global Biologics Unlimited (EGBU), respectively; and (ii) the transfer of the business and assets of EVU and EGBU to our newly-formed subsidiaries Operand Pharmaceuticals II Limited and Operand Pharmaceuticals III Limited.

As contemplated by the RSA, the bidding procedures order approved a marketing process and auction that was conducted under the supervision of the Bankruptcy Court, during which interested parties had an opportunity to conduct due diligence and determine whether to submit a bid to acquire the Debtors' assets. In the months following the entry of the Bidding Procedures Order, the Company conducted a robust marketing process. Following the passing of the deadline for potential bidders to submit indications of interest, on June 20, 2023, in accordance with the Bidding Procedures Order, the Company filed with the Bankruptcy Court a notice of termination of the sale and marketing process (the Sale Acceleration Election), naming the Stalking Horse Bidder as the Successful Bidder (as defined in the Bidding Procedures Order) and accelerating the hearing to approve the Sale from August 31, 2023 to July 28, 2023. The hearing to approve the Sale was subsequently adjourned and is currently scheduled for November 16, 2023.

Now that the Stalking Horse Bid has been selected as the highest or otherwise best offer following said marketing process, the Ad Hoc First Lien Group will direct the Collateral Trustee (as defined in the Collateral Trust Agreement) to assign its rights to credit bid, on behalf of the Secured Parties (as defined in the Collateral Trust Agreement), to the Stalking Horse Bidder, so as to enable the Stalking Horse Bidder to credit bid for all or substantially all of our assets in exchange for the extinguishment of the obligations to the Secured Parties.

Pursuant to the RSA, each of the parties agreed to, among other things, take all actions as are necessary and appropriate to facilitate the implementation and consummation of the Restructuring (as defined in the RSA), negotiate in good faith certain definitive documents relating to the Restructuring and obtain required approvals. In addition, we agreed to conduct our business in the ordinary course, provide notice and certain materials relating to the Restructuring to the consenting creditors' advisors and pay certain fees and expenses of the consenting creditors. The RSA further contemplates that the Purchaser will fund one or more trusts for parties with opioid-related claims against us, as further discussed in Note 15. Commitments and Contingencies.

The RSA provides certain milestones for the Restructuring. If we fail to satisfy these milestones and such failure is not the result of a breach of the RSA by the Required Consenting First Lien Creditors (as defined in the RSA), the Required Consenting First Lien Creditors will have the right to terminate the RSA. These milestones, as modified since we entered into the RSA (and which may be further modified from time to time) and as adjusted to reflect our exercise of the Sale Acceleration Election, include: (i) not later than 11:59 p.m. prevailing Eastern Time on October 25, 2022, the Bankruptcy Court shall have entered the Cash Collateral Order (as defined below) on a final basis; (ii) not later than 11:59 p.m. prevailing Eastern Time on April 11, 2023, the Bankruptcy Court shall have entered an order approving the bidding procedures; (iii) not later than 11:59 p.m. prevailing Eastern Time on November 20, 2023, the Bankruptcy Court shall have entered an order approving the Sale (the Sale Order Date); and (iv) not later than the earlier of (x) 11:59 p.m. prevailing Eastern Time on November 20, 2023 and (y) the date that is thirty (30) calendar days after the date the order approving the sale is entered (the Outside Date), the closing of the Sale shall have occurred, in which case the Outside Date is subject to certain extensions as a result of the Sale Acceleration Election as set forth in the RSA, including: (a) for extensions of prior milestones; (b) to close the Sale transaction with a backup bidder; and (c) for delays in obtaining regulatory or third-party approvals or consents. As of the date of this report, milestones (i) and (ii) referenced above have been satisfied. The dates in milestones (iii) and (iv) have been modified with the agreement of the Required Consenting First Lien Creditors. Each of the parties to the RSA may terminate the agreement (and thereby their support for the Sale) under certain limited circumstances, including for material breaches and materially untrue representations and warranties by their counterparties, if a governmental agency enjoins the Sale or if the purchase and sale agreement with respect to the Sale is terminated under certain circumstances.

The transactions contemplated by the RSA are subject to approval by the Bankruptcy Court, among other conditions. Accordingly, no assurance can be given that the transactions described therein will be consummated.

The Chapter 11 Proceedings

Cash Collateral

As part of the RSA, the Company and the Ad Hoc First Lien Group agreed on the terms of a proposed order authorizing the Company's use of cash collateral (as modified and entered by the Bankruptcy Court on a final (amended) basis in October 2022, the Cash Collateral Order) in connection with the Chapter 11 Cases on certain terms and conditions set forth therein. The Debtors intend to use the cash collateral to, among other things, permit the orderly continuation of their businesses, pay the costs of administration of their estates and satisfy other working capital and general corporate purposes.

The Cash Collateral Order: (i) obligates the Debtors to make certain adequate protection payments during the bankruptcy proceedings, which are further discussed in Note 14. Debt of this report and Note 15. Debt in the Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report; (ii) establishes a budget for the Debtors' use of cash collateral; (iii) establishes certain informational rights for the Debtors' secured creditors; (iv) provides for the waiver of certain Bankruptcy Code provisions; and (v) requires the Debtors to maintain at least \$600.0 million of "liquidity," calculated at the end of each week as unrestricted cash and cash equivalents plus certain specified amounts of restricted cash associated with the TLC Agreement, which is defined and further discussed below in Note 11. License, Collaboration and Asset Acquisition Agreements.

The foregoing description of the Cash Collateral Order does not purport to be complete and is qualified in its entirety by reference to the Cash Collateral Order entered by the Bankruptcy Court in the Chapter 11 Cases.

Claims Reconciliation Process

In November 2022, the Debtors filed with the Bankruptcy Court schedules and statements, subject to further amendment or modification, which set forth, among other things, the assets and liabilities of each of the Debtors, subject to the assumptions filed in connection therewith.

As part of the Chapter 11 Cases, persons and entities believing that they have claims or causes of action against the Debtors may file proofs of claim evidencing such claims. As noted above, the Debtors have filed a motion seeking to set a bar date (deadline) for holders of claims to file proofs of claim (including general claims and claims of governmental units). On April 3, 2023, the Bankruptcy Court entered an order, as subsequently amended on June 23, 2023 and July 14, 2023 (the Bar Date Order) setting July 7, 2023 as the general bar date (deadline) for persons and non-governmental entities to file proofs of claim against the Debtors. The Bankruptcy Court also set May 31, 2023 as the bar date for governmental entities to file claims other than certain claims relating to opioids against the Debtors. Certain claims, including most governmental claims relating to opioids, are subject to separate bar date procedures as set forth in more detail in the Bar Date Order.

As of October 30, 2023, approximately 906,400 claims, totaling approximately \$973 billion, have been filed against the Debtors, including, in certain cases, duplicate claims across multiple Debtors. For example, the IRS has filed multiple proofs of claim against several of the Debtors, as further discussed in Note 19. Income Taxes. As claims are filed, they are being evaluated for validity and compared to amounts recorded in our accounting records. Due to the voluminous number of claims received, Endo is continuing to review the proofs of claims filed in the Chapter 11 Cases to identify which, if any, additional claims constitute unresolved claims not previously known. As of the date of this report, the amounts of certain of the claims received exceed the amounts of the corresponding liabilities, if any, that we have recorded based on our assessments of the purported liabilities underlying such claims, and it is likely this will continue to be the case in future periods. We are not aware of any claims that we currently expect will require a material adjustment to the accounts and balances as reported as of September 30, 2023.

Differences in amounts recorded and claims filed by creditors will continue to be investigated and resolved, including through the filing of objections with the Bankruptcy Court, where appropriate. The Debtors may ask the Bankruptcy Court to disallow claims that the Debtors believe are duplicative, have been later amended or superseded, are without merit, are overstated or should be disallowed for other reasons. In addition, as a result of this process, the Debtors may identify additional liabilities that will need to be recorded or reclassified to Liabilities subject to compromise in the Condensed Consolidated Balance Sheets. In light of the substantial number of claims that have been filed as of the date of this report and may be filed in the future, the claims resolution process may take considerable time to complete and may continue for the duration of the Debtors' bankruptcy proceedings.

Resolutions in the Chapter 11 Cases

In March 2023, the Debtors announced that, in connection with the mediation process and as referenced in an amended RSA, the Ad Hoc First Lien Group (and Stalking Horse Bidder) reached certain resolutions in principle with the UCC and the OCC appointed in the Chapter 11 Cases and certain ad hoc groups of debtholders. In July 2023, the Debtors announced an additional resolution between the Stalking Horse Bidder and the Future Claimants' Representative (the FCR). In August 2023, a resolution was reached between the Stalking Horse Bidder and an ad hoc group of public school district creditors (the Public School District Creditors). In September 2023, a resolution was reached between the Stalking Horse Bidder and certain Canadian governmental entities that had previously filed an objection to the Sale (the Canadian Governments). These resolutions, which are set forth in greater detail in filings with the Bankruptcy Court dated as of March 24, 2023, July 13, 2023, August 15, 2023 and September 29, 2023, respectively, are supported by the Debtors.

The resolution reached between the Ad Hoc First Lien Group and the UCC provides that, upon the consummation of the Sale, the Stalking Horse Bidder will create a trust for the benefit of eligible general unsecured creditors. As consideration, the trust will receive, among other things, (i) \$60 million in cash; (ii) 4.25% of equity in the Stalking Horse Bidder (subject to dilution by equity issued pursuant to rights offerings and under the management incentive plan); (iii) a litigation trust, which will have the right to pursue certain estate claims and causes of action against (1) non-continuing directors and former officers (as against certain specified insurance policies and proceeds), (2) certain third-party advisors to the Debtors, and (3) certain additional third parties, including parties to certain pre-petition transactions with the Debtors; and (iv) a rights offering for certain eligible trust beneficiaries, subject to certain subscription requirements, for up to \$160 million of equity in the Stalking Horse Bidder. The resolution also contemplates a fee cap of \$15 million for the UCC professionals for any work done after April 1, 2023.

The resolution reached between the Ad Hoc First Lien Group and the OCC provides that, upon the consummation of the Sale, the Stalking Horse Bidder will create a trust for the benefit of certain private present opioid claimants (such as non-governmental entities). As consideration, the trust will receive, among other things, \$119.7 million of gross cash consideration payable in three installments (subject to the Stalking Horse Bidder's exercise of certain prepayment options and triggers) to be distributed to eligible private present opioid claimants. As set forth in the amended RSA, the Stalking Horse Bidder has agreed, upon the consummation of the Sale, to fund a trust for the benefit of certain public and tribal opioid claimants. The trust to be created pursuant to the resolution reached with the OCC is intended to be structured similarly to the public/tribal opioid trust and includes prepayment obligations triggered upon certain prepayments made to the public/tribal opioid trust. The resolution also contemplates a fee cap of \$8.5 million for opioid claimants' committee hourly professionals.

The resolution reached between the Ad Hoc First Lien Group and the FCR provides that, upon the consummation of the Sale, the Stalking Horse Bidder will create trusts (the Future Trusts) for the benefit of certain private opioid and mesh claimants whose first injury did not arise until after the general bar date. As consideration, the Future Trusts will receive, among other things, \$12 million of gross cash consideration payable in installments to be distributed to eligible private future opioid and mesh claimants.

The resolution reached between the Ad Hoc First Lien Group and the Public School District Creditors provides that, upon the consummation of the Sale, the Stalking Horse Bidder will fund a special education initiative for the benefit of public school districts that elect to participate in such initiative. As consideration, the initiative will receive up to \$3 million of gross cash consideration payable in installments to provide grants and other funding to participating school districts for the purpose of funding opioid abuse/misuse abatement or remediation programs.

The resolution reached between the Ad Hoc First Lien Group and the Canadian Governments provides that, upon the consummation of the Sale, the Stalking Horse Bidder will create a trust for the benefit of the Canadian Governments. As consideration, the trust will receive \$7.3 million of gross cash consideration payable in installments expected to be used for government programs and services aimed at assisting Canadians who suffer from opioid misuse or addiction disorder.

In connection with the resolutions, the UCC, the OCC, the FCR, the Public School District Creditors, the Canadian Governments and the ad hoc groups of debtholders party thereto have agreed to support the Sale.

Bankruptcy Accounting

As a result of the Chapter 11 Cases, we have applied the provisions of *Accounting Standards Codification Topic 852, Reorganizations* (ASC 852) in preparing the accompanying Condensed Consolidated Financial Statements. ASC 852 requires that, for periods including and after the filing of a chapter 11 petition, the Condensed Consolidated Financial Statements distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business.

Accordingly, for periods beginning with the third quarter of 2022, pre-petition unsecured and undersecured claims related to the Debtors that may be impacted by the bankruptcy reorganization process have been classified as Liabilities subject to compromise in the Condensed Consolidated Balance Sheets. Liabilities subject to compromise include pre-petition liabilities for which there is uncertainty about whether such pre-petition liabilities could be impaired as a result of the Chapter 11 Cases. Liabilities subject to compromise are recorded at the expected amount of the total allowed claim, even if they may ultimately be settled for different amounts. The following table sets forth, as of September 30, 2023 and December 31, 2022, information about the amounts presented as Liabilities subject to compromise in our Condensed Consolidated Balance Sheets (in thousands):

	September 30, 2023	December 31, 2022
Accounts payable	\$ 32,361	\$ 30,317
Accrued interest	160,617	160,617
Debt	7,389,198	7,834,717
Litigation accruals	875,096	820,805
Uncertain tax positions	261,152	235,176
Other (1)	68,147	87,150
Total	\$ 8,786,571	\$ 9,168,782

(1) Amounts include operating and finance lease liabilities as further described in Note 9. Leases, acquisition-related contingent consideration liabilities as further described in Note 7. Fair Value Measurements and a variety of other miscellaneous liabilities.

The determination of how liabilities will ultimately be settled or treated cannot be made until approved by the Bankruptcy Court. Therefore, the amounts in the table above are preliminary and may be subject to future adjustments as a result of, among other things, the possibility or occurrence of certain Bankruptcy Court actions, further developments with respect to disputed claims, any rejection by us of executory contracts and/or any payments by us of amounts classified as Liabilities subject to compromise, which may be allowed in certain limited circumstances. Amounts are also subject to adjustments if we make changes to our assumptions or estimates related to claims as additional information becomes available to us including, without limitation, those related to the expected amounts of allowed claims, the value of any collateral securing claims and the secured status of claims. Such adjustments may be material. Additionally, as a result of our ongoing bankruptcy proceedings, we may sell or otherwise dispose of or liquidate assets or settle liabilities for amounts other than those reflected in the accompanying Condensed Consolidated Financial Statements. The possibility or occurrence of any such actions could materially impact the amounts and classifications of such assets and liabilities reported in our Condensed Consolidated Balance Sheets and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Certain expenses, gains and losses resulting from and recognized during our bankruptcy proceedings are now being recorded in Reorganization items, net in our Condensed Consolidated Statements of Operations. The following table sets forth, for the three and nine months ended September 30, 2023 and 2022, information about the amounts presented as Reorganization items, net in our Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Professional fees	\$ 57,960	\$ 35,015	\$ 227,579	\$ 35,015
Debt valuation adjustments	—	89,197	—	89,197
Total	\$ 57,960	\$ 124,212	\$ 227,579	\$ 124,212

During the nine months ended September 30, 2023 and 2022, our operating cash flows included net cash outflows of \$220.6 million and \$2.9 million, respectively, related to amounts classified or expected to be classified as Reorganization items, net, which primarily consisted of payments for professional fees.

Refer also to Note 14. Debt for information about how our bankruptcy proceedings and certain related developments have affected our debt service payments and how such payments are being reflected in our Condensed Consolidated Financial Statements.

Nasdaq Delisting

On August 17, 2022, we received a letter (the Notice) from The Nasdaq Stock Market LLC (Nasdaq) stating that, in accordance with Nasdaq Listing Rules 5101, 5110(b) and IM-5101-1, Nasdaq had determined that Endo's ordinary shares would be delisted. In accordance with the Notice, trading of Endo's ordinary shares was suspended at the opening of business on August 26, 2022. As a result, Endo's ordinary shares began trading exclusively on the over-the-counter market on August 26, 2022. On the over-the-counter market, Endo's ordinary shares, which previously traded on the Nasdaq Global Select Market under the symbol ENDP, began to trade under the symbol ENDPQ. On September 14, 2022, Nasdaq filed a Form 25-NSE with the SEC and Endo's ordinary shares were subsequently delisted from the Nasdaq Global Select Market. On December 13, 2022, Endo's ordinary shares were deregistered under Section 12(b) of the Exchange Act.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Use of Estimates**

The preparation of our Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts and disclosures in our Condensed Consolidated Financial Statements, including the Notes thereto, and elsewhere in this report. For example, we are required to make significant estimates and assumptions related to revenue recognition, including sales deductions, long-lived assets, goodwill, other intangible assets, income taxes, contingencies, financial instruments, share-based compensation, liabilities subject to compromise and reorganization items, net, among others. Some of these estimates can be subjective and complex. Uncertainties related to the magnitude and duration of public health crises, like the recent COVID-19 pandemic, and epidemics, the extent to which it may impact our estimated future financial results, worldwide macroeconomic conditions including interest rates, employment rates, consumer spending, health insurance coverage, the speed of the anticipated recovery and governmental and business reactions to a public health emergency and/or epidemic, including any possible re-initiation of shutdowns or renewed restrictions, have increased the complexity of developing these estimates, including the allowance for expected credit losses and the carrying amounts of long-lived assets, goodwill and other intangible assets. Additionally, as a result of our ongoing bankruptcy proceedings, we may sell or otherwise dispose of or liquidate assets or settle liabilities for amounts other than those reflected in the accompanying Condensed Consolidated Financial Statements. The possibility or occurrence of any such actions could materially impact the amounts and classifications of such assets and liabilities reported in our Condensed Consolidated Balance Sheets. Furthermore, our ongoing bankruptcy proceedings and planned sale process have resulted in and are likely to continue to result in significant changes to our business, which could ultimately result in, among other things, asset impairment charges that may be material. Although we believe that our estimates and assumptions are reasonable, there may be other reasonable estimates or assumptions that differ significantly from ours. Further, our estimates and assumptions are based upon information available at the time they were made. Actual results may differ significantly from our estimates, including as a result of the uncertainties described in this report, those described in our other reports filed with the SEC or other uncertainties.

Significant Accounting Policies Added or Updated since December 31, 2022

There have been no significant changes to our significant accounting policies since December 31, 2022. For additional discussion of the Company's significant accounting policies, see Note 3. Summary of Significant Accounting Policies in the Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report.

NOTE 4. DISCONTINUED OPERATIONS AND ASSET SALES**Astora**

The operating results of the Company's Astora business, which the Board of Directors (the Board) resolved to wind down in 2016, are reported as Discontinued operations, net of tax in the Condensed Consolidated Statements of Operations for all periods presented. The following table provides the operating results of Astora Discontinued operations, net of tax, for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Litigation-related and other contingencies, net	\$ —	\$ —	\$ 500	\$ —
Loss from discontinued operations before income taxes	\$ (631)	\$ (3,897)	\$ (1,817)	\$ (15,115)
Income tax benefit	\$ (84)	\$ —	\$ (241)	\$ —
Discontinued operations, net of tax	\$ (547)	\$ (3,897)	\$ (1,576)	\$ (15,115)

Loss from discontinued operations before income taxes includes Litigation-related and other contingencies, net, mesh-related legal defense costs and certain other items.

The cash flows from discontinued operating activities related to Astora included the impact of net losses of \$1.6 million and \$15.1 million for the nine months ended September 30, 2023 and 2022, respectively, and the impact of cash activity related to vaginal mesh cases. During the periods presented above, there were no material net cash flows related to Astora discontinued investing activities and there was no depreciation or amortization expense related to Astora.

Refer to Note 15. Commitments and Contingencies for amounts and additional information relating to vaginal mesh-related matters.

Certain Assets and Liabilities of Endo's Retail Generics Business

In November 2020, we announced the initiation of several strategic actions to further optimize the Company's operations and increase overall efficiency (the 2020 Restructuring Initiative), which are further discussed in Note 5. Restructuring. These actions include an initiative to exit certain of our manufacturing and other sites to optimize our retail generics business cost structure.

Certain of these sites and certain corresponding assets and liabilities were sold in 2021. The assets sold included certain of our manufacturing facilities and related fixed assets in Chestnut Ridge, New York and Irvine, California, as well as certain U.S. retail generics products and certain related product inventory.

In 2022, we entered into a definitive agreement to sell certain additional assets located in Chestnut Ridge, New York to Ram Ridge Partners BH LLC. The assets primarily consisted of property, plant and equipment. In October 2022, the Bankruptcy Court approved the sale of the assets. The sale closed during the fourth quarter of 2022. As a result of this sale, we became entitled to aggregate cash consideration of approximately \$18.5 million, substantially all of which was received by December 31, 2022. In connection with this sale, we recognized a pre-tax disposal gain of approximately \$8.4 million during the fourth quarter of 2022, which we recorded in Other income, net in the Condensed Consolidated Statements of Operations.

The assets described in this section, which primarily related to the Company's Generic Pharmaceuticals segment, did not meet the requirements for treatment as a discontinued operation.

NOTE 5. RESTRUCTURING

2020 Restructuring Initiative

There have been no material charges or cash payments associated with the 2020 Restructuring Initiative in 2023.

The following pre-tax net amounts related to the 2020 Restructuring Initiative are included in the Company's Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2022 (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Net restructuring charges (charge reversals) related to:		
Accelerated depreciation	\$ —	\$ 3,824
Inventory adjustments	408	1,435
Employee separation, continuity and other benefit-related costs	(433)	1,290
Certain other restructuring costs	116	798
Total	<u>\$ 91</u>	<u>\$ 7,347</u>

These pre-tax net amounts were primarily attributable to our Generic Pharmaceuticals segment, which incurred \$0.4 million and \$5.5 million of pre-tax net charges during the three and nine months ended September 30, 2022, respectively. The remaining amounts related to our other segments and certain corporate unallocated costs.

As of December 31, 2022, cumulative amounts incurred to date included charges related to accelerated depreciation of \$51.0 million, asset impairments related to certain identifiable intangible assets, operating lease assets and disposal groups totaling \$49.5 million, inventory adjustments of \$11.6 million, employee separation, continuity and other benefit-related costs, net of \$53.9 million and certain other restructuring costs of \$3.5 million. Of these amounts, \$134.3 million was attributable to the Generic Pharmaceuticals segment, with the remaining amounts relating to our other segments and certain corporate unallocated costs.

The following pre-tax net amounts related to the 2020 Restructuring Initiative are included in the Company's Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2022 (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Net restructuring charges (charge reversals) related to:		
Cost of revenues	\$ 375	\$ 4,025
Selling, general and administrative	(243)	201
Research and development	(41)	3,121
Total	<u>\$ 91</u>	<u>\$ 7,347</u>

2022 Restructuring Initiative

In April 2022, the Company communicated the initiation of actions to streamline and simplify certain functions, including its commercial organization, to increase its overall organizational effectiveness and better align with current and future needs. In December 2022, the Company announced it would be taking certain additional actions to cease the production and sale of QWO[®] in light of market concerns about the extent and variability of bruising following initial treatment as well as the potential for prolonged skin discoloration. These actions, which are collectively referred to herein as the 2022 Restructuring Initiative, were initiated with the expectation of, among other things, generating cost savings, with a portion to be reinvested to support the Company's key strategic priority to expand and enhance its product portfolio. In December 2022, the Bankruptcy Court approved an order authorizing the Company to cease the production and commercialization of QWO[®] and granting related relief.

As a result of the 2022 Restructuring Initiative, the Company's global workforce will be reduced by approximately 175 net full-time positions, substantially all of which has occurred as of September 30, 2023. Future costs associated with the 2022 Restructuring Initiative are not expected to be material.

There have been no material charges associated with the 2022 Restructuring Initiative in 2023.

The following pre-tax net amounts related to the 2022 Restructuring Initiative are included in the Company's Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2022 (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Net restructuring (charge reversals) charges related to:		
Inventory adjustments	\$ —	\$ 2,462
Employee separation, continuity and other benefit-related costs	(1,681)	18,406
Certain other restructuring costs	1,102	8,657
Total	\$ (579)	\$ 29,525

These pre-tax net amounts were primarily attributable to our Branded Pharmaceuticals segment, which incurred \$0.1 million and \$17.0 million of pre-tax net charges during the three and nine months ended September 30, 2022. The remaining amounts related to our Generic Pharmaceuticals segment and certain corporate unallocated costs.

As of December 31, 2022, cumulative amounts incurred to date included charges related to asset impairments related to certain identifiable intangible assets of \$180.2 million, inventory adjustments of \$34.9 million, employee separation, continuity and other benefit-related costs, net of \$28.3 million and certain other restructuring costs of \$8.7 million. Of these amounts, \$238.6 million was attributable to the Branded Pharmaceuticals segment, with the remaining amounts related to our Generic Pharmaceuticals segment and certain corporate unallocated costs.

The following pre-tax net amounts related to the 2022 Restructuring Initiative are included in the Company's Condensed Consolidated Statements of Operations during the three and nine months ended September 30, 2022 (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Net restructuring (charge reversals) charges included in:		
Cost of revenues	\$ 68	\$ 13,352
Selling, general and administrative	(644)	12,075
Research and development	(3)	4,098
Total	\$ (579)	\$ 29,525

Changes to the liability for the 2022 Restructuring Initiative during the nine months ended September 30, 2023 were as follows (in thousands):

	Employee Separation, Continuity and Other Benefit- Related Costs
Liability balance as of December 31, 2022	\$ 14,997
Net charge reversals	(226)
Cash payments	(12,897)
Liability balance as of September 30, 2023	<u>\$ 1,874</u>

The liability at September 30, 2023 is classified as current and is included in Accounts payable and accrued expenses in the Condensed Consolidated Balance Sheets.

NOTE 6. SEGMENT RESULTS

The Company's four reportable business segments are Branded Pharmaceuticals, Sterile Injectables, Generic Pharmaceuticals and International Pharmaceuticals. These segments reflect the level at which the chief operating decision maker regularly reviews financial information to assess performance and to make decisions about resources to be allocated. Each segment derives revenue from the sales or licensing of its respective products and is discussed in more detail below.

We evaluate segment performance based on Segment adjusted income from continuing operations before income tax, which we define as (Loss) income from continuing operations before income tax and before acquired in-process research and development charges; acquisition-related and integration items, including transaction costs and changes in the fair value of contingent consideration; cost reduction and integration-related initiatives such as separation benefits, continuity payments, other exit costs and certain costs associated with integrating an acquired company's operations; certain amounts related to strategic review initiatives; asset impairment charges; amortization of intangible assets; inventory step-up recorded as part of our acquisitions; litigation-related and other contingent matters; certain legal costs; gains or losses from early termination of debt; debt modification costs; gains or losses from the sales of businesses and other assets; foreign currency gains or losses on intercompany financing arrangements; reorganization items, net; and certain other items.

Certain corporate expenses incurred by the Company are not directly attributable to any specific segment. Accordingly, these costs are not allocated to any of the Company's segments and are included in the results below as "Corporate unallocated costs." Interest income and expense are also considered corporate items and not allocated to any of the Company's segments. The Company's Total segment adjusted income from continuing operations before income tax is equal to the combined results of each of its segments.

Branded Pharmaceuticals

Our Branded Pharmaceuticals segment includes a variety of branded products in the areas of urology, orthopedics, endocrinology and bariatrics, among others. Products in this segment include XIAFLEX[®], SUPPRELIN[®] LA, AVEED[®], NASCOBAL[®] Nasal Spray, PERCOCET[®], TESTOPEL[®] and EDEX[®], among others.

Sterile Injectables

Our Sterile Injectables segment consists primarily of branded sterile injectable products such as ADRENALIN[®], VASOSTRICT[®] and APLISOL[®], among others, and certain generic sterile injectable products.

Generic Pharmaceuticals

Our Generic Pharmaceuticals segment consists of a product portfolio including solid oral extended-release products, solid oral immediate-release products, liquids, semi-solids, patches, powders, ophthalmics and sprays and includes products that treat and manage a wide variety of medical conditions.

International Pharmaceuticals

Our International Pharmaceuticals segment includes a variety of specialty pharmaceutical products, including over-the-counter (OTC) products, sold outside the U.S., primarily in Canada through our operating company Paladin Labs Inc. (Paladin).

The following represents selected information for the Company's reportable segments for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenues from external customers:				
Branded Pharmaceuticals	\$ 203,368	\$ 203,501	\$ 613,318	\$ 627,314
Sterile Injectables	95,381	118,693	333,664	481,892
Generic Pharmaceuticals	134,382	201,435	511,141	590,756
International Pharmaceuticals (1)	18,534	18,061	55,661	63,101
Total net revenues from external customers	\$ 451,665	\$ 541,690	\$ 1,513,784	\$ 1,763,063
Segment adjusted income from continuing operations before income tax:				
Branded Pharmaceuticals	\$ 105,696	\$ 84,940	\$ 317,301	\$ 251,219
Sterile Injectables	27,966	58,633	138,602	318,284
Generic Pharmaceuticals	32,057	87,675	204,148	237,394
International Pharmaceuticals	4,804	4,296	15,012	17,149
Total segment adjusted income from continuing operations before income tax	\$ 170,523	\$ 235,544	\$ 675,063	\$ 824,046

(1) Revenues generated by our International Pharmaceuticals segment are primarily attributable to external customers located in Canada.

There were no material revenues from external customers attributed to an individual country outside of the U.S. during any of the periods presented.

The table below provides reconciliations of our Total consolidated (loss) income from continuing operations before income tax, which is determined in accordance with U.S. GAAP, to our Total segment adjusted income from continuing operations before income tax for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total consolidated (loss) income from continuing operations before income tax	\$ (16,894)	\$ (707,592)	\$ 20,346	\$ (2,648,439)
Interest expense, net	10	74,753	239	349,486
Corporate unallocated costs (1)	40,118	44,182	117,471	125,851
Amortization of intangible assets	64,429	84,042	194,110	261,844
Acquired in-process research and development charges	—	800	—	68,700
Amounts related to continuity and separation benefits, cost reductions and strategic review initiatives (2)	10,764	44,029	36,718	139,025
Certain litigation-related and other contingencies, net (3)	11,104	419,376	54,317	444,738
Certain legal costs (4)	1,514	8,052	5,187	31,322
Asset impairment charges (5)	—	150,200	146	1,951,216
Acquisition-related and integration items, net (6)	1,062	(1,399)	1,824	(951)
Foreign currency impact related to the remeasurement of intercompany debt instruments	(2,203)	(6,220)	3	(7,114)
Reorganization items, net (7)	57,960	124,212	227,579	124,212
Other, net (8)	2,659	1,109	17,123	(15,844)
Total segment adjusted income from continuing operations before income tax	\$ 170,523	\$ 235,544	\$ 675,063	\$ 824,046

(1) Amounts include certain corporate overhead costs, such as headcount, facility and corporate litigation expenses and certain other income and expenses.

(2) Amounts for the three and nine months ended September 30, 2023 include net employee separation, continuity and other benefit-related charges of \$10.4 million and \$36.3 million, respectively, as well as other net charges of \$0.3 million and \$0.4 million, respectively. Amounts for the three months ended September 30, 2022 include net employee separation, continuity and other benefit-related charges of \$14.1 million and other net charges, including those related to strategic review initiatives, of \$30.0 million. Amounts for the nine months ended September 30, 2022 include net employee separation, continuity and other benefit-related charges of \$58.1 million, accelerated depreciation charges of \$3.8 million and other net charges, including those related to strategic review initiatives, of \$73.2 million. These amounts relate primarily to our restructuring activities as further described in Note 5. Restructuring, certain continuity and transitional compensation arrangements, certain other cost reduction initiatives and certain strategic review initiatives, including costs incurred in connection with our bankruptcy proceedings, which are included in this row until the Petition Date and in the Reorganization items, net row thereafter.

- (3) Amounts include adjustments to our accruals for litigation-related settlement charges. Our material legal proceedings and other contingent matters are described in more detail in Note 15. Commitments and Contingencies.
- (4) Amounts relate to opioid-related legal expenses.
- (5) Amounts primarily relate to charges to impair goodwill and intangible assets. For additional information, refer to Note 10. Goodwill and Other Intangibles.
- (6) Amounts primarily relate to changes in the fair value of contingent consideration.
- (7) Amounts relate to the net expense or income recognized during our bankruptcy proceedings required to be presented as Reorganization items, net under ASC 852. Refer to Note 2. Bankruptcy Proceedings for further details.
- (8) The amount for the nine months ended September 30, 2023 primarily relates to a charge of approximately \$9.2 million associated with the rejection of certain equity award agreements, which was approved by the Bankruptcy Court in March 2023. Other amounts in this row relate to gains and losses on sales of business and other assets and certain other items.

Asset information is not reviewed or included within our internal management reporting. Therefore, the Company has not disclosed asset information for each reportable segment.

During the three and nine months ended September 30, 2023 and 2022, the Company disaggregated its revenue from contracts with customers into the categories included in the table below (in thousands). The Company believes these categories depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Branded Pharmaceuticals:				
<i>Specialty Products:</i>				
XIAFLEX®	\$ 113,053	\$ 104,014	\$ 327,254	\$ 324,376
SUPPRELIN® LA	21,590	31,283	73,390	84,852
Other Specialty (1)	15,749	11,033	57,282	50,023
Total Specialty Products	\$ 150,392	\$ 146,330	\$ 457,926	\$ 459,251
<i>Established Products:</i>				
PERCOCET®	\$ 26,290	\$ 25,052	\$ 78,791	\$ 77,483
TESTOPEL®	9,610	9,430	32,199	28,331
Other Established (2)	17,076	22,689	44,402	62,249
Total Established Products	\$ 52,976	\$ 57,171	\$ 155,392	\$ 168,063
Total Branded Pharmaceuticals (3)	\$ 203,368	\$ 203,501	\$ 613,318	\$ 627,314
<i>Sterile Injectables:</i>				
ADRENALIN®	\$ 22,873	\$ 24,917	\$ 75,581	\$ 85,514
VASOSTRICT®	20,827	33,697	71,197	225,217
Other Sterile Injectables (4)	51,681	60,079	186,886	171,161
Total Sterile Injectables (3)	\$ 95,381	\$ 118,693	\$ 333,664	\$ 481,892
Total Generic Pharmaceuticals (5)	\$ 134,382	\$ 201,435	\$ 511,141	\$ 590,756
Total International Pharmaceuticals (6)	\$ 18,534	\$ 18,061	\$ 55,661	\$ 63,101
Total revenues, net	\$ 451,665	\$ 541,690	\$ 1,513,784	\$ 1,763,063

(1) Products included within Other Specialty include AVEED®, NASCOBAL® Nasal Spray and QWO®.

(2) Products included within Other Established include, but are not limited to, EDEX®.

(3) Individual products presented above represent the top two performing products in each product category for either the three or nine months ended September 30, 2023 and/or any product having revenues in excess of \$25 million during any completed quarterly period in 2023 or 2022.

(4) Products included within Other Sterile Injectables include, but are not limited to, APLISOL®. No individual product within Other Sterile Injectables has exceeded 5% of consolidated total revenues for the periods presented.

(5) The Generic Pharmaceuticals segment is comprised of a portfolio of products that are generic versions of branded products, are distributed primarily through the same wholesalers, generally have limited or no intellectual property protection and are sold within the U.S. Varenicline tablets (Endo's generic version of Pfizer Inc.'s Chantix®), which launched in September 2021, made up 10%, for the nine months ended September 30, 2023 and 15% and 13% for the three and nine months ended September 30, 2022, respectively, of consolidated total revenues. Dexlansoprazole delayed release capsules (Endo's generic version of Takeda Pharmaceuticals USA, Inc.'s Dexilant®), which launched in November 2022, made up 7% and 6%, respectively, for the three and nine months ended September 30, 2023, of consolidated total revenues. Lubiprostone capsules (the authorized generic of Mallinckrodt plc's Amitiza®), which launched in January 2021, made up 5%, for the three months ended September 30, 2022, of consolidated total revenues. No other individual product within this segment has exceeded 5% of consolidated total revenues for the periods presented.

(6) The International Pharmaceuticals segment, which accounted for less than 5% of consolidated total revenues for each of the periods presented, includes a variety of specialty pharmaceutical products sold outside the U.S., primarily in Canada through Endo's operating company Paladin.

NOTE 7. FAIR VALUE MEASUREMENTS

Fair value guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial Instruments

The financial instruments recorded in our Condensed Consolidated Balance Sheets include cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, acquisition-related contingent consideration and debt obligations. Included in cash and cash equivalents and restricted cash and cash equivalents are money market funds representing a type of mutual fund required by law to invest in low-risk securities (for example, U.S. government bonds, U.S. Treasury Bills and commercial paper). Money market funds pay dividends that generally reflect short-term interest rates. Due to their initial maturities, the carrying amounts of non-restricted and restricted cash and cash equivalents (including money market funds), accounts receivable, accounts payable and accrued expenses approximate their fair values.

Restricted Cash and Cash Equivalents

The following table presents current and noncurrent restricted cash and cash equivalent balances at September 30, 2023 and December 31, 2022 (in thousands):

	Balance Sheet Line Items	September 30, 2023	December 31, 2022
Restricted cash and cash equivalents—current (1)	Restricted cash and cash equivalents	\$ 167,939	\$ 145,358
Restricted cash and cash equivalents—noncurrent (2)	Other assets	85,000	85,000
Total restricted cash and cash equivalents		\$ 252,939	\$ 230,358

(1) Amounts at September 30, 2023 and December 31, 2022 include: (i) restricted cash and cash equivalents associated with litigation-related matters, including \$50.2 million and \$50.7 million, respectively, held in Qualified Settlement Funds (QSFs) for mesh- and/or opioid-related matters, and (ii) approximately \$85.9 million and \$86.0 million, respectively, of restricted cash and cash equivalents related to certain self-insurance related matters. These balances are classified as current assets in the Condensed Consolidated Balance Sheets as the potential for, and timing of, future claims is unknown and could result in distributions within the next twelve months. See Note 15. Commitments and Contingencies for further information about litigation-related matters.

(2) The amounts at September 30, 2023 and December 31, 2022 relate to the TLC Agreement. This balance, which may be used to fund certain future contractual obligations or returned to us upon satisfaction of certain conditions, is classified as a noncurrent asset in the Condensed Consolidated Balance Sheets. See Note 11. License, Collaboration and Asset Acquisition Agreements for further information.

Acquisition-Related Contingent Consideration

The fair value of contingent consideration liabilities is determined using unobservable inputs; hence, these instruments represent Level 3 measurements within the above-defined fair value hierarchy. These inputs include the estimated amount and timing of projected cash flows, the probability of success (achievement of the contingent event) and the risk-adjusted discount rate used to present value the probability-weighted cash flows. Subsequent to the acquisition date, at each reporting period, the contingent consideration liability is remeasured at current fair value with changes recorded in earnings. The estimates of fair value are uncertain and changes in any of the estimated inputs used as of the date of this report could have resulted in significant adjustments to fair value. See the “Recurring Fair Value Measurements” section below for additional information on acquisition-related contingent consideration.

Recurring Fair Value Measurements

The Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 2023 and December 31, 2022 were as follows (in thousands):

	Fair Value Measurements at September 30, 2023 using:			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Assets:				
Money market funds (1)	\$ 7,108	\$ —	\$ —	\$ 7,108
Liabilities:				
Acquisition-related contingent consideration (2)	\$ —	\$ —	\$ 13,017	\$ 13,017
	Fair Value Measurements at December 31, 2022 using:			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Assets:				
Money market funds (1)	\$ 12,226	\$ —	\$ —	\$ 12,226
Liabilities:				
Acquisition-related contingent consideration (2)	\$ —	\$ —	\$ 16,571	\$ 16,571

- (1) At September 30, 2023 and December 31, 2022, money market funds include \$7.1 million and \$12.2 million, respectively, in QSFs. Amounts in QSFs are considered restricted cash equivalents. See Note 15. Commitments and Contingencies for further discussion of our litigation. At September 30, 2023 and December 31, 2022, the differences between the amortized cost and the fair value of our money market funds were not material, individually or in the aggregate.
- (2) At September 30, 2023 and December 31, 2022, the balance of the Company's liability for acquisition-related contingent consideration, which is governed by executory contracts and recorded at the expected amount of the total allowed claim, is classified within Liabilities subject to compromise in the Condensed Consolidated Balance Sheets.

Fair Value Measurements Using Significant Unobservable Inputs

The following table presents changes to the Company's liability for acquisition-related contingent consideration, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3), for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning of period	\$ 14,653	\$ 18,242	\$ 16,571	\$ 20,076
Amounts settled	(2,625)	(286)	(5,394)	(2,445)
Changes in fair value recorded in earnings	1,062	(1,399)	1,824	(951)
Effect of currency translation	(73)	(745)	16	(868)
End of period	\$ 13,017	\$ 15,812	\$ 13,017	\$ 15,812

At September 30, 2023, the fair value measurements of the contingent consideration obligations were determined using risk-adjusted discount rates ranging from 10.0% to 15.0% (weighted average rate of approximately 10.5%, weighted based on relative fair value). Changes in fair value recorded in earnings related to acquisition-related contingent consideration are included in our Condensed Consolidated Statements of Operations as Acquisition-related and integration items, net.

The following table presents changes to the Company's liability for acquisition-related contingent consideration during the nine months ended September 30, 2023 by acquisition (in thousands):

	Balance as of December 31, 2022	Changes in Fair Value Recorded in Earnings	Amounts Settled and Other	Balance as of September 30, 2023
Auxilium acquisition	\$ 10,618	\$ 927	\$ (2,165)	\$ 9,380
Lehigh Valley Technologies, Inc. acquisitions	2,300	109	(1,209)	1,200
Other	3,653	788	(2,004)	2,437
Total	\$ 16,571	\$ 1,824	\$ (5,378)	\$ 13,017

Nonrecurring Fair Value Measurements

Long-lived assets, goodwill and other intangible assets may be subject to nonrecurring fair value measurement for the evaluation of potential impairment. During the nine months ended September 30, 2023, nonrecurring fair value measurements, which related primarily to certain property, plant and equipment, were not material.

NOTE 8. INVENTORIES

Inventories consisted of the following at September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Raw materials (1)	\$ 98,942	\$ 105,975
Work-in-process (1)	55,971	43,057
Finished goods (1)	118,918	125,467
Total	<u>\$ 273,831</u>	<u>\$ 274,499</u>

(1) The components of inventory shown in the table above are net of allowances.

Inventory in excess of the amount expected to be sold within one year is classified as noncurrent inventory and is not included in the table above. At September 30, 2023 and December 31, 2022, \$23.2 million and \$23.0 million, respectively, of noncurrent inventory was included in Other assets in the Condensed Consolidated Balance Sheets. As of September 30, 2023 and December 31, 2022, the Company's Condensed Consolidated Balance Sheets included approximately \$6.7 million and \$5.8 million, respectively, of capitalized pre-launch inventories related to products that were not yet available to be sold.

NOTE 9. LEASES

The following table presents information about the Company's right-of-use assets and lease liabilities at September 30, 2023 and December 31, 2022 (in thousands):

	Balance Sheet Line Items	September 30, 2023	December 31, 2022
Right-of-use assets:			
Operating lease right-of-use assets	Operating lease assets	\$ 24,125	\$ 28,070
Finance lease right-of-use assets	Property, plant and equipment, net	20,692	26,761
Total right-of-use assets		<u>\$ 44,817</u>	<u>\$ 54,831</u>
Operating lease liabilities (1):			
Current operating lease liabilities	Current portion of operating lease liabilities	\$ 898	\$ 903
Noncurrent operating lease liabilities	Operating lease liabilities, less current portion	4,411	5,129
Total operating lease liabilities		<u>\$ 5,309</u>	<u>\$ 6,032</u>
Finance lease liabilities (1):			
Noncurrent finance lease liabilities	Other liabilities	\$ 1,386	\$ 1,392
Total finance lease liabilities		<u>\$ 1,386</u>	<u>\$ 1,392</u>

(1) Amounts at September 30, 2023 exclude operating lease liabilities of \$22.3 million and finance lease liabilities of \$11.8 million that are classified as Liabilities subject to compromise in the Condensed Consolidated Balance Sheets. Amounts at December 31, 2022 exclude operating lease liabilities of \$28.4 million and finance lease liabilities of \$17.1 million that are classified as Liabilities subject to compromise in the Condensed Consolidated Balance Sheets.

The following table presents information about lease costs and expenses and sublease income for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Statement of Operations Line Items	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Operating lease cost	Various (1)	\$ 1,283	\$ 3,415	\$ 5,313	\$ 8,452
Finance lease cost:					
Amortization of right-of-use assets	Various (1)	\$ 2,027	\$ 2,024	\$ 6,071	\$ 6,455
Interest on lease liabilities	Interest expense, net	\$ 184	\$ 271	\$ 619	\$ 877
Other lease costs and income:					
Variable lease costs (2)	Various (1)	\$ 3,131	\$ 3,525	\$ 8,332	\$ 8,220
Finance lease right-of-use asset impairment charges	Asset impairment charges	\$ —	\$ —	\$ —	\$ 3,063
Sublease income	Various (1)	\$ (1,119)	\$ (1,560)	\$ (4,207)	\$ (4,810)

(1) Amounts are included in the Condensed Consolidated Statements of Operations based on the function that the underlying leased asset supports. The following table presents the components of such aggregate amounts for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenues	\$ 1,557	\$ 1,539	\$ 4,610	\$ 4,668
Selling, general and administrative	\$ 3,765	\$ 5,812	\$ 10,797	\$ 13,488
Research and development	\$ —	\$ 53	\$ 102	\$ 161

(2) Amounts represent variable lease costs incurred that were not included in the initial measurement of the lease liability such as common area maintenance and utilities costs associated with leased real estate and certain costs associated with our automobile leases.

The following table provides certain additional information related to our leases for the nine months ended September 30, 2023 and 2022 (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash payments for operating leases	\$ 8,681	\$ 9,746
Operating cash payments for finance leases	\$ 938	\$ 1,439
Financing cash payments for finance leases	\$ 4,999	\$ 4,501
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases (1)	\$ —	\$ 1,296

(1) The amount in 2022 primarily relates to a new lease agreement.

NOTE 10. GOODWILL AND OTHER INTANGIBLES

Goodwill

The following table presents information about our goodwill at September 30, 2023 and December 31, 2022 (in thousands):

	Branded Pharmaceuticals	Sterile Injectables	Generic Pharmaceuticals	International Pharmaceuticals	Total
Goodwill as of December 31, 2022	\$ 828,818	\$ 523,193	\$ —	\$ —	\$ 1,352,011
Goodwill as of September 30, 2023	\$ 828,818	\$ 523,193	\$ —	\$ —	\$ 1,352,011

The carrying amounts of goodwill at September 30, 2023 and December 31, 2022 are net of the following accumulated impairments (in thousands):

	Branded Pharmaceuticals	Sterile Injectables	Generic Pharmaceuticals	International Pharmaceuticals	Total
Accumulated impairment losses as of December 31, 2022	\$ 855,810	\$ 2,208,000	\$ 3,142,657	\$ 513,211	\$ 6,719,678
Accumulated impairment losses as of September 30, 2023	\$ 855,810	\$ 2,208,000	\$ 3,142,657	\$ 512,306	\$ 6,718,773

Other Intangible Assets

Changes in the amounts of other intangible assets for the nine months ended September 30, 2023 are set forth in the table below (in thousands).

Cost basis:	Balance as of December 31, 2022	Acquisitions	Other (1)	Effect of Currency Translation	Balance as of September 30, 2023
Licenses (weighted average life of 14 years)	\$ 442,107	\$ —	\$ (10,000)	\$ —	\$ 432,107
Tradenames	6,409	—	—	—	6,409
Developed technology (weighted average life of 12 years)	5,920,021	—	—	(424)	5,919,597
Total other intangibles (weighted average life of 12 years)	\$ 6,368,537	\$ —	\$ (10,000)	\$ (424)	\$ 6,358,113
Accumulated amortization:	Balance as of December 31, 2022	Amortization	Other (1)	Effect of Currency Translation	Balance as of September 30, 2023
Licenses	\$ (424,508)	\$ (3,432)	\$ 10,000	\$ —	\$ (417,940)
Tradenames	(6,409)	—	—	—	(6,409)
Developed technology	(4,204,685)	(190,678)	—	431	(4,394,932)
Total other intangibles	\$ (4,635,602)	\$ (194,110)	\$ 10,000	\$ 431	\$ (4,819,281)
Net other intangibles	\$ 1,732,935				\$ 1,538,832

(1) Other adjustments relate to the removal of certain fully amortized intangible assets.

Amortization expense for the three and nine months ended September 30, 2023 totaled \$64.4 million and \$194.1 million, respectively. Amortization expense for the three and nine months ended September 30, 2022 totaled \$84.0 million and \$261.8 million, respectively. Amortization expense is included in Cost of revenues in the Condensed Consolidated Statements of Operations.

Impairments

Goodwill and, if applicable, indefinite-lived intangible assets are tested for impairment annually, as of October 1, and when events or changes in circumstances indicate that the asset might be impaired.

As part of our goodwill and intangible asset impairment assessments, we estimate the fair values of our reporting units and our intangible assets using an income approach that utilizes a discounted cash flow model or, where appropriate, a market approach.

The discounted cash flow models reflect our estimates of future cash flows and other factors including estimates of: (i) future operating performance, including future sales, long-term growth rates, gross margins, operating expenses, discount rates and the probability of achieving the estimated cash flows, and (ii) future economic conditions. These assumptions are based on significant inputs and judgments not observable in the market, and thus represent Level 3 measurements within the fair value hierarchy. The discount rates used in the determination of fair value reflect our judgments regarding the risks and uncertainties inherent in the estimated future cash flows and may differ over time depending on the risk profile of the particular assets and other market factors. We believe the discount rates and other inputs and assumptions are consistent with those a market participant would use. Any impairment charges resulting from annual or interim goodwill and intangible asset impairment assessments are recorded to Asset impairment charges in our Condensed Consolidated Statements of Operations.

Second-Quarter 2022 Interim Goodwill Impairment Tests

Beginning in May 2022, our share price and the aggregate estimated fair value of our debt experienced significant declines. We believe these declines, which persisted through the end of the second quarter of 2022, were predominantly attributable to continuing and increasing investor and analyst uncertainty with respect to: (i) ongoing opioid and other litigation matters for which we had been unable to reach a broad-based resolution of outstanding claims and (ii) speculation surrounding the possibility of a bankruptcy filing. Further, rising inflation and interest rates unfavorably affected the cost of borrowing, which is one of several inputs used in the determination of the discount rates used in our discounted cash flow models. For example, the U.S. Federal Reserve raised its benchmark interest rate by 50 basis points in May 2022 and by an additional 75 basis points in June 2022. Taken together, we determined that these factors represented triggering events that required the performance of interim goodwill impairments tests for both our Sterile Injectables and Branded Pharmaceuticals reporting units as of June 30, 2022.

When performing these goodwill impairment tests, we estimated the fair values of our reporting units taking into consideration management's continued commitment to Endo's strategic plans and the corresponding projected cash flows, as well as the fact that management's views on litigation risk had not materially changed since our annual goodwill impairment tests performed on October 1, 2021. However, when analyzing our aggregated estimated internal valuation of our reporting units as of June 30, 2022 compared to our market capitalization and the aggregate estimated fair value of our debt, we also considered the increased level of investor and analyst uncertainty described above, coupled with our belief that investors and analysts were unlikely to modify their projections or valuation models unless or until we could demonstrate significant progression on the resolution of outstanding litigation matters and/or demonstrate that the risks of potential future strategic alternatives, including the possibility of a future bankruptcy filing, were no longer applicable. After performing this analysis, we made certain adjustments to incorporate these factors into the valuations of our reporting units, primarily through adjustments to the discount rate resulting from an increase in the company-specific risk premium (CSRP), and determined that: (i) the estimated fair value of our Sterile Injectables reporting unit was less than its carrying amount, resulting in a pre-tax non-cash goodwill impairment charge of \$1,748.0 million, and (ii) while the estimated fair value declined, there was no goodwill impairment for our Branded Pharmaceuticals reporting unit, for which the estimated fair value exceeded the carrying amount by more than 10%. The discount rates used in the June 30, 2022 goodwill tests were 13.5% and 18.5% for the Branded Pharmaceuticals and Sterile Injectables reporting units, respectively.

Third-Quarter 2022 Interim Goodwill Impairment Tests

As further described in Note 2. Bankruptcy Proceedings, during the third quarter of 2022, in connection with the Sale, we received the Stalking Horse Bid, subject to higher or otherwise better bids from other parties. The value of the bid, as well as our market capitalization and the aggregate estimated fair value of our debt, was considered when determining whether it was more likely than not that the carrying amounts of one or more of our reporting units exceeded their respective fair values. Further, rising inflation and interest rates unfavorably affected the cost of borrowing, which is one of several inputs used in the determination of the discount rates used in our discounted cash flow models. For example, the U.S. Federal Reserve raised its benchmark interest rate by 75 basis points in July 2022 and by an additional 75 basis points in September 2022. Taken together, we determined that these factors represented triggering events that required the performance of interim goodwill impairments tests for both our Sterile Injectables and Branded Pharmaceuticals reporting units as of September 30, 2022.

When performing these goodwill impairment tests, we estimated the fair values of our reporting units taking into consideration management's continued commitment to Endo's strategic plans and the corresponding projected cash flows. However, when analyzing our aggregated estimated internal valuation of our reporting units as of September 30, 2022 compared to our market capitalization and the aggregate estimated fair value of our debt, as well as the par value and fair value of the Stalking Horse Bid, we made adjustments to reflect certain risks and uncertainties, including those related to the Chapter 11 Cases and the Sale, into the valuations of our reporting units, primarily through adjustments to the discount rate resulting from an increase in the CSRP, and determined that: (i) the estimated fair value of our Sterile Injectables reporting unit was less than its carrying amount, resulting in a pre-tax non-cash goodwill impairment charge of \$97.0 million, and (ii) the estimated fair value of our Branded Pharmaceuticals reporting unit exceeded the carrying amount by more than 10%. The discount rates used in the September 30, 2022 goodwill tests were 15.0% and 19.5% for the Branded Pharmaceuticals and Sterile Injectables reporting units, respectively.

During the three and nine months ended September 30, 2023, we did not record any impairment charges associated with intangible assets or goodwill. During the three and nine months ended September 30, 2022, we recorded impairment charges of \$53.2 million and \$103.2 million, respectively, associated with other intangible assets. These pre-tax non-cash asset impairment charges related primarily to certain developed technology intangible assets that were tested for impairment following changes in market conditions and certain other factors impacting recoverability.

NOTE 11. LICENSE, COLLABORATION AND ASSET ACQUISITION AGREEMENTS

We have entered into certain license, collaboration and asset acquisition agreements with third parties. Generally, these agreements require us to share in the costs of developing, manufacturing, commercializing and/or selling product candidates and/or products with third parties, who in turn grant us marketing rights for such product candidates and/or products. Under these agreements we are generally required to: (i) make upfront payments and/or other payments upon successful completion of regulatory, sales and/or other milestones and/or (ii) pay royalties on sales and/or other costs arising from these agreements. We have also, from time to time, entered into agreements to directly acquire certain assets from third parties.

Nevakar Agreements

In May 2022, we announced that our EVU subsidiary had entered into an agreement to acquire six development-stage ready-to-use (RTU) injectable product candidates from Nevakar Injectables, Inc., a subsidiary of Nevakar, Inc., for an upfront cash payment of \$35.0 million (the 2022 Nevakar Agreement). The acquisition closed during the second quarter of 2022. The acquired set of assets and activities did not meet the definition of a business. As a result, we accounted for the transaction as an asset acquisition. Upon closing, the upfront payment was recorded as Acquired in-process research and development in the Condensed Consolidated Statements of Operations.

The product candidates, which relate to our Sterile Injectables segment, are in various stages of development. The first commercial launch is expected in 2025; however, there can be no assurance this will occur within this timeframe or at all. With this acquisition, the Company will control all remaining development, regulatory, manufacturing and commercialization activities for the acquired product candidates.

In August 2022, within the ongoing bankruptcy proceedings, EVU filed an adversary proceeding (the Nevakar Litigation) against Nevakar, Inc. and Nevakar Injectables Inc. (collectively, Nevakar) to enforce: (i) a 2018 development, license and commercialization agreement (the 2018 Nevakar Agreement) and (ii) the 2022 Nevakar Agreement. In September 2022, Nevakar filed counterclaims against EVU. In December 2022, EVU and Nevakar reached a settlement with respect to the Nevakar Litigation (the Nevakar Settlement) subject to Bankruptcy Court approval. The Nevakar Settlement provided for the amendment (the Nevakar Amendment) of the 2018 Nevakar Agreement to revoke EVU's license of two products covered by the 2018 Nevakar Agreement, modify EVU's license to the remaining three products covered by the 2018 Nevakar Agreement to reduce the royalty owed to Nevakar, terminate any obligations of EVU to make payments to Nevakar upon achievement of contingent milestones and eliminate Nevakar's ability to terminate the remaining licenses for EVU's breach or material breach. The Nevakar Settlement also provided that EVU and Nevakar would agree to a mutual release of certain claims under both the 2018 Nevakar Agreement and the 2022 Nevakar Agreement. The Nevakar Settlement was approved by the Bankruptcy Court in January 2023. The Nevakar Settlement had no effect on our Condensed Consolidated Financial Statements in 2022.

In the first quarter of 2023, the Company concluded that the Nevakar Amendment met the definition of a nonmonetary exchange. The Nevakar Amendment did not result in the sale or acquisition of additional rights by the Company. The Company determined that the estimated value of the product rights revoked is approximately equal to the estimated reduction in the future royalty costs associated with the three products retained. There was no carrying value associated with the revoked product rights as the associated payments to Nevakar were previously expensed as Acquired in-process research and development. Based on these factors, the Nevakar Amendment had no effect on our Condensed Consolidated Financial Statements for the nine months ended September 30, 2023.

TLC Agreement

In June 2022, we announced that our EVU subsidiary had entered into an agreement with Taiwan Liposome Company, Ltd. (TLC) to commercialize TLC599 (the TLC Agreement). We are accounting for the agreement as an asset acquisition. During the second quarter of 2022, we made an upfront payment of \$30.0 million to TLC and recorded a corresponding charge to Acquired in-process research and development in the Condensed Consolidated Statements of Operations. On October 13, 2023, we commenced an adversary proceeding against TLC in the Bankruptcy Court. Due to the commercially sensitive nature of the dispute, the complaint initiating such proceeding has been filed under seal and is not publicly available. For additional discussion of the agreement terms and development status, see Note 12. License, Collaboration and Asset Acquisition Agreements in the Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report.

NOTE 12. CONTRACT ASSETS AND LIABILITIES

Our revenue consists almost entirely of sales of our products to customers, whereby we ship products to a customer pursuant to a purchase order. Revenue contracts such as these do not generally give rise to contract assets or contract liabilities because: (i) the underlying contracts generally have only a single performance obligation and (ii) we do not generally receive consideration until the performance obligation is fully satisfied. At September 30, 2023, the unfulfilled performance obligations for these types of contracts relate to ordered but undelivered products. We generally expect to fulfill the performance obligations and recognize revenue within one week of entering into the underlying contract. Based on the short-term initial contract duration, additional disclosure about the remaining performance obligations is not required.

Certain of our other income-generating contracts, including license and collaboration agreements, may result in contract assets and/or contract liabilities. For example, we may recognize contract liabilities upon receipt of certain upfront and milestone payments from customers when there are remaining performance obligations.

The following table shows the opening and closing balances of contract assets and contract liabilities from contracts with customers (dollars in thousands):

	September 30, 2023	December 31, 2022	\$ Change	% Change
Contract assets (1)	\$ 4,990	\$ 8,193	\$ (3,203)	(39)%
Contract liabilities (2)	\$ 3,675	\$ 4,099	\$ (424)	(10)%

- (1) At September 30, 2023 and December 31, 2022, approximately \$1.4 million and \$1.5 million, respectively, of these contract asset amounts are classified as current and are included in Prepaid expenses and other current assets in the Company's Condensed Consolidated Balance Sheets. The remaining amounts are classified as noncurrent and are included in Other assets.
- (2) At both September 30, 2023 and December 31, 2022, approximately \$0.6 million of these contract liability amounts are classified as current and are included in Accounts payable and accrued expenses in the Company's Condensed Consolidated Balance Sheets. The remaining amounts are classified as noncurrent and are included in Other liabilities. During the nine months ended September 30, 2023, approximately \$0.4 million of revenue was recognized that was included in the contract liability balance at December 31, 2022.

During the nine months ended September 30, 2023, we recognized revenue of \$14.4 million relating to performance obligations satisfied, or partially satisfied, in prior periods. Such revenue generally relates to changes in estimates with respect to our variable consideration.

NOTE 13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses included the following at September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Trade accounts payable	\$ 90,912	\$ 109,033
Returns and allowances	136,265	160,619
Rebates	115,231	167,516
Chargebacks	569	920
Other sales deductions	3,767	6,197
Accrued interest	42	68
Accrued payroll and related benefits	82,469	95,666
Accrued royalties and other distribution partner payables	27,581	24,072
Other (1)	105,792	123,092
Total	<u>\$ 562,628</u>	<u>\$ 687,183</u>

- (1) Amounts include a wide variety of accrued expenses, the most significant of which relate to accrued legal and other professional fees.

The amounts in the table above do not include amounts classified as Liabilities subject to compromise in our Condensed Consolidated Balance Sheets. Refer to Note 2. Bankruptcy Proceedings for additional information about Liabilities subject to compromise.

NOTE 14. DEBT

The following table presents information about the Company's total indebtedness at September 30, 2023 and December 31, 2022 (dollars in thousands):

	September 30, 2023			December 31, 2022		
	Effective Interest Rate (1)	Principal Amount (2)	Carrying Amount (2)	Effective Interest Rate (1)	Principal Amount (2)	Carrying Amount (2)
5.375% Senior Notes due 2023	5.38 %	\$ 6,127	\$ 6,127	5.38 %	\$ 6,127	\$ 6,127
6.00% Senior Notes due 2023	6.00 %	56,436	56,436	6.00 %	56,436	56,436
5.875% Senior Secured Notes due 2024	6.88 %	300,000	270,907	6.88 %	300,000	286,375
6.00% Senior Notes due 2025	6.00 %	21,578	21,578	6.00 %	21,578	21,578
7.50% Senior Secured Notes due 2027	8.50 %	2,015,479	1,766,287	8.50 %	2,015,479	1,894,774
9.50% Senior Secured Second Lien Notes due 2027	9.50 %	940,590	940,590	9.50 %	940,590	940,590
6.00% Senior Notes due 2028	6.00 %	1,260,416	1,260,416	6.00 %	1,260,416	1,260,416
6.125% Senior Secured Notes due 2029	7.13 %	1,295,000	1,161,598	7.13 %	1,295,000	1,230,799
Term Loan Facility	14.50 %	1,975,000	1,663,585	13.50 %	1,975,000	1,871,894
Revolving Credit Facility	12.00 %	277,200	241,674	11.00 %	277,200	265,728
Total (3)		\$ 8,147,826	\$ 7,389,198		\$ 8,147,826	\$ 7,834,717

- (1) Beginning on the Petition Date, we ceased recognition of interest expense related to all of our debt instruments and began to incur "adequate protection payments" related to our First Lien Debt Instruments (representing all of our debt instruments except for our senior unsecured notes and the 9.50% Senior Secured Second Lien Notes due 2027). The September 30, 2023 and December 31, 2022 "effective interest rates" included in the table above represent the rates in effect on such dates used to calculate: (i) future adequate protection payments related to our First Lien Debt Instruments and (ii) future contractual interest related to our other debt instruments, notwithstanding the fact that such interest is not currently being recognized. These rates are expressed as a percentage of the contractual principal amounts outstanding as of such date and, with respect to our First Lien Debt Instruments, without consideration of any reductions related to adequate protection payments made through such date.
- (2) The September 30, 2023 and December 31, 2022 principal amounts represent the amount of unpaid contractual principal owed on the respective instruments. During the third quarter of 2022, in accordance with ASC 852, we adjusted the carrying amounts of all unsecured and potentially undersecured debt instruments to equal the expected amount of the allowed claim by expensing (within Reorganization items, net in the Condensed Consolidated Statements of Operations) \$89.2 million of previously deferred and unamortized costs associated with these instruments. The September 30, 2023 and December 31, 2022 carrying amounts of our First Lien Debt Instruments also reflect reductions for certain adequate protection payments made since the Petition Date.
- (3) As of September 30, 2023 and December 31, 2022, the entire carrying amount our debt, as well as any related remaining accrued and unpaid interest that existed as of the Petition Date, is included in the Liabilities subject to compromise line in the Condensed Consolidated Balance Sheets.

General Information

The aggregate estimated fair value of the Company's long-term debt, which was estimated using inputs based on quoted market prices for the same or similar debt issuances, was \$4.5 billion and \$4.9 billion at September 30, 2023 and December 31, 2022, respectively. Based on this valuation methodology, we determined these debt instruments represent Level 2 measurements within the fair value hierarchy.

Credit Facilities

The Company and certain of its subsidiaries are party to the Credit Agreement, which, immediately following certain refinancing transactions that occurred in March 2021, provided for: (i) a \$1,000.0 million senior secured revolving credit facility (the Revolving Credit Facility) and (ii) a \$2,000.0 million senior secured term loan facility (the Term Loan Facility and, together with the Revolving Credit Facility, the Credit Facilities). Current amounts outstanding as of September 30, 2023 under the Credit Facilities are set forth in the table above.

Covenants, Events of Default and Bankruptcy-Related Matters

The agreements relating to our outstanding indebtedness contain certain covenants and events of default.

On the Petition Date, the Debtors filed voluntary petitions for relief under the Bankruptcy Code, which constituted an event of default that accelerated our obligations under substantially all of our then-outstanding debt instruments. However, section 362 of the Bankruptcy Code stays creditors from taking any action to enforce the related financial obligations and creditors' rights of enforcement in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code.

As a result of the Chapter 11 Cases, since the Petition Date, we have not made, and we are not currently making, any scheduled principal or interest payments on the Credit Facilities or our various senior notes and senior secured notes. We are however making certain adequate protection payments. Additionally, as a result of the Chapter 11 Cases, all remaining commitments under the Revolving Credit Facility have been terminated.

The transactions contemplated by the RSA are subject to approval by the Bankruptcy Court, among other conditions. Accordingly, no assurance can be given that the transactions described therein will be consummated. Because the Company has not yet obtained approval by the Bankruptcy Court regarding such transactions, there remains uncertainty with respect to the ability of our creditors, including our secured and unsecured debt holders, to recover the full amount of their claims against us. As a result, all secured and unsecured debt instruments have been classified as Liabilities subject to compromise in our Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, and we ceased the recognition of interest expense related to these instruments as of the Petition Date. During the three and nine months ended September 30, 2023, we did not recognize approximately \$164 million and \$479 million, respectively, of contractual interest expense that would have been recognized if not for the Chapter 11 Cases. During the third quarter of 2022, we did not recognize approximately \$77 million of contractual interest expense that would have been recognized if not for the Chapter 11 Cases.

Pursuant to the Cash Collateral Order that is further discussed in Note 2. Bankruptcy Proceedings, we are, among other things, obligated to make certain adequate protection payments during our bankruptcy proceedings on each of our First Lien Debt Instruments. On a cumulative basis through September 30, 2023, we made the following adequate protection payments pursuant to the Cash Collateral Order:

- \$35.5 million with respect to the Revolving Credit Facility;
- \$311.4 million with respect to the Term Loan Facility; and
- \$411.7 million with respect to the applicable senior secured notes.

As required by ASC 852, these adequate protection payments are recorded as a reduction of the carrying amount of the respective First Lien Debt Instruments, which are classified as Liabilities subject to compromise. This accounting treatment is due to the aforementioned uncertainties with respect to the ultimate outcome of the bankruptcy proceedings, including the proposed Sale transaction, which in turn creates uncertainties surrounding the first lien debt holders' ability to recover in full the amount of outstanding principal associated with those instruments. Some or all of the adequate protection payments may later be recharacterized as interest expense depending upon certain developments in the Chapter 11 Cases.

Debt Financing Transactions

Set forth below are certain disclosures relating to debt financing transactions that occurred during the nine months ended September 30, 2023 or the year ended December 31, 2022. For additional disclosures relating to debt financing transactions that occurred during the year ended December 31, 2022, refer to Note 15. Debt in the Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report.

January 2022 Senior Notes Repayments

The 7.25% Senior Notes due 2022 and the 5.75% Senior Notes due 2022 were repaid in January 2022.

NOTE 15. COMMITMENTS AND CONTINGENCIES

U.S. Government Agreement

In November 2021, our Par Sterile Products, LLC (PSP LLC) subsidiary entered into a cooperative agreement with the U.S. government to expand our Sterile Injectables segment's fill-finish manufacturing production capacity and capabilities at our Rochester, Michigan plant to support the U.S. government's national defense efforts regarding production of critical medicines advancing pandemic preparation (the U.S. Government Agreement). The U.S. Government Agreement, which was originally entered into with the U.S. Department of Defense (DoD), is part of the U.S. government's efforts, authorized under the Defense Production Act, to address potential vulnerabilities in critical product supply chains and strengthen the advancement of domestic manufacturing capabilities critical to the national defense, including essential medicines production.

In the third quarter of 2023, the Company completed the transfer of the U.S. Government Agreement from the DoD to the U.S. Department of Health and Human Services (HHS). The agreement with HHS maintains substantially the same rights and obligations as the agreement with the DoD and is accounted for consistently. Refer to Note 3. Summary of Significant Accounting Policies and Note 16. Commitments and Contingencies in the Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report for additional discussion of this agreement and our accounting treatment.

Legal Proceedings and Investigations

We and certain of our subsidiaries are involved in various claims, legal proceedings and internal and governmental investigations (collectively, proceedings) arising from time to time, including, among others, those relating to product liability, intellectual property, regulatory compliance, consumer protection, tax and commercial matters. An adverse outcome in certain proceedings described herein could have a material adverse effect on our business, financial condition, results of operations and cash flows. We are also subject to a number of matters that are not being disclosed herein because, in the opinion of our management, these matters are immaterial both individually and in the aggregate with respect to our financial position, results of operations and cash flows.

As further discussed in Note 2. Bankruptcy Proceedings, on the Petition Date, certain of the Debtors filed voluntary petitions for relief under the Bankruptcy Code. Certain additional Debtors filed voluntary petitions for relief under the Bankruptcy Code on May 25, 2023 and May 31, 2023. Under the Bankruptcy Code, third-party actions to collect pre-petition indebtedness owed by the Debtors, as well as most litigation pending against the Debtors as of the Petition Date, are generally subject to an automatic stay. However, under the Bankruptcy Code, certain legal proceedings, such as those involving the assertion of a governmental entity's police or regulatory powers, may not be subject to the automatic stay and may continue unless otherwise ordered by the Bankruptcy Court. As a result, some proceedings may continue (or certain parties may attempt to argue that such proceedings should continue) notwithstanding the automatic stay. Where no stay is in place or expected, and in the event the stays in place were to be lifted, we intend to vigorously prosecute or defend our position as appropriate. We cannot predict the outcome of any proceeding, and there can be no assurance that we will be successful or obtain any requested relief.

We believe that certain settlements and judgments, as well as legal defense costs, relating to certain product liability or other matters are or may be covered in whole or in part under our insurance policies with a number of insurance carriers. In certain circumstances, insurance carriers reserve their rights to contest or deny coverage. We intend to contest vigorously any disputes with our insurance carriers and to enforce our rights under the terms of our insurance policies. Notwithstanding the foregoing, amounts recovered under our insurance policies could be materially less than stated coverage limits and may not be adequate to cover damages, other relief and/or costs relating to claims. In addition, there is no guarantee that insurers will pay claims in the amounts we expect or that coverage will otherwise be available. Even where claims are submitted to insurance carriers for defense and indemnity, there can be no assurance that the claims will be covered by insurance or that the indemnitors or insurers will remain financially viable or will not challenge our right to reimbursement in whole or in part. Accordingly, we will record receivables with respect to amounts due under these policies only when the realization of the potential claim for recovery is considered probable.

We may not have and may be unable to obtain or maintain insurance on acceptable terms or with adequate coverage against potential liabilities or other losses, including costs, judgments, settlements and other liabilities incurred in connection with current or future legal proceedings, regardless of the success or failure of the claim. For example, we do not have insurance sufficient to satisfy all of the opioid claims that have been made against us. We also generally no longer have product liability insurance to cover claims in connection with the mesh-related litigation described herein. Additionally, we may be limited by the surviving insurance policies of acquired entities, which may not be adequate to cover potential liabilities or other losses. The failure to generate sufficient cash flow or to obtain other financing could affect our ability to pay amounts due under those liabilities not covered by insurance. Additionally, the nature of our business, the legal proceedings to which we are exposed and any losses we suffer may increase the cost of insurance, which could impact our decisions regarding our insurance programs. Finally, as set forth in the stipulation filed with the Bankruptcy Court on March 24, 2023 (see Note 2. Bankruptcy Proceedings), our ability to access certain insurance proceeds may be impacted by the resolution reached between the Ad Hoc First Lien Group and the UCC.

As of September 30, 2023, our accrual for loss contingencies totaled \$875.1 million, the most significant components of which relate to: (i) various opioid-related matters as further described herein and (ii) product liability and related matters associated with transvaginal surgical mesh products, which we have not sold since March 2016. Although we believe there is a possibility that a loss in excess of the amount recognized exists, we are unable to estimate the possible loss or range of loss in excess of the amount recognized at this time. As of September 30, 2023, our entire accrual for loss contingencies is classified as Liabilities subject to compromise in the Condensed Consolidated Balance Sheets. As a result of the automatic stay under the Bankruptcy Code and the uncertain treatment of these liabilities pursuant to a chapter 11 plan or otherwise, the timing and amount of payment, if any, related to the amounts accrued for loss contingencies is uncertain.

As part of the Chapter 11 Cases, persons and entities believing that they have claims or causes of action against the Debtors, including litigants, may file proofs of claim evidencing such claims. On April 3, 2023, the Bankruptcy Court entered the Bar Date Order, as subsequently amended on June 23, 2023 and July 14, 2023, setting July 7, 2023 as the general bar date (deadline) for persons and non-governmental entities to file proofs of claim against the Debtors. The Bankruptcy Court also set May 31, 2023 as the bar date for governmental entities to file claims other than certain claims relating to opioids against the Debtors. Certain claims, including most governmental claims relating to opioids, are subject to separate bar date procedures as set forth in more detail in the Bar Date Order.

At the Debtors' request, the Bankruptcy Court has appointed the FCR in the Chapter 11 Cases. As further described in the applicable Bankruptcy Court filings, the FCR represents the rights of individuals who may in the future assert one or more personal injury claims against the Debtors or a successor of the Debtors' businesses relating to the Debtors' opioid or transvaginal surgical mesh products, but who could not assert such claims in the Chapter 11 Cases because, among other reasons, such individuals were unaware of the alleged injury, had a latent manifestation of the alleged injury or were otherwise unable to assert or incapable of asserting claims based on the alleged injury. Although the FCR was initially appointed to represent the rights of individuals who may in the future assert one or more personal injury claims against the Debtors or a successor of the Debtors' businesses relating to the Debtors' ranitidine products, in August 2023 the Bankruptcy Court entered an order terminating the FCR's appointment with respect to claims relating to the Debtors' ranitidine products.

Vaginal Mesh Matters

Since 2008, we and certain of our subsidiaries, including American Medical Systems Holdings, Inc. (AMS) (which subsequently converted to Astora Women's Health Holdings, LLC and merged into Astora Women's Health LLC (Astora)), have been named as defendants in multiple lawsuits in various state and federal courts in the U.S., and in the United Kingdom, Australia and other countries, alleging personal injury resulting from the use of transvaginal surgical mesh products designed to treat pelvic organ prolapse (POP) and stress urinary incontinence (SUI). We have not sold such products since March 2016. Plaintiffs claim a variety of personal injuries, including chronic pain, incontinence, inability to control bowel function and permanent deformities, and seek compensatory and punitive damages, where available.

At various times from June 2013 through the Petition Date, the Company and/or certain of its subsidiaries entered into various Master Settlement Agreements (MSAs) and other agreements intended to resolve approximately 71,000 filed and unfiled U.S. mesh claims. These MSAs and other agreements were solely by way of compromise and settlement and were not an admission of liability or fault by us or any of our subsidiaries. All MSAs were subject to a process that included guidelines and procedures for administering the settlements and the release of funds. In certain cases, the MSAs provided for the creation of QSFs into which settlement funds were deposited, established participation requirements and allowed for a reduction of the total settlement payment in the event participation thresholds were not met. In certain circumstances, participation requirements or other conditions for payment were not satisfied prior to the Petition Date. Funds deposited in QSFs are considered restricted cash and/or restricted cash equivalents. Distribution of funds to any individual claimant was conditioned upon the receipt of documentation substantiating product use, the dismissal of any lawsuit and the release of the claim as to us and all affiliates. Prior to receiving funds, an individual claimant was required to represent and warrant that liens, assignment rights or other claims identified in the claims administration process have been or will be satisfied by the individual claimant. Confidentiality provisions applied to the settlement funds, amounts allocated to individual claimants and other terms of the agreements.

The following table presents the changes in the mesh-related QSFs and liability accrual balances during the nine months ended September 30, 2023 (in thousands):

	Mesh Qualified Settlement Funds	Mesh Liability Accrual (1)
Balance as of December 31, 2022	\$ 50,339	\$ 222,972
Additional charges	—	500
Cash distributions to settle disputes from Qualified Settlement Funds	(1,510)	(1,510)
Other (2)	1,031	1,031
Balance as of September 30, 2023	<u>\$ 49,860</u>	<u>\$ 222,993</u>

(1) As of September 30, 2023 and December 31, 2022, the entire accrual is classified as Liabilities subject to compromise in the Condensed Consolidated Balance Sheets.

(2) Amounts deposited in the QSFs earn interest from time to time that is reflected in the table above as an increase to the QSF and Mesh Liability Accrual balances. Subject to any restrictions on making payments as a result of the Chapter 11 Cases, such interest is generally used to pay administrative costs of the funds and any interest remaining after all claims have been paid will generally be distributed to the claimants who participated in that settlement. Also included within this line are foreign currency adjustments for settlements not denominated in U.S. dollars.

Charges related to vaginal mesh liability and associated legal fees and other expenses for all periods presented are reported in Discontinued operations, net of tax in our Condensed Consolidated Statements of Operations.

As of September 30, 2023, the Company has made total cumulative mesh liability payments of approximately \$3.6 billion, \$49.9 million of which remains in the QSFs as of September 30, 2023. In light of the filing of petitions for relief under the Bankruptcy Code, we do not expect to make new payments under previously executed mesh settlement agreements within the next 12 months. As funds are disbursed out of the QSFs from time to time, the liability accrual will be reduced accordingly with a corresponding reduction to restricted cash and cash equivalents.

In June, 2023, the Company filed a motion in the Bankruptcy Court seeking: (i) confirmation that the automatic stay does not apply to certain distributions to mesh claimants under the QSFs and (ii) authorization to request the return of the QSF funds to relevant parties (the QSF Motion). In July 2023, the Bankruptcy Court entered an order confirming that the automatic stay does not apply to certain distributions from QSFs for mesh claimants for whom the Company does not have a reversionary interest, as scheduled in the QSF Motion, and authorizing the Company to request the return of the QSF funds for the mesh claimants who did not object to the QSF Motion. Objecting mesh claimants have until November 9, 2023 to file a formal objection to the QSF Motion, unless otherwise agreed by the Company and such claimants and approved by the Bankruptcy Court. Any such objections are currently scheduled to be heard by the Bankruptcy Court in November 2023.

As of the Petition Date, mesh personal injury claims against AMS and Astora, in the U.S., became subject to the automatic stay applicable under the Bankruptcy Code, and stays of mesh litigation have been obtained in the United Kingdom and Australia. In certain other countries where no stay is in place, and in the event the stays in place were to be lifted, we will continue to vigorously defend any unresolved claims and to explore other options as appropriate in our best interests.

We were contacted in October 2012 regarding a civil investigation initiated by various U.S. state attorneys general into mesh products, including transvaginal surgical mesh products designed to treat POP and SUI. In November 2013, we received a subpoena relating to this investigation from the state of California, and we subsequently received additional subpoenas from California and other states. We are cooperating with the investigations.

The resolution reached between the Stalking Horse Bidder and the UCC contemplates the creation and funding of a trust by the Purchaser for the benefit of certain unsecured creditors and sub-trusts established thereunder, one of which shall be established for the benefit of certain mesh claimants. Additionally, on April 13, 2023, the Stalking Horse Bidder and the FCR filed a resolution with the Bankruptcy Court that contemplates that, after the Sale, the Purchaser will establish and fund, with an aggregate amount of \$0.5 million, a trust for certain future mesh claimants in exchange for certain releases to be provided to (among others) the Purchaser and Endo International plc, its subsidiaries and affiliated entities and persons. As previously noted, the Stalking Horse Bid is subject to the approval of the Bankruptcy Court and therefore there is no guarantee that the proposed sale transaction to the Purchaser, and the funding of the voluntary mesh claims-related sub-trusts (including the trusts for certain future mesh claimants) by the Purchaser, will actually occur. Additionally, similar matters to the foregoing may be brought by others or the foregoing matters may be expanded. We are unable to predict the outcome of these matters or to estimate the possible range of any additional losses that could be incurred.

Although the Company believes it has appropriately estimated the allowed claim amount associated with all mesh-related matters as of the date of this report, it is reasonably possible that adjustments to our overall liability accrual may be required. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Opioid-Related Matters

Since 2014, multiple U.S. states as well as other governmental persons or entities and private plaintiffs in the U.S. and Canada have filed suit against us and/or certain of our subsidiaries, including Endo Health Solutions Inc. (EHSI), Endo Pharmaceuticals Inc. (EPI), Par Pharmaceutical, Inc. (PPI), Par Pharmaceutical Companies, Inc. (PPCI), Endo Generics Holdings, Inc. (EGHI), Vintage Pharmaceuticals, LLC, Generics Bidco I, LLC, DAVA Pharmaceuticals, LLC, PSP LLC and in Canada, Paladin and EVU, as well as various other manufacturers, distributors, pharmacies and/or others, asserting claims relating to the defendants' alleged sales, marketing and/or distribution practices with respect to prescription opioid medications, including certain of our products. As of October 30, 2023, pending cases in the U.S. of which we were aware include, but are not limited to, approximately 15 cases filed by or on behalf of states; approximately 2,570 cases filed by counties, cities, Native American tribes and/or other government-related persons or entities; approximately 310 cases filed by hospitals, health systems, unions, health and welfare funds or other third-party payers and approximately 220 cases filed by individuals, including but not limited to legal guardians of children born with neonatal abstinence syndrome. Certain of the U.S. cases are putative class actions. The Canadian cases include an action filed by British Columbia on behalf of a proposed class of all federal, provincial and territorial governments and agencies in Canada that paid healthcare, pharmaceutical and treatment costs related to opioids; an action filed in Alberta on behalf of a proposed class of all local or municipal governments in Canada; an action filed in Saskatchewan on behalf of a proposed class of all First Nations communities and local or municipal governments in Canada; and three additional putative class actions, filed in British Columbia, Ontario and Quebec, seeking relief on behalf of Canadian residents who were prescribed and/or consumed opioid medications.

The complaints in the cases assert a variety of claims, including but not limited to statutory claims asserting violations of public nuisance, consumer protection, unfair trade practices, racketeering, Medicaid fraud and/or drug dealer liability laws and/or common law claims for public nuisance, fraud/misrepresentation, strict liability, negligence and/or unjust enrichment. The claims are generally based on alleged misrepresentations and/or omissions in connection with the sale and marketing of prescription opioid medications and/or alleged failures to take adequate steps to identify and report suspicious orders and to prevent abuse and diversion. Plaintiffs seek various remedies including, without limitation, declaratory and/or injunctive relief; compensatory, punitive and/or treble damages; restitution, disgorgement, civil penalties, abatement, attorneys' fees, costs and/or other relief. The damages sought exceed our applicable insurance.

Many of the U.S. cases have been coordinated in a federal multidistrict litigation (MDL) pending in the U.S. District Court for the Northern District of Ohio; however, in April 2022, the Judicial Panel on Multidistrict Litigation issued an order suggesting that, based on the progress of the MDL, it would no longer transfer new cases filed in or removed to federal court to the MDL. Other cases are pending in various federal or state courts. Following the Petition Date, litigation activity against the Company and its subsidiaries ceased in nearly all pending cases as a result of the automatic stay and a November 2022 preliminary injunction order issued by the Bankruptcy Court. In August 2023, the Bankruptcy Court extended the preliminary injunction by a further 180 days. A similar cessation of litigation activity is in place in Canada.

In June 2020, the New York State Department of Financial Services (DFS) commenced an administrative action against the Company, EPI, EHSI, PPI and PPCI alleging violations of the New York Insurance Law and New York Financial Services Law. In July 2021, DFS filed an amended statement of charges. The amended statement of charges alleges that fraudulent or otherwise wrongful conduct in the marketing, sale and/or distribution of opioid medications caused false claims to be submitted to insurers. DFS seeks civil penalties for each allegedly fraudulent prescription as well as injunctive relief. In July 2021, EPI, EHSI, PPI and PPCI, among others, filed a petition in New York state court seeking to prohibit DFS from proceeding with its administrative enforcement action. In December 2021, DFS filed a motion to dismiss that petition, which the court granted in June 2022. The Company's subsidiaries, among others, appealed that ruling in July 2022. Both the appeal and the DFS administrative matter were stayed following commencement of the Chapter 11 Cases.

Between 2019 and the Petition Date, the Company and/or certain of its subsidiaries executed a number of settlement agreements to resolve governmental opioid claims brought by certain states, counties, cities and/or other governmental entities. Certain related developments include but are not limited to the following:

- In September 2019, EPI, EHSI, PPI and PPCI executed a settlement agreement with two Ohio counties providing for payments totaling \$10 million and up to \$1 million of VASOSTRICT® and/or ADRENALIN®. The settlement amount was paid during the third quarter of 2019.
- In January 2020, EPI and PPI executed a settlement agreement with the state of Oklahoma providing for a payment of \$8.75 million. The settlement amount was paid during the first quarter of 2020.
- In August 2021, EPI, EHSI, nine counties in eastern Tennessee, eighteen municipalities within those counties and a minor individual executed a settlement agreement providing for a payment of \$35 million. The settlement amount was paid during the third quarter of 2021.
- In September 2021, Endo International plc, EPI, EHSI, PPI and PPCI executed a settlement agreement with the state of New York and two of its counties providing for a payment of \$50 million. The settlement amount was paid during the third quarter of 2021.
- In October 2021, EPI and EHSI executed a settlement agreement with the Alabama Attorney General's office intended to resolve opioid-related cases and claims of the state and other Alabama governmental persons and entities in exchange for a total payment of \$25 million, subject to certain participation thresholds. The settlement amount was not paid as of the Petition Date and, as a result of the Chapter 11 Cases, it is not known when or if such amount will be paid.
- In December 2021, Endo International plc, EPI, EHSI, PPI and PPCI executed a settlement agreement with the Texas Attorney General's office and four Texas counties intended to resolve opioid-related cases and claims of the state and other Texas governmental persons and entities in exchange for a total payment of \$63 million, subject to certain participation thresholds. The settlement amount was deposited into a QSF during the first quarter of 2022.
- In January 2022, EPI and EHSI executed a settlement agreement with the Florida Attorney General's office intended to resolve opioid-related cases and claims of the state and other Florida governmental persons and entities in exchange for a total payment of up to \$65 million, subject to certain participation thresholds. The settlement amount was deposited into a QSF during the second quarter of 2022.
- In February 2022, EPI and EHSI executed a settlement agreement with the Louisiana Attorney General's office intended to resolve opioid-related cases and claims of the state and other Louisiana governmental persons and entities in exchange for a total payment of \$7.5 million, subject to certain participation thresholds. The settlement amount was not paid as of the Petition Date and, as a result of the Chapter 11 Cases, it is not known when or if such amount will be paid.
- In March 2022, EPI, EHSI and PPI executed a settlement agreement with the West Virginia Attorney General's office intended to resolve opioid-related cases and claims of the state and other West Virginia governmental persons and entities in exchange for a total payment of \$26 million, subject to certain participation thresholds. The settlement amount was not paid as of the Petition Date and, as a result of the Chapter 11 Cases, it is not known when or if such amount will be paid.
- In June 2022, EPI and EHSI executed a settlement agreement with the Arkansas Attorney General's office and certain Arkansas local governments intended to resolve opioid-related cases and claims of the state and other Arkansas governmental persons and entities in exchange for a total payment of \$9.75 million, subject to certain participation thresholds. With the exception of certain amounts held back pursuant to an MDL common benefit fund order, the settlement amount was paid during the third quarter of 2022.

- In July 2022, EPI and EHSI executed a settlement agreement with the Mississippi Attorney General's office intended to resolve opioid-related cases and claims of the state and other Mississippi governmental persons and entities in exchange for a total payment of \$9 million, subject to certain participation thresholds. The settlement amount was not paid as of the Petition Date and, as a result of the Chapter 11 Cases, it is not known when or if such amount will be paid.
- In July 2022, EPI, EHSI, PPI and PPCI executed a settlement agreement with the City and County of San Francisco providing for an initial payment of \$5 million and subsequent payments of \$500,000 a year over ten years. The settlement amount was not paid as of the Petition Date and, as a result of the Chapter 11 Cases, it is not known when or if such amount will be paid.

While the specific terms of the agreements vary, each agreement was solely by way of compromise and settlement and was not in any way an admission of wrongdoing, fault or liability of any kind by us or any of our subsidiaries. Certain settlement agreements provided for the creation of QSFs, the repayment of some or all of the settlement amount under certain conditions and/or additional payments in the event certain conditions were met. Depending on the terms of the respective agreements, funds deposited in QSFs have been and may continue to be considered restricted cash and/or restricted cash equivalents for a period of time subsequent to the initial funding. Distribution of funds from the QSFs is conditioned upon certain criteria that vary by agreement.

Certain of the settlement agreements described above provide for injunctive relief. The RSA also provides for certain voluntary injunctive terms that bind the Debtors during the course of the bankruptcy proceedings and would apply to any purchaser of our opioid business in conjunction with the bankruptcy proceedings. The Bankruptcy Court also approved certain injunctive terms in connection with its November 2022 preliminary injunction against the continued litigation of opioid actions brought by public plaintiffs.

The Stalking Horse Bid provides for the establishment by the Purchaser of voluntary opioid trusts, and other forms of funding, for the benefit of certain public, tribal and private present and future opioid claimants in exchange for certain releases to be provided to (among others) the Purchaser and Endo International plc, its subsidiaries and affiliated entities and persons. In particular, under the RSA (as amended), the opioid trusts would be funded over a period of ten years, with up to a total of approximately \$618 million to be distributed to eligible claimants that opt into the opioid trusts by specified participation deadlines, and the special education initiative would be funded, over a period of two years, with up to \$3 million to be distributed to public school districts that elect to participate in such initiative. Under the proposed public claimant opioid trust, states which previously entered into settlement agreements and received payments from us may elect to participate in the trust. In doing so, those states would agree to return the amounts previously received under the prior settlement agreement(s), net of the amounts allocated to them by the trust, and would receive in return a release from any claim for the return of settlement funds under the applicable section of the Bankruptcy Code. The Debtors would have no obligation or liability with respect to the voluntary trusts or special education initiative, which would be funded exclusively by the Purchaser following the consummation of the Sale. As previously noted, the Sale to the Stalking Horse Bidder is subject to the approval of the Bankruptcy Court and therefore there is no guarantee that the proposed sale transaction to the Purchaser, and the funding of the voluntary opioid trusts and the special education initiative by the Purchaser (including the trusts for certain future opioid claimants), will actually occur.

Although the proposed voluntary opioid trusts and special education initiative would be funded by the Purchaser, and not by the Company or any of its subsidiaries, we previously concluded that the proposed funding amount in the Stalking Horse Bid represented the best estimate of the allowed claims related to the contingencies associated with various opioid claims against the Company and its subsidiaries. As such, during the third quarter of 2022, we recorded charges of approximately \$419 million to adjust our aggregate opioid liability accrual to approximately \$550 million based on the terms set forth in the public opioid trust term sheet attached to the original RSA. In March 2023, the Ad Hoc First Lien Group (and Stalking Horse Bidder) reached certain resolutions in principle with both the UCC and OCC appointed in the Chapter 11 Cases and certain ad hoc groups of debtholders. These resolutions, documented in the stipulation filed with the Bankruptcy Court on March 24, 2023 (and discussed in additional detail under “Resolutions in the Chapter 11 Cases” in Note 2. Bankruptcy Proceedings), are supported by the Debtors. The resolutions include, among other things, a \$34 million increase to the funding amount for the proposed voluntary private opioid trust. In addition, the Ad Hoc First Lien Group agreed to a \$15 million increase to the funding amount for the proposed voluntary public opioid trust. The agreement to increase the funding amount for the proposed voluntary private opioid trust was announced prior to the filing of the Annual Report; accordingly, we recorded an additional charge of \$34 million in the fourth quarter of 2022 to increase our aggregate opioid liability accrual to approximately \$584 million. The agreement to increase the funding amount for the proposed voluntary public opioid trust was not announced until after the filing of the Annual Report. Therefore, we recorded an additional charge of \$15 million in the first quarter of 2023 to increase our aggregate opioid liability accrual to approximately \$599 million. On July 13, 2023, the Stalking Horse Bidder and the FCR filed with the Bankruptcy Court both a term sheet for a proposed resolution among such parties (the FCR Term Sheet) and an amended term sheet for the proposed voluntary private opioid trust. The resolution with the FCR provides that, in exchange for certain releases to be provided to (among others) the Purchaser and the Company and its affiliates, the Purchaser will agree to fund a trust of \$11.5 million to be established for the benefit of certain future opioid claimants. The amended term sheet for the proposed voluntary private opioid trust provides for a \$0.5 million increase to the funding amount for the proposed voluntary private opioid trust. Accordingly, we recorded an additional charge of \$12 million in the second quarter of 2023 to increase our aggregate opioid liability to approximately \$611 million. In August 2023, the Stalking Horse Bidder and the Public School District Creditors filed with the Bankruptcy Court a term sheet for a proposed resolution among such parties. In exchange for certain releases to be provided to (among others) the Purchaser and the Company and its affiliates, the Purchaser will agree to fund a special education initiative up to \$3 million for the purpose of funding opioid abuse/misuse abatement or remediation programs to be implemented by the Public School District Creditors. In September 2023, the Stalking Horse Bidder and the Canadian Governments filed with the Bankruptcy Court a term sheet for a proposed resolution among such parties. In exchange for certain releases to be provided to (among others) the Purchaser and the Company and its affiliates, the Purchaser will agree to fund a voluntary trust of approximately \$7 million to be established for the benefit of the Canadian Governments. Accordingly, we recorded an additional charge of approximately \$10 million in the third quarter of 2023 to increase our aggregate opioid liability to approximately \$621 million. The Company believes these proposed funding amounts represent the best estimate of the allowed claims related to the contingencies associated with various opioid claims against the Company and its subsidiaries. Certain interested parties, including the U.S. Department of Justice (DOJ), continue to engage in the mediation in an effort to resolve their claims and/or objections relating to the sale process. The ongoing mediation, which is currently extended to November 16, 2023, could result in additional valuations or estimates in the future that may result in further adjustments to our estimated aggregate opioid liability accrual, which could be material.

To the extent unresolved, and in the event stays in place were to be lifted, we will continue to vigorously defend the foregoing matters and to explore other options as appropriate in our best interests, which may include entering into settlement negotiations and settlements even in circumstances where we believe we have meritorious defenses. Similar matters may be brought by others or the foregoing matters may be expanded. We are unable to predict the outcome of these matters or to estimate the possible range of any additional losses that could be incurred. Adjustments to the expected amount of the allowed claim may be required in the future, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition to the lawsuits and administrative matters described above, the Company and/or its subsidiaries have received certain subpoenas, civil investigative demands (CIDs) and informal requests for information concerning the sale, marketing and/or distribution of prescription opioid medications, including but not limited to the following:

- Various state attorneys general have served subpoenas and/or CIDs on EHSI and/or EPI. Some of these state attorneys general subsequently filed lawsuits against the Company and/or its subsidiaries and/or have indicated their support for the opioid trusts described above. To the extent any state attorney general investigations are continuing, we are cooperating with them.
- In January 2018, EPI received a federal grand jury subpoena from the U.S. District Court for the Southern District of Florida seeking documents and information related to OPANA[®] ER, other oxycodone products and marketing of opioid medications. We are cooperating with the investigation.
- In December 2020, the Company received a subpoena issued by the U.S. Attorney’s Office for the Western District of Virginia seeking documents related to McKinsey & Company. The Company received a related subpoena in May 2021, also issued by the U.S. Attorney’s Office for the Western District of Virginia. We are cooperating with the investigation.

Similar investigations may be brought by others or the foregoing matters may be expanded or result in litigation. We are unable to predict the outcome of these matters or to estimate the possible range of any losses that could be incurred. Adjustments to the expected amount of the allowed claim may be required in the future, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Ranitidine Matters

In June 2020, an MDL pending in the U.S. District Court for the Southern District of Florida, *In re Zantac (Ranitidine) Products Liability Litigation*, was expanded to add PPI and numerous other manufacturers and distributors of generic ranitidine as defendants. The claims are generally based on allegations that under certain conditions the active ingredient in ranitidine medications can break down to form an alleged carcinogen known as N-Nitrosodimethylamine (NDMA). The complaints assert a variety of claims, including but not limited to various product liability, breach of warranty, fraud, negligence, statutory and unjust enrichment claims. Plaintiffs generally seek various remedies including, without limitation, compensatory, punitive and/or treble damages; restitution, disgorgement, civil penalties, abatement, attorneys' fees and costs as well as injunctive and/or other relief. Similar complaints against various defendants, in some instances including PPI, have also been filed in certain state courts, including but not limited to California, Illinois and Pennsylvania. Neither PPI nor its subsidiaries have manufactured or sold ranitidine since 2016.

The MDL court has issued various case management orders, including orders directing the filing of "master" and short-form complaints, establishing a census registry process for potential claimants and addressing various discovery issues. In December 2020, the court dismissed the master complaints as to PPI and other defendants with leave to amend certain claims. Certain plaintiffs, including a third-party payer pursuing class action claims, appealed the dismissal orders. PPI was dismissed from the third-party payer appeal in September 2022. In November 2022, the U.S. Court of Appeals for the Eleventh Circuit (Eleventh Circuit) affirmed the dismissal of the third-party payer complaint and dismissed the other appeals on procedural grounds.

In February 2021, various other plaintiffs filed an amended master personal injury complaint, a consolidated amended consumer economic loss class action complaint and a consolidated medical monitoring class action complaint. PPI was not named as a defendant in the consumer economic loss complaint or the medical monitoring complaint. In July 2021, the MDL court dismissed all claims in the master complaints as to PPI and other generic defendants with prejudice on federal preemption grounds. In November 2021, the MDL court issued a final judgment as to PPI and other generic defendants. At various times thereafter, certain MDL plaintiffs appealed the July 2021 dismissal order and/or the November 2021 judgment. These appeals generally remain pending, although PPI has been dismissed from certain of them and the Eleventh Circuit has stayed those involving PPI due to the PPI bankruptcy.

In December 2022, the MDL court granted summary judgment in favor of certain remaining defendants with respect to five "designated cancers" (bladder, esophageal, gastric, liver and pancreatic), holding that plaintiffs had failed to provide sufficient evidence of causation.

In May 2023, the MDL court issued orders extending its December 2022 summary judgment ruling to all MDL defendants. In July 2023, the MDL court entered an order dismissing plaintiffs' non-designated cancer claims for failure to produce expert reports. Certain MDL plaintiffs have appealed these orders, and these appeals generally remain pending, although PPI has been dismissed from certain of them and the Eleventh Circuit has stayed those involving PPI due to the PPI bankruptcy. To facilitate entry of these final judgments notwithstanding the automatic stay applicable to PPI, the MDL court entered orders severing PPI in thousands of pending cases on September 26, 2023.

In July 2022, claimants alleging non-designated cancer claims were "exited" from the MDL census registry. Some of these claimants subsequently filed lawsuits in various courts. Following the MDL court's December 2022 summary judgment order, the MDL court closed the census registry, and the registry-related tolling of the statute of limitations for registry participants remaining in the census registry at the time of its closure expired in April 2023.

As of the Petition Date, the claims against PPI (including new complaints and related appeals) became subject to the automatic stay; PPI was subsequently voluntarily dismissed from several pending matters, including the appeal from the MDL court's dismissal of the third-party payer class action complaint.

In the event the stays in place were to be lifted, we will continue to vigorously defend the foregoing matters and to explore other options as appropriate in our best interests.

The resolution reached between the Stalking Horse Bidder and the UCC contemplates the creation and funding by the Purchaser of a trust for the benefit of certain unsecured creditors and sub-trusts established thereunder, one of which shall be established for the benefit of certain ranitidine claimants. As previously noted, the Stalking Horse Bid is subject to the approval of the Bankruptcy Court and therefore there is no guarantee that the proposed sale transaction to the Purchaser, and the funding of the voluntary ranitidine claims-related sub-trust by the Purchaser, will actually occur. Additionally, similar matters to the foregoing matters may be brought by others or the foregoing matters may be expanded. We are unable to predict the outcome of these matters or to estimate the possible range of any additional losses that could be incurred. Adjustments to the expected amount of the allowed claim may be required in the future, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Generic Drug Pricing Matters

Since March 2016, various private plaintiffs, state attorneys general and other governmental entities have filed cases against our subsidiary PPI and/or, in some instances, the Company, Generics Bidco I, LLC, DAVA Pharmaceuticals, LLC, DAVA International, LLC, EPI, EHSI and/or PPCI, as well as other pharmaceutical manufacturers and, in some instances, other corporate and/or individual defendants, alleging price-fixing and other anticompetitive conduct with respect to generic pharmaceutical products. These cases, which include proposed class actions filed on behalf of direct purchasers, end-payers and indirect purchaser resellers, as well as non-class action suits, have generally been consolidated and/or coordinated for pretrial proceedings in a federal MDL pending in the U.S. District Court for the Eastern District of Pennsylvania; three cases commenced by writ of summons in Pennsylvania state court are in deferred status. There is also a proposed class action filed in the Federal Court of Canada on behalf of a proposed class of Canadian purchasers.

The various complaints and amended complaints generally assert claims under federal and/or state antitrust law, state consumer protection statutes and/or state common law, and generally seek damages, treble damages, civil penalties, disgorgement, declaratory and injunctive relief, costs and attorneys' fees. Some claims are based on alleged product-specific conspiracies; other claims allege broader, multiple-product conspiracies. Under their overarching conspiracy theories, plaintiffs generally seek to hold all alleged participants in a particular conspiracy jointly and severally liable for all harms caused by the alleged conspiracy, not just harms related to the products manufactured and/or sold by a particular defendant.

The MDL court has issued various case management and substantive orders, including orders denying certain motions to dismiss in whole or in part, and discovery is ongoing.

As of the Petition Date, the claims against the Company and its subsidiaries in the U.S. became subject to the automatic stay. A similar cessation of litigation activity is in place in Canada. In the event the stays in place were to be lifted, we will continue to vigorously defend the foregoing matters and to explore other options as appropriate in our best interests. Similar matters may be brought by others or the foregoing matters may be expanded. We are unable to predict the outcome of these matters or to estimate the possible range of any losses that could be incurred. Adjustments to the expected amount of the allowed claim may be required in the future, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In December 2014, our subsidiary PPI received from the Antitrust Division of the DOJ a federal grand jury subpoena issued by the U.S. District Court for the Eastern District of Pennsylvania addressed to "Par Pharmaceuticals." The subpoena requested documents and information focused primarily on product and pricing information relating to the authorized generic version of Lanoxin[®] (digoxin) oral tablets and generic doxycycline products, and on communications with competitors and others regarding those products. We are cooperating with the investigation.

In May 2018, we and our subsidiary PPCI each received a CID from the DOJ in relation to a U.S. False Claims Act investigation concerning whether generic pharmaceutical manufacturers engaged in price-fixing and market allocation agreements, paid illegal remuneration and caused the submission of false claims. We are cooperating with the investigation.

The resolution reached between the Stalking Horse Bidder and the UCC contemplates the creation and funding by the Purchaser of a trust for the benefit of certain unsecured creditors and sub-trusts established thereunder, one of which shall be established for the benefit of certain holders of generic drug pricing claims. As previously noted, the Stalking Horse Bid is subject to the approval of the Bankruptcy Court and therefore there is no guarantee that the proposed sale transaction to the Purchaser, and the funding of the voluntary generic drug pricing claims-related sub-trust by the Purchaser, will actually occur. Additionally, similar investigations to the foregoing may be brought by others or the foregoing matters may be expanded or result in litigation. We are unable to predict the outcome of these matters or to estimate the possible range of any additional losses that could be incurred. Adjustments to the expected amount of the allowed claim may be required in the future, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Other Antitrust Matters

Beginning in June 2014, multiple alleged purchasers of OPANA[®] ER sued our subsidiaries EHSI and EPI; Penwest Pharmaceuticals Co. (Penwest), which our subsidiary EPI had acquired; and Impax Laboratories, LLC (formerly Impax Laboratories, Inc. and referred to herein as Impax), alleging among other things violations of antitrust law arising out of an agreement between EPI and Impax to settle certain patent infringement litigation. Some cases were filed on behalf of putative classes of direct and indirect purchasers; others were non-class action suits. The cases were consolidated and/or coordinated in a federal MDL pending in the U.S. District Court for the Northern District of Illinois. The various complaints asserted claims under Sections 1 and 2 of the Sherman Act, state antitrust and consumer protection statutes and/or state common law. Plaintiffs generally sought damages, treble damages, disgorgement of profits, restitution, injunctive relief and attorneys' fees. In June 2021, the court certified a direct purchaser class and an end-payer class; in August 2021, following an appeal, the district court amended its class certification order to certify a narrower end-payer class. Trial on all plaintiffs' claims began in June 2022. In July 2022, the jury returned a verdict in favor of EHSI, EPI and Penwest (Impax settled during trial). Later that month, plaintiffs filed a motion for judgment as a matter of law or in the alternative for a new trial. As of the Petition Date, the matter became subject to the automatic stay.

Beginning in February 2009, the U.S. Federal Trade Commission (FTC) and certain private plaintiffs sued our subsidiaries PPCI (since June 2016, EGHI) and/or PPI as well as other pharmaceutical companies alleging violations of antitrust law arising out of the settlement of certain patent litigation concerning the generic version of AndroGel[®] and seeking damages, treble damages, equitable relief and attorneys' fees and costs. The cases were consolidated and/or coordinated for pretrial proceedings in a federal MDL pending in the U.S. District Court for the Northern District of Georgia. In May 2016, plaintiffs representing a putative class of indirect purchasers voluntarily dismissed their claims with prejudice. In February 2017, the FTC voluntarily dismissed its claims against EGHI with prejudice. In June 2018, the MDL court granted in part and denied in part various summary judgment and evidentiary motions filed by defendants. In particular, among other things, the court rejected two of the remaining plaintiffs' causation theories and rejected damages claims related to AndroGel[®] 1.62%. In July 2018, the court denied certain plaintiffs' motion for certification of a direct purchaser class. Between November 2019 and April 2021, PPI and PPCI entered into settlement agreements with all of the plaintiffs remaining in the MDL. The settlement agreements were solely by way of compromise and settlement and were not in any way an admission of wrongdoing, fault or liability of any kind. Separately, in August 2019, several alleged direct purchasers filed suit against PPI and other pharmaceutical companies in the U.S. District Court for the Eastern District of Pennsylvania asserting claims substantially similar to those asserted in the MDL, as well as additional claims against other defendants relating to other alleged conduct. As of the Petition Date, the claims against PPI became subject to the automatic stay.

Beginning in May 2018, multiple complaints were filed in the U.S. District Court for the Southern District of New York against PPI, EPI and/or us, as well as other pharmaceutical companies, alleging violations of antitrust law arising out of the settlement of certain patent litigation concerning the generic version of Exforge[®] (amlodipine/valsartan). Some cases were filed on behalf of putative classes of direct and indirect purchasers; others are non-class action suits. The various complaints assert claims under Sections 1 and 2 of the Sherman Act, state antitrust and consumer protection statutes and/or state common law. Plaintiffs generally seek damages, treble damages, equitable relief and attorneys' fees and costs. In September 2018, the putative class plaintiffs stipulated to the dismissal without prejudice of their claims against EPI and us; the retailer plaintiffs later did the same. PPI filed a partial motion to dismiss certain claims in September 2018; the court granted the motion in August 2019. In March 2022, the putative class plaintiffs filed motions for class certification. In May 2022, defendants filed motions for summary judgment. As of the Petition Date, the claims against PPI became subject to the automatic stay. In January 2023, certain direct purchaser plaintiffs dismissed their claims against PPI, EPI and us with prejudice and, in February 2023, certain indirect purchaser plaintiffs agreed to do the same. In July 2023, the court dismissed the remaining claims filed against PPI, EPI and us.

Beginning in August 2019, multiple complaints were filed in the U.S. District Court for the Southern District of New York against PPI and other pharmaceutical companies alleging violations of antitrust law arising out of the settlement of certain patent litigation concerning generic versions of Seroquel XR[®] (extended-release quetiapine fumarate). The claims against PPI are based on allegations that PPI entered into an exclusive acquisition and license agreement with Handa Pharmaceuticals, LLC (Handa) in 2012 pursuant to which Handa assigned to PPI certain rights under a prior settlement agreement between Handa and AstraZeneca resolving certain patent litigation. Some cases were filed on behalf of putative classes of direct and indirect purchasers; others are non-class action suits. The various complaints assert claims under Sections 1 and 2 of the Sherman Act, state antitrust and consumer protection statutes and/or state common law. Plaintiffs generally seek damages, treble damages, equitable relief and attorneys' fees and costs. In August 2020, the litigation was transferred to the U.S. District Court for the District of Delaware. In July 2022, the court dismissed certain claims asserted under state law but otherwise denied defendants' motions to dismiss. As of the Petition Date, the claims against PPI became subject to the automatic stay.

Beginning in June 2020, multiple complaints were filed against Jazz Pharmaceuticals (Jazz) and other pharmaceutical companies, including PPI, alleging violations of state and/or federal antitrust laws in connection with the settlement of certain patent litigation concerning generic versions of Xyrem[®] (sodium oxybate). Some cases were filed on behalf of putative classes of indirect purchasers; others are non-class action suits. The cases have generally been consolidated and/or coordinated for pretrial proceedings in a federal MDL pending in the U.S. District Court for the Northern District of California; Aetna Inc. (Aetna) filed a similar case in May 2022 in California state court. The various complaints allege that Jazz entered into a series of "reverse-payment" settlements, including with PPI, to delay generic competition for Xyrem[®] and assert claims under Sections 1 and 2 of the Sherman Act, Section 16 of the Clayton Act, state antitrust and consumer protection statutes and/or state common law. Plaintiffs generally seek damages, treble damages, equitable relief and attorneys' fees and costs. In April 2021, the defendants moved to dismiss the MDL complaints that had been filed as of that time. In August 2021, the MDL court issued an order dismissing certain aspects of the plaintiffs' claims but otherwise denying the motions to dismiss. In July 2022, PPI, among others, filed a motion to quash the Aetna action for lack of personal jurisdiction; the defendants also filed a demurrer, motion to strike and motion to stay Aetna's action. As of the Petition Date, the claims against PPI became subject to the automatic stay. In December 2022, the California state court overseeing the Aetna action granted the motion to quash for lack of personal jurisdiction and, in January 2023, Aetna filed an amended complaint that did not name PPI as a defendant.

In August 2021, a putative class action complaint was filed in the U.S. District Court for the Eastern District of Pennsylvania against Takeda Pharmaceuticals, EPI, PPI and others, alleging violations of federal antitrust law in connection with the settlement of certain patent litigation related to generic versions of Colcryst[®] (colchicine). In particular, the complaint alleged, among other things, that a distribution agreement between Takeda and PPI, with respect to an authorized generic, was in effect an output restriction conspiracy; the plaintiffs asserted claims under Section 1 and Section 2 of the Sherman Act and sought damages, treble damages and attorneys' fees and costs. In November 2021, the plaintiffs dismissed all claims against EPI and in December 2021, the court dismissed the complaint for failure to state a claim. In January 2022, the plaintiffs filed an amended complaint. In February 2022, the defendants filed a motion to dismiss the amended complaint, which the court granted in part and denied in part in March 2022. As of the Petition Date, the claims against PPI became subject to the automatic stay. In September 2022, the plaintiffs voluntarily dismissed all claims against PPI with prejudice, and PPI agreed to provide certain limited discovery as a non-party. In March 2023, the court denied the plaintiffs' motion for class certification. In April 2023, the court authorized the filing of an amended complaint adding certain additional plaintiffs and combining the litigation with the proceedings from which PPI was dismissed; the amended complaint named PPI as a defendant. On September 19, 2023, the court entered an order dismissing the case.

In January 2021, the FTC filed a lawsuit in the U.S. District Court for the District of Columbia against us, EPI, Impax Laboratories, LLC and Amneal Pharmaceuticals, Inc., generally alleging that the 2017 settlement of a contract dispute between EPI and Impax (now Amneal) constituted unfair competition in violation of Section 5(a) of the FTC Act. The complaint generally sought injunctive and equitable monetary relief. In April 2021, the defendants filed motions to dismiss, which the court granted in March 2022. The FTC filed a notice of appeal in May 2022. Briefing on the appeal has concluded and oral argument took place in May 2023. The dismissal was affirmed on appeal in September 2023.

To the extent unresolved, and in the event the stays in place were to be lifted, we will continue to vigorously defend the foregoing matters and to explore other options as appropriate in our best interests. The resolution reached between the Stalking Horse Bidder and the UCC contemplates the creation and funding by the Purchaser of a trust for the benefit of certain unsecured creditors and sub-trusts established thereunder, one of which shall be established for the benefit of certain antitrust claimants. As previously noted, the Stalking Horse Bid is subject to the approval of the Bankruptcy Court and therefore there is no guarantee that the proposed sale transaction to the Purchaser, and the funding of the voluntary antitrust claims-related sub-trust by the Purchaser, will actually occur. Additionally, similar matters may be brought by others or the foregoing matters may be expanded. We are unable to predict the outcome of these matters or to estimate the possible range of any additional losses that could be incurred. Adjustments to the expected amount of the allowed claim may be required in the future, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Securities Litigation

In June 2020, a putative class action entitled *Benoit Albiges v. Endo International plc, Paul V. Campanelli, Blaise Coleman, and Mark T. Bradley* was filed in the U.S. District Court for the District of New Jersey by an individual shareholder on behalf of himself and all similarly situated shareholders. The lawsuit alleged violations of Section 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder relating to the marketing and sale of opioid medications and DFS's administrative action against the Company, EPI, EHSI, PPI and PPCI. In September 2020, the court appointed Curtis Laakso lead plaintiff in the action. In November 2020, the plaintiffs filed an amended complaint that among other things added Matthew J. Maletta as a defendant. In January 2021, the defendants filed a motion to dismiss, which the court granted in August 2021. In November 2021, the plaintiffs filed a second amended complaint, which among other things added allegations about discovery issues in certain opioid-related lawsuits. In January 2022, the defendants moved to dismiss the second amended complaint. As of the Petition Date, the claims against the Company became subject to the automatic stay. In August 2022, the court granted the motion and dismissed the case with prejudice. Due to the automatic stay, the plaintiffs' time to appeal the dismissal as to the Company is tolled. The automatic stay does not apply to the individual defendants, and the plaintiffs' time to appeal the ruling as to those defendants has run.

Similar matters may be brought by others. We are unable to predict the outcome of any such matters or to estimate the possible range of any losses that could be incurred. Adjustments to the expected amount of the allowed claim may be required in the future, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Miscellaneous Government Investigations

In March 2022, EPI received a CID from the Texas Attorney General's office seeking documents and information related to hormone blocker products. This followed the Texas Attorney General's December 2021 announcement of an investigation into whether EPI and AbbVie Inc. had advertised or promoted such products, including SUPPRELIN[®] LA and VANTAS[®], for unapproved uses. We are cooperating with the investigation.

Similar investigations may be brought by others or the foregoing matter may be expanded or result in litigation. We are unable to predict the outcome of this matter or to estimate the possible range of any losses that could be incurred. Adjustments to the expected amount of the allowed claim may be required in the future, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Patent Matters

In March 2022, PSP LLC, PPI and Endo Par Innovation Company, LLC (EPIC) received a notice letter from Cipla Limited (Cipla) advising of its filing of an Abbreviated New Drug Application (ANDA) for generic versions of VASOSTRICT® (vasopressin injection) for IV use 40 units/100 ml and 60 units/100 ml. In May 2022, PSP LLC, PPI and EPIC filed a complaint against Cipla in the U.S. District Court for the District of New Jersey, which triggered a 30-month stay of U.S. Food and Drug Administration (FDA) approval of Cipla's ANDA expiring in September 2024. In January 2023, PSP LLC, PPI and EPIC received another notice letter from Cipla advising of its ANDA filing for a generic version of VASOSTRICT® (vasopressin injection) for IV use 20 units/100 ml. In February 2023, PSP LLC, PPI and EPIC filed a complaint against Cipla concerning this ANDA in the U.S. District Court for the District of New Jersey. The 30-month stay on FDA approval of Cipla's 20 units/100 ml ANDA expires in July 2025. Both lawsuits against Cipla were consolidated to the same schedule. In September 2023, the parties reached a settlement. As a result, the court entered a stipulation of dismissal in the consolidated lawsuit.

In January 2023, PSP LLC, PPI and EPIC received a notice letter from Baxter Healthcare Corporation (Baxter) pursuant to 505(b)(3)(B)-(D) of the U.S. Federal Food, Drug, and Cosmetic Act of its New Drug Application (NDA) submitted under 21 U.S.C. §355(b)(2) seeking FDA approval for vasopressin injection products in 20 units/100 ml and 40 units/100 ml strengths. In March 2023, PSP LLC, PPI and EPIC filed a complaint against Baxter in the U.S. District Court for the District of Delaware asserting infringement of three patents. These patents are not listed in the Approved Drug Products with Therapeutic Equivalence Evaluations (Orange Book); therefore, the patent infringement suit does not trigger a 30-month stay on FDA approval of Baxter's NDA. On October 4, 2023, PSP LLC, PPI and EPIC filed a motion for a preliminary injunction/temporary restraining order after the FDA approved Baxter's NDA in late September 2023. The preliminary injunction hearing was held on October 27, 2023. The magistrate judge issued a report and recommendation under seal on November 3, 2023. The Company expects that the substance of the report and recommendation will be made public in the near term.

Other Proceedings and Investigations

Proceedings similar to those described above may also be brought in the future. Additionally, we are involved in, or have been involved in, arbitrations or various other proceedings that arise in the normal course of our business. We cannot predict the timing or outcome of these other proceedings. Currently, neither we nor our subsidiaries are involved in any other proceedings that we expect to have a material effect on our business, financial condition, results of operations and cash flows.

NOTE 16. OTHER COMPREHENSIVE (LOSS) INCOME

During the three and nine months ended September 30, 2023 and 2022, there were no tax effects allocated to any component of Other comprehensive (loss) income and there were no reclassifications out of Accumulated other comprehensive loss. Substantially all of the Company's Accumulated other comprehensive loss balances at September 30, 2023 and December 31, 2022 consist of Foreign currency translation loss.

NOTE 17. SHAREHOLDERS' DEFICIT

The following table presents a reconciliation of the beginning and ending balances in Total shareholders' deficit for the three and nine months ended September 30, 2023 (in thousands):

	Euro Deferred Shares	Ordinary Shares	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Deficit
BALANCE, DECEMBER 31, 2022	\$ 43	\$ 24	\$ 8,969,322	\$ (12,904,620)	\$ (226,941)	\$ (4,162,172)
Net loss	—	—	—	(3,279)	—	(3,279)
Other comprehensive income	—	—	—	—	607	607
Compensation related to share-based awards	—	—	11,240	—	—	11,240
Other	—	—	(1)	—	—	(1)
BALANCE, MARCH 31, 2023	\$ 43	\$ 24	\$ 8,980,561	\$ (12,907,899)	\$ (226,334)	\$ (4,153,605)
Net income	—	—	—	23,438	—	23,438
Other comprehensive income	—	—	—	—	2,891	2,891
Other	1	—	—	—	—	1
BALANCE, JUNE 30, 2023	\$ 44	\$ 24	\$ 8,980,561	\$ (12,884,461)	\$ (223,443)	\$ (4,127,275)
Net loss	—	—	—	(28,483)	—	(28,483)
Other comprehensive loss	—	—	—	—	(3,434)	(3,434)
Other	(2)	—	—	—	—	(2)
BALANCE, SEPTEMBER 30, 2023	\$ 42	\$ 24	\$ 8,980,561	\$ (12,912,944)	\$ (226,877)	\$ (4,159,194)

The following table presents a reconciliation of the beginning and ending balances in Total shareholders' deficit for the three and nine months ended September 30, 2022 (in thousands):

	Euro Deferred Shares	Ordinary Shares	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Deficit
BALANCE, DECEMBER 31, 2021	\$ 45	\$ 23	\$ 8,953,906	\$ (9,981,515)	\$ (216,445)	\$ (1,243,986)
Net loss	—	—	—	(71,974)	—	(71,974)
Other comprehensive income	—	—	—	—	1,895	1,895
Compensation related to share-based awards	—	—	4,929	—	—	4,929
Tax withholding for restricted shares	—	—	(1,863)	—	—	(1,863)
Other	(1)	1	1	—	—	1
BALANCE, MARCH 31, 2022	\$ 44	\$ 24	\$ 8,956,973	\$ (10,053,489)	\$ (214,550)	\$ (1,310,998)
Net loss	—	—	—	(1,885,427)	—	(1,885,427)
Other comprehensive loss	—	—	—	—	(4,334)	(4,334)
Compensation related to share-based awards	—	—	2,721	—	—	2,721
Tax withholding for restricted shares	—	—	(31)	—	—	(31)
Other	(2)	—	(1)	—	—	(3)
BALANCE, JUNE 30, 2022	\$ 42	\$ 24	\$ 8,959,662	\$ (11,938,916)	\$ (218,884)	\$ (3,198,072)
Net loss	—	—	—	(722,169)	—	(722,169)
Other comprehensive loss	—	—	—	—	(10,649)	(10,649)
Compensation related to share-based awards	—	—	5,856	—	—	5,856
Tax withholding for restricted shares	—	—	(4)	—	—	(4)
Other	(3)	—	—	—	—	(3)
BALANCE, SEPTEMBER 30, 2022	\$ 39	\$ 24	\$ 8,965,514	\$ (12,661,085)	\$ (229,533)	\$ (3,925,041)

Share-Based Compensation

On March 3, 2023, in connection with the Company's ongoing bankruptcy proceedings, the Company took action to reject all outstanding award agreements associated with stock options and stock awards. In connection with the rejection of these agreements, the Company recorded a charge of approximately \$9.2 million during the first quarter of 2023 to recognize all remaining unrecognized compensation cost associated with these agreements. The Company recognized share-based compensation expense, inclusive of the charge described above, of \$11.2 million during the nine months ended September 30, 2023, and \$6.5 million and \$14.2 million during the three and nine months ended September 30, 2022, respectively.

NOTE 18. OTHER INCOME, NET

The components of Other income, net for the three and nine months ended September 30, 2023 and 2022 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net gain on sale of business and other assets (1)	\$ (687)	\$ (15)	\$ (1,309)	\$ (11,760)
Foreign currency gain, net (2)	(2,067)	(3,984)	(59)	(4,552)
Net (gain) loss from our investments in the equity of other companies (3)	(13)	71	75	297
Other miscellaneous, net	550	(70)	(870)	(6,132)
Other income, net	<u>\$ (2,217)</u>	<u>\$ (3,998)</u>	<u>\$ (2,163)</u>	<u>\$ (22,147)</u>

(1) Amounts primarily relate to the sales of certain intellectual property rights and certain other assets.

(2) Amounts relate to the remeasurement of the Company's foreign currency denominated assets and liabilities.

(3) Amounts relate to the income statement impacts of our investments in the equity of other companies, including investments accounted for under the equity method.

NOTE 19. INCOME TAXES

The following table displays our (Loss) income from continuing operations before income tax, Income tax expense and Effective tax rate for the three and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(Loss) income from continuing operations before income tax	\$ (16,894)	\$ (707,592)	\$ 20,346	\$ (2,648,439)
Income tax expense	\$ 11,042	\$ 10,680	\$ 27,094	\$ 16,016
Effective tax rate	(65.4)%	(1.5)%	133.2 %	(0.6)%

The change in Income tax expense for the three and nine months ended September 30, 2023 compared to the prior year periods primarily relate to an increase in accrued interest on uncertain tax positions, 2022 discrete tax benefit related to Canadian uncertain tax positions and changes in the geographic mix of pre-tax earnings.

As previously disclosed, the Company concluded that there was substantial doubt about its ability to continue as a going concern within one year after the date of issuance of the Condensed Consolidated Financial Statements included in the Second-Quarter 2022 Form 10-Q. The Company considered this in determining that certain net deferred tax assets were no longer more likely than not realizable. As a result, an immaterial increase in valuation allowance on the Company's net deferred tax assets was recorded in various jurisdictions during the second quarter of 2022.

The Company maintains a full valuation allowance against the net deferred tax assets in the U.S., Luxembourg, Ireland and certain other foreign tax jurisdictions as of September 30, 2023. It is possible that in the future there may be sufficient positive evidence to release a portion or all of the valuation allowance. Release of these valuation allowances would result in a benefit to income tax expense for the period the release is recorded, which could have a material impact on net earnings. The timing and amount of the potential valuation allowance release are subject to significant management judgment and prospective earnings.

On June 3, 2020, in connection with the IRS's examination of our U.S. income tax return for the fiscal year ended December 31, 2015 (2015 Return), we received an acknowledgement of facts (AoF) from the IRS related to transfer pricing positions taken by Endo U.S., Inc. and its subsidiaries (Endo U.S.). The AoF asserted that Endo U.S. overpaid for certain pharmaceutical products that it purchased from certain non-U.S. related parties and proposed a specific adjustment to our 2015 U.S. income tax return position. On September 4, 2020, we received a Form 5701 Notice of Proposed Adjustment (NOPA) that is consistent with the previously disclosed AoF. We believe that the terms of the subject transactions are consistent with comparable transactions for similarly situated unrelated parties, and we intend to contest the proposed adjustment. While the NOPA is not material to our business, financial condition, results of operations or cash flows, the IRS could seek to apply its position to subsequent tax periods and propose similar adjustments. The aggregate impact of these adjustments, if sustained, could have a material adverse effect on our business, financial condition, results of operations and cash flows. Although the timing of the outcome of this matter is uncertain, it is possible any final resolution of the matter could take a number of years.

In connection with the IRS's examination of our 2015 Return, on December 31, 2020, the IRS issued a Technical Advice Memorandum (TAM) regarding the portion of our 2015 net operating loss (NOL) that we believe qualifies as a specified product liability loss (SLL). The TAM concurred in part with our positions on the 2015 Return but disagreed with our position that the AMS worthless stock loss qualifies as an SLL. In April 2021, we received draft NOPAs from the IRS consistent with the TAM. We continue to disagree with the IRS's position and the draft NOPAs received and, if necessary, intend to contest any additional tax determined to be owed with respect to the NOPAs. However, if we were unsuccessful in contesting the IRS's position, we have preliminarily estimated that we would have additional cash taxes payable to the IRS of between \$70 million and \$250 million excluding interest. We continue to discuss this position with the IRS and the actual amount that may be owed to the IRS if we are unsuccessful may be different than our preliminary estimate. Although the timing of the outcome of this matter is uncertain, it is possible any final resolution of the matter could take a number of years.

Bankruptcy-Related Developments

In connection with our ongoing bankruptcy proceedings, the IRS has filed multiple proofs of claim against several of the Debtors. The total amount of the initial claims filed by the IRS, which relate to tax years ended 2006 through 2014, 2016 through 2018 and 2020 through 2021, is approximately \$18.7 billion. The IRS amended its proof of claims on May 30, 2023 and increased the total amount to approximately \$20 billion. A number of the amended claims are in respect of the same proposed tax liability but are filed against multiple subsidiary members of our U.S. consolidated tax groups. After excluding the repetitive claims filed to different members of our U.S. consolidated tax groups, the amended net claims total approximately \$4 billion (the IRS's initial net claim amount was approximately \$2.6 billion). In general, the claims primarily relate to the IRS's challenges of our historic tax positions for certain intercompany arrangements, including the level of profit earned by our U.S. subsidiaries pursuant to such arrangements, and a product liability loss carryback claim. We disagree with the IRS's amended claims and, if necessary, intend to contest any additional tax determined to be owed with respect to the claims.

NOTE 20. NET LOSS PER SHARE

The following is a reconciliation of the numerator and denominator of basic and diluted net loss per share for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Loss from continuing operations	\$ (27,936)	\$ (718,272)	\$ (6,748)	\$ (2,664,455)
Loss from discontinued operations, net of tax	(547)	(3,897)	(1,576)	(15,115)
Net loss	<u>\$ (28,483)</u>	<u>\$ (722,169)</u>	<u>\$ (8,324)</u>	<u>\$ (2,679,570)</u>
Denominator:				
For basic per share data—weighted average shares	235,220	235,160	235,219	234,719
Dilutive effect of ordinary share equivalents	—	—	—	—
For diluted per share data—weighted average shares	<u>235,220</u>	<u>235,160</u>	<u>235,219</u>	<u>234,719</u>

Basic per share amounts are computed based on the weighted average number of ordinary shares outstanding during the period. Diluted per share amounts are computed based on the weighted average number of ordinary shares outstanding and, if there is net income from continuing operations during the period, the dilutive effect of ordinary share equivalents outstanding during the period.

The dilutive effect of ordinary share equivalents, if any, is measured using the treasury stock method.

The following table presents, for the three and nine months ended September 30, 2022, outstanding stock options and stock awards that could potentially dilute per share amounts in the future that were not included in the computation of diluted per share amounts because to do so would have been antidilutive (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Stock options	5,274	5,558
Stock awards	5,151	6,066

On March 3, 2023, in connection with the Company's ongoing bankruptcy proceedings, the Company took action to reject all outstanding award agreements associated with stock options and stock awards.

NOTE 21. CONDENSED COMBINED DEBTOR-IN-POSSESSION FINANCIAL INFORMATION

The financial statements included in this Note represent the unaudited Condensed Combined Financial Statements of the Debtors only, which include Endo International plc and most of its wholly-owned subsidiaries, except for its Indian subsidiaries and certain subsidiaries associated with the Company's former Astora business. These statements reflect the results of operations, financial position and cash flows of the combined Debtors, including certain amounts and activities between Debtors and Non-Debtor Affiliates of the Company that are eliminated in the Condensed Consolidated Financial Statements.

CONDENSED COMBINED BALANCE SHEETS (UNAUDITED)
(Dollars in thousands)

	September 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 784,508	\$ 991,901
Restricted cash and cash equivalents	82,043	59,358
Accounts receivable, net	377,135	478,889
Inventories, net	246,006	241,349
Prepaid expenses and other current assets	77,330	111,807
Income taxes receivable	6,841	7,038
Receivables from Non-Debtor Affiliates	97,833	94,608
Total current assets	\$ 1,671,696	\$ 1,984,950
PROPERTY, PLANT AND EQUIPMENT, NET	237,722	233,114
OPERATING LEASE ASSETS	19,902	23,200
GOODWILL	1,352,011	1,352,011
OTHER INTANGIBLES, NET	1,538,832	1,732,935
INVESTMENTS IN NON-DEBTOR AFFILIATES	52,079	50,001
RECEIVABLES FROM NON-DEBTOR AFFILIATES	261,230	240,002
OTHER ASSETS	121,265	126,494
TOTAL ASSETS	\$ 5,254,737	\$ 5,742,707
LIABILITIES AND DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 542,012	\$ 654,414
Current portion of operating lease liabilities	244	230
Income taxes payable	513	10
Payables to Non-Debtor Affiliates	16,848	20,162
Total current liabilities	\$ 559,617	\$ 674,816
DEFERRED INCOME TAXES	9,086	13,479
OPERATING LEASE LIABILITIES, LESS CURRENT PORTION	814	994
OTHER LIABILITIES	44,403	37,367
LIABILITIES SUBJECT TO COMPROMISE	8,786,571	9,168,782
TOTAL DEFICIT	(4,145,754)	(4,152,731)
TOTAL LIABILITIES AND DEFICIT	\$ 5,254,737	\$ 5,742,707

CONDENSED COMBINED STATEMENTS OF OPERATIONS (UNAUDITED)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
TOTAL REVENUES, NET	\$ 451,646	\$ 541,889	\$ 1,513,818	\$ 1,765,228
COSTS AND EXPENSES:				
Cost of revenues	232,200	266,811	703,566	807,013
Selling, general and administrative	135,853	189,689	420,533	592,139
Research and development	33,357	34,519	94,418	102,942
Acquired in-process research and development	—	800	—	68,700
Litigation-related and other contingencies, net	11,104	419,377	54,317	444,738
Asset impairment charges	—	150,200	146	1,951,216
Acquisition-related and integration items, net	1,062	(1,399)	1,824	(951)
Interest income, net	(3,009)	71,874	(8,601)	347,862
Reorganization items, net	57,960	124,212	227,579	124,212
Other income, net	(1,131)	9,052	(1,942)	(2,360)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	\$ (15,750)	\$ (723,246)	\$ 21,978	\$ (2,670,283)
INCOME TAX EXPENSE	10,944	10,535	26,758	15,032
LOSS FROM CONTINUING OPERATIONS	\$ (26,694)	\$ (733,781)	\$ (4,780)	\$ (2,685,315)
DISCONTINUED OPERATIONS, NET OF TAX	(547)	(3,896)	(1,576)	(15,096)
NET LOSS ATTRIBUTABLE TO DEBTOR ENTITIES	\$ (27,241)	\$ (737,677)	\$ (6,356)	\$ (2,700,411)
EQUITY IN INCOME OF NON-DEBTOR AFFILIATES, NET OF TAX	3,139	18,669	2,030	26,776
NET LOSS	\$ (24,102)	\$ (719,008)	\$ (4,326)	\$ (2,673,635)

CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
NET LOSS	\$ (24,102)	\$ (719,008)	\$ (4,326)	\$ (2,673,635)
OTHER COMPREHENSIVE INCOME:				
Net unrealized gain on foreign currency	\$ (3,434)	\$ (10,649)	\$ 64	\$ (13,088)
Total other comprehensive income	\$ (3,434)	\$ (10,649)	\$ 64	\$ (13,088)
COMPREHENSIVE LOSS	\$ (27,536)	\$ (729,657)	\$ (4,262)	\$ (2,686,723)

CONDENSED COMBINED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollars in thousands)

	Nine Months Ended September 30,	
	2023	2022
OPERATING ACTIVITIES:		
Net cash provided by operating activities (1)	\$ 309,685	\$ 75,349
INVESTING ACTIVITIES:		
Capital expenditures, excluding capitalized interest	(52,223)	(35,018)
Proceeds from the U.S. Government Agreement	32,560	13,601
Acquisitions, including in-process research and development, net of cash and restricted cash acquired	—	(89,520)
Proceeds from sale of business and other assets	3,538	22,378
Proceeds from loans made to Non-Debtor Affiliates	1,588	—
Disbursements for loans made to Non-Debtor Affiliates	(25,243)	(51,180)
Other investing activities	—	—
Net cash used in investing activities	\$ (39,780)	\$ (139,739)
FINANCING ACTIVITIES:		
Repayments of notes	—	(180,342)
Repayments of term loans	—	(10,000)
Adequate protection payments	(445,519)	(168,643)
Repayments of other indebtedness	(4,999)	(4,500)
Payments for contingent consideration	(4,353)	(1,939)
Payments of tax withholding for restricted shares	—	(1,898)
Net cash used in financing activities	\$ (454,871)	\$ (367,322)
Effect of foreign exchange rate	258	(2,393)
NET DECREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS	\$ (184,708)	\$ (434,105)
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS, BEGINNING OF PERIOD	1,136,259	1,568,698
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS, END OF PERIOD	\$ 951,551	\$ 1,134,593

- (1) The difference between the amount of Net cash provided by operating activities included in the table above and the amount of Net cash provided by operating activities included in the Condensed Consolidated Statements of Cash Flows for the same period primarily relates to the fact that the table above: (i) excludes the operating cash flows of our Non-Debtor Affiliates, which are included in the Condensed Consolidated Statements of Cash Flows, and (ii) includes the effects of the operating cash flows of the Debtors with the Non-Debtor Affiliates, which are eliminated in the Condensed Consolidated Statements of Cash Flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations describes the principal factors affecting the results of operations, liquidity and capital resources and critical accounting estimates of Endo International plc. This discussion should be read in conjunction with the accompanying quarterly unaudited Condensed Consolidated Financial Statements and the related Notes thereto and the Annual Report. The Annual Report includes additional information about our significant accounting policies, practices and the transactions that underlie our financial results, as well as a detailed discussion of the most significant risks and uncertainties associated with our financial and operating results. Except for the historical information contained in this report, including the following discussion, this report contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" beginning on page i of this report.

Unless otherwise indicated or required by the context, references throughout to "Endo," the "Company," "we," "our" or "us" refer to Endo International plc and its subsidiaries.

RESULTS OF OPERATIONS

Our quarterly results have fluctuated in the past and may continue to fluctuate. These fluctuations may be due to the business and financial statement effects of, among other things, new product launches by us or our competitors; market acceptance of our products; purchasing patterns of our customers; changes in pricing; changing inflation and interest rates; changes in the availability of our products; litigation-related and other contingencies; mergers, acquisitions, divestitures and other related activity; restructurings and other cost-reduction initiatives; bankruptcy proceedings and strategic review initiatives; financing activities; acquired in-process research and development charges; asset impairment charges; share-based and other long-term incentive compensation; and changes in the fair value of financial instruments. The following summary highlights certain recent developments that have resulted in and/or could in the future result in fluctuations in our results of operations and/or changes in our liquidity and capital resources:

- From 2019 until the end of the public health emergency in May 2023, the effects of COVID-19 have had direct and indirect impacts on our consolidated results. These impacts on our consolidated results and the results of our business segments to date may not be directly comparable to any historical period and are not necessarily indicative of its impact on our results for any future periods.
- In November 2020, we announced the initiation of several strategic actions, collectively referred to herein as the 2020 Restructuring Initiative, to optimize operations and increase overall efficiency. We recorded certain charges to complete these activities in anticipation of realizing annualized cost savings. For further discussion of these actions, including a discussion of amounts recognized, refer to Note 5. Restructuring of the Condensed Consolidated Financial Statements included in Part I, Item 1.
- In November 2021, our PSP LLC subsidiary entered into a cooperative agreement with the U.S. government to expand our Sterile Injectables segment's fill-finish manufacturing production capacity and capabilities at our Rochester, Michigan plant to support the U.S. government's national defense efforts regarding production of critical medicines advancing pandemic preparation. Refer to Note 15. Commitments and Contingencies of the Condensed Consolidated Financial Statements included in Part I, Item 1 for additional discussion of this agreement.
- During the first quarter of 2022, multiple competitive generic alternatives to VASOSTRICT[®] were launched, beginning with a generic that was launched at risk and began shipping toward the end of January 2022. Since then, additional competitive alternatives entered the market, including authorized generics. These launches began to significantly impact both Endo's market share and product price toward the middle of the first quarter of 2022, and the effects of competition have since increased. Additionally, beginning late in the first quarter of 2022, COVID-19-related hospital utilization levels began to decline, resulting in significantly decreased market volumes for both branded and competing generic alternatives to VASOSTRICT[®].
- In February 2022, we launched VASOSTRICT[®] in an RTU bottle, representing the first and only RTU formulation of the drug. The bottle formulation now represents a meaningful portion of the overall vasopressin market. Nevertheless, the factors described in the preceding bullet point could have a material adverse effect on our business, financial condition, results of operations and cash flows.
- In April 2022, we communicated the initiation of certain actions to streamline and simplify certain functions, including our commercial organization, to increase our overall organizational effectiveness and better align with current and future needs. In December 2022, we announced we would be taking certain additional actions to cease the production and sale of QWO[®] in light of market concerns about the extent and variability of bruising following initial treatment as well as the potential for prolonged skin discoloration. These actions, which are collectively referred to herein as the 2022 Restructuring Initiative, were initiated with the expectation of, among other things, generating cost savings, with a portion to be reinvested to support the Company's key strategic priority to expand and enhance its product portfolio. For further discussion of this initiative, including a discussion of amounts recognized, refer to Note 5. Restructuring of the Condensed Consolidated Financial Statements included in Part I, Item 1.
- In May 2022, we announced that our EVU subsidiary had entered into an agreement to acquire six development-stage RTU injectable product candidates from Nevakar Injectables, Inc., a subsidiary of Nevakar, Inc., for an upfront cash payment of \$35.0 million, which was recorded as an Acquired in-process research and development charge in the Condensed Consolidated Statements of Operations in the second quarter of 2022. For further discussion of this agreement, as well as a discussion of subsequent legal proceedings with Nevakar that affected both this agreement and a prior 2018 agreement with Nevakar, see Note 11. License, Collaboration and Asset Acquisition Agreements of the Condensed Consolidated Financial Statements included in Part I, Item 1.
- In June 2022, we announced that our EVU subsidiary had entered into an agreement with TLC to commercialize TLC599. During the second quarter of 2022, we made an upfront cash payment of \$30.0 million to TLC, which was recorded as an Acquired in-process research and development charge in the Condensed Consolidated Statements of Operations in the second quarter of 2022. For further discussion of this agreement, see Note 11. License, Collaboration and Asset Acquisition Agreements of the Condensed Consolidated Financial Statements included in Part I, Item 1.
- Beginning in June 2022, we elected to enter certain 30-day grace periods related to senior notes interest payments that were originally due to be paid between June 30, 2022 and August 1, 2022. Certain of these payments were subsequently paid prior to the expiration of the applicable grace periods; others were not. Refer to Note 15. Debt in the Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report for further discussion.

- On the Petition Date, certain of the Debtors filed voluntary petitions for relief under the Bankruptcy Code, which constituted an event of default that accelerated our obligations under substantially all of our then-outstanding debt instruments. However, section 362 of the Bankruptcy Code stays creditors from taking any action to enforce the related financial obligations and creditors' rights of enforcement in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code. We are subject to risks and uncertainties associated with our ongoing bankruptcy proceedings, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Refer to Note 1. Basis of Presentation, Note 2. Bankruptcy Proceedings and Note 14. Debt of the Condensed Consolidated Financial Statements included in Part I, Item 1 for further discussion.
- During the nine months ended September 30, 2023, multiple competitors launched alternative generic versions of varenicline tablets. These launches began to impact both Endo's market share and product price toward the middle of the first quarter of 2023, and the effects of additional competition in the second and third quarters of 2023 have accelerated both price and volume erosion within the overall market. The effects of competition are likely to increase in future periods, impacting our Generic Pharmaceuticals segment.
- In September 2020, PSP LLC entered into a manufacturing and services agreement with Novavax, Inc. (Novavax), pursuant to which PSP LLC would provide fill-finish manufacturing services at its plant in Rochester, Michigan for Novavax's COVID-19 vaccine candidate. In April 2023, PSP LLC executed, and the Bankruptcy Court approved a Settlement Agreement and Release of Claims with Novavax (the Novavax Settlement Agreement) to resolve a dispute under the manufacturing and services agreement. In connection with the effective date of the Novavax Settlement Agreement, Novavax paid cash and transferred certain other non-cash consideration, with a total value of \$33 million, which was recorded as revenue in the Condensed Consolidated Statements of Operations in the second quarter of 2023 and is reflected in our Sterile Injectables segment.
- In addition to our other legal proceedings, we, along with others, are the subject of various legal proceedings regarding the sale, marketing and/or distribution of prescription opioid medications, which are further discussed herein. Notwithstanding any relief that may be available as a result of our bankruptcy proceedings, it is possible that our legal proceedings, including those relating to opioid claims, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including in the short term. For further discussion, refer to Note 1. Basis of Presentation, Note 2. Bankruptcy Proceedings and Note 15. Commitments and Contingencies of the Condensed Consolidated Financial Statements included in Part I, Item 1, as well as Part II, Item 1A. "Risk Factors."

Consolidated Results Review

The following table displays our revenue, gross margin, gross margin percentage and other pre-tax expense or income for the three and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended September 30,		% Change 2023 vs. 2022	Nine Months Ended September 30,		% Change 2023 vs. 2022
	2023	2022		2023	2022	
Total revenues, net	\$ 451,665	\$ 541,690	(17)%	\$ 1,513,784	\$ 1,763,063	(14)%
Cost of revenues	230,286	261,232	(12)%	696,880	798,233	(13)%
Gross margin	\$ 221,379	\$ 280,458	(21)%	\$ 816,904	\$ 964,830	(15)%
<i>Gross margin percentage</i>	49.0 %	51.8 %		54.0 %	54.7 %	
Selling, general and administrative	\$ 138,772	\$ 192,221	(28)%	\$ 427,294	\$ 600,212	(29)%
Research and development	31,582	31,885	(1)%	87,322	97,803	(11)%
Acquired in-process research and development	—	800	(100)%	—	68,700	(100)%
Litigation-related and other contingencies, net	11,104	419,376	(97)%	54,317	444,738	(88)%
Asset impairment charges	—	150,200	(100)%	146	1,951,216	(100)%
Acquisition-related and integration items, net	1,062	(1,399)	NM	1,824	(951)	NM
Interest expense, net	10	74,753	(100)%	239	349,486	(100)%
Reorganization items, net	57,960	124,212	(53)%	227,579	124,212	83 %
Other income, net	(2,217)	(3,998)	(45)%	(2,163)	(22,147)	(90)%
(Loss) income from continuing operations before income tax	\$ (16,894)	\$ (707,592)	(98)%	\$ 20,346	\$ (2,648,439)	NM

NM indicates that the percentage change is not meaningful or is greater than 100%.

Total revenues, net. The decrease in revenues for the three months ended September 30, 2023 was primarily due to revenue decreases related to varenicline tablets (Endo’s generic version of Pfizer Inc.’s Chantix®), lubiprostone capsules (the authorized generic of Mallinckrodt’s Amitiza®), VASOSTRIC® and certain other products in our Sterile Injectables segment, partially offset by the impact of revenue from dexlansoprazole delayed release capsules (Endo’s generic version of Takeda Pharmaceuticals USA, Inc.’s Dexilant®), which launched in November 2022. The decrease in revenues for the nine months ended September 30, 2023 was primarily due to revenue decreases related to VASOSTRIC®, lubiprostone capsules and varenicline tablets, partially offset by revenue from dexlansoprazole delayed release capsules. Our revenues are further disaggregated and described below under the heading “Business Segment Results Review.”

Cost of revenues and gross margin percentage. During the three and nine months ended September 30, 2023 and 2022, Cost of revenues includes certain amounts that impact its comparability among periods, as well as the comparability of gross margin percentage, including amortization expense and amounts related to continuity and separation benefits, cost reductions and strategic review initiatives. The following table summarizes such amounts (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Amortization of intangible assets (1)	\$ 64,429	\$ 84,042	\$ 194,110	\$ 261,844
Amounts related to continuity and separation benefits, cost reductions and strategic review initiatives (2)	\$ 1,342	\$ 2,809	\$ 3,812	\$ 23,653

- (1) Amortization expense fluctuates based on changes in the total amount of amortizable intangible assets and the rate of amortization in effect for each intangible asset, both of which can vary based on factors such as the amount and timing of acquisitions, dispositions, asset impairment charges, transfers between indefinite- and finite-lived intangibles assets, changes in foreign currency rates and changes in the composition of our intangible assets impacting the weighted average useful lives and amortization methodologies being utilized. The decreases during the three and nine months ended September 30, 2023 were primarily driven by prior asset impairment charges.
- (2) Amounts in 2022 include, among other things, certain accelerated depreciation charges, inventory adjustments and net employee separation, continuity and other benefit-related costs, including amounts related to restructurings. For further discussion of our restructuring initiatives, including a discussion of amounts recognized and information about any expected future charges, refer to Note 5. Restructuring of the Condensed Consolidated Financial Statements included in Part I, Item 1.

The decreases in Cost of revenues for the three and nine months ended September 30, 2023 were primarily due to decreased revenues, decreased costs associated with amortization expense and decreased amounts related to continuity and separation benefits, cost reductions and strategic review initiatives.

The decrease in gross margin percentage for the three months ended September 30, 2023 was primarily due to unfavorable product mix resulting primarily from decreased varenicline tablets revenue, partially offset by decreased costs associated with amortization expense. The decrease in gross margin percentage for the nine months ended September 30, 2023 was primarily due to unfavorable changes in product mix, partially offset by decreased costs associated with amortization expense and decreased amounts related to continuity and separation benefits, cost reductions and strategic review initiatives. The unfavorable changes in product mix for the nine months ended September 30, 2023 primarily resulted from decreased VASOSTRIC® and varenicline tablets revenues.

Selling, general and administrative. The decreases for the three and nine months ended September 30, 2023 were primarily due to decreased costs associated with certain litigation matters as a result of the automatic stay and restructuring and/or other cost reduction initiatives. In addition, costs associated with certain strategic review initiatives, including costs incurred in connection with our bankruptcy proceedings, are included in Selling, general and administrative expenses until the Petition Date. Following the Petition Date, such costs are required to be presented separately within Reorganization items, net to the extent such costs are incurred directly as a result of the Company’s ongoing bankruptcy proceedings. Refer to Note 2. Bankruptcy Proceedings and Note 5. Restructuring of the Condensed Consolidated Financial Statements included in Part I, Item 1 for further discussion of these items.

Research and development. Our research and development (R&D) efforts are focused on the development of a diversified portfolio of innovative and clinically differentiated product candidates. The amount of R&D expense we record in any period varies depending on the nature and stage of development of our R&D programs, certain of which are further described below.

We continue to invest in our Branded Pharmaceuticals segment. In early 2020, we announced that we had initiated our XIAFLEX® development program for the treatment of plantar fibromatosis (PFI). In March 2023, we announced top-line results from our Phase 2 clinical study of XIAFLEX® in participants with PFI and while the primary endpoint when analyzed with the overall study population did not meet statistical significance, a large patient sub-population showed statistically significant improvement across a majority of endpoints. The results of our Phase 2 study will inform our corresponding Phase 3 clinical program, which we expect to initiate later in 2023. We also initiated a proof-of-concept study in plantar fasciitis (PFA) during the fourth quarter of 2022. In September 2023, we announced that we are moving to a Phase 2 clinical study in PFA after receiving encouraging proof-of-concept study results. We expect to initiate the Phase 2 program in the fourth quarter of 2023. We may in the future develop our XIAFLEX® product for potential additional indications, advancing our strategy of developing both non-surgical orthopedic and non-orthopedic care interventions.

Additionally, until late 2022, we had been advancing our development programs for QWO[®], which was launched in March 2021 for the treatment of moderate to severe cellulite in the buttocks of adult women. However, as further discussed in Note 5. Restructuring of the Condensed Consolidated Financial Statements included in Part I, Item 1, in December 2022, we announced we would be ceasing the production and sale of QWO[®] in light of market concerns about the extent and variability of bruising following initial treatment as well as the potential for prolonged skin discoloration.

We expect to continue to focus investments in RTU and other differentiated product candidates in our Sterile Injectables segment, potentially including acquisitions and/or license and commercialization agreements.

The decrease in R&D expense for the nine months ended September 30, 2023 was primarily driven by decreased costs associated with our XIAFLEX[®] development programs and certain restructuring, other cost reduction initiatives and certain post-marketing commitments, partially offset by increased costs associated with our Sterile Injectables segment. Refer to Note 5. Restructuring of the Condensed Consolidated Financial Statements included in Part I, Item 1 for further discussion of certain restructuring initiatives, including a discussion of amounts recognized.

As our development programs progress, it is possible that our R&D expenses could increase.

Acquired in-process research and development. Acquired in-process research and development charges are generally recognized in periods in which in-process research and development assets (with no alternative future use in other research and development projects) are acquired from third parties in connection with an asset acquisition, or when costs are incurred (up to the point of regulatory approval) for upfront or milestone payments to third parties associated with in-process research and development. To the extent we enter into agreements to acquire in-process research and development in the future and/or incur expenses related to upfront or milestone payments to third parties associated with existing or potential future agreements, Acquired in-process research and development charges could increase in the future, and the amounts of any increases could be material.

Litigation-related and other contingencies, net. Included within Litigation-related and other contingencies, net are changes to our accruals for litigation-related charges. Our material legal proceedings and other contingent matters are described in more detail in Note 15. Commitments and Contingencies of the Condensed Consolidated Financial Statements included in Part I, Item 1. Notwithstanding any relief that may be available as a result of our bankruptcy proceedings, it is possible that our legal proceedings, including those relating to opioid claims, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including in the short term. For further discussion, refer to Note 1. Basis of Presentation, Note 2. Bankruptcy Proceedings and Note 15. Commitments and Contingencies of the Condensed Consolidated Financial Statements included in Part I, Item 1.

Asset impairment charges. The following table presents the components of our total Asset impairment charges for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Goodwill impairment charges	\$ —	\$ 97,000	\$ —	\$ 1,845,000
Other intangible asset impairment charges	—	53,200	—	103,153
Property, plant and equipment impairment charges	—	—	146	3,063
Total asset impairment charges	\$ —	\$ 150,200	\$ 146	\$ 1,951,216

For additional information, refer to Note 7. Fair Value Measurements and Note 10. Goodwill and Other Intangibles of the Condensed Consolidated Financial Statements included in Part I, Item 1, as well as the “CRITICAL ACCOUNTING ESTIMATES” section herein.

Acquisition-related and integration items, net. Acquisition-related and integration items, net primarily consist of the net expense (benefit) from changes in the fair value of acquisition-related contingent consideration liabilities resulting from changes to our estimates regarding the timing and amount of the future revenues of the underlying products and changes in other assumptions impacting the probability of incurring, and extent to which we could incur, related contingent obligations. See Note 7. Fair Value Measurements of the Condensed Consolidated Financial Statements included in Part I, Item 1 for further discussion of our acquisition-related contingent consideration.

Interest expense, net. The components of Interest expense, net for the three and nine months ended September 30, 2023 and 2022 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest expense	\$ 203	\$ 74,931	\$ 737	\$ 349,937
Interest income	(193)	(178)	(498)	(451)
Interest expense, net	\$ 10	\$ 74,753	\$ 239	\$ 349,486

The decreases in interest expense for the three and nine months ended September 30, 2023 were primarily attributable to the fact that we ceased the recognition of interest expense related to our indebtedness beginning on the Petition Date as a result of the Chapter 11 Cases. Beginning during the third quarter of 2022, we became obligated to make certain adequate protection payments as a result of the Chapter 11 Cases, which are currently being accounted for as a reduction of the carrying amount of the related debt instruments. Some or all of the adequate protection payments may later be recharacterized as interest expense depending upon certain developments in the Chapter 11 Cases, which could result in increases to interest expense in future periods that may be material. Refer to Note 14. Debt of the Condensed Consolidated Financial Statements included in Part I, Item 1 for further discussion.

Interest income varies primarily based on the amounts of our interest-bearing investments, such as money market funds, as well as changes in the corresponding interest rates.

Reorganization items, net. Amounts relate to the net expense or income recognized during our bankruptcy proceedings required to be presented as Reorganization items, net under ASC 852. Refer to Note 2. Bankruptcy Proceedings of the Condensed Consolidated Financial Statements included in Part I, Item 1 for further details. Costs related to our bankruptcy proceedings that were incurred prior to the Petition Date are generally reflected as Selling, general and administrative expenses in our Condensed Consolidated Statements of Operations. We expect to continue to incur significant expenses in connection with our ongoing bankruptcy proceedings and certain related transactions and it is possible that such costs will increase over time, particularly if we incur certain associated success-related and/or other contingent fees, which could be significant. In addition, the longer the Chapter 11 Cases continue, the higher our expenses for these matters could be.

Other income, net. The components of Other income, net for the three and nine months ended September 30, 2023 and 2022 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net gain on sale of business and other assets	\$ (687)	\$ (15)	\$ (1,309)	\$ (11,760)
Foreign currency gain, net	(2,067)	(3,984)	(59)	(4,552)
Net (gain) loss from our investments in the equity of other companies	(13)	71	75	297
Other miscellaneous, net	550	(70)	(870)	(6,132)
Other income, net	\$ (2,217)	\$ (3,998)	\$ (2,163)	\$ (22,147)

For additional information on the components of Other income, net, refer to Note 18. Other Income, Net of the Condensed Consolidated Financial Statements included in Part I, Item 1.

Income tax expense. The following table displays our (Loss) income from continuing operations before income tax, Income tax expense and Effective tax rate for the three and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(Loss) income from continuing operations before income tax	\$ (16,894)	\$ (707,592)	\$ 20,346	\$ (2,648,439)
Income tax expense	\$ 11,042	\$ 10,680	\$ 27,094	\$ 16,016
Effective tax rate	(65.4)%	(1.5)%	133.2 %	(0.6)%

Our tax rate is affected by recurring items, such as tax rates in non-U.S. jurisdictions as compared to the notional U.S. federal statutory tax rate, and the relative amount of income or loss in those various jurisdictions. It is also impacted by certain items that may occur in any given period but are not consistent from period to period.

The change in Income tax expense for the three and nine months ended September 30, 2023 compared to the prior year periods primarily relate to an increase in accrued interest on uncertain tax positions, 2022 discrete tax benefit related to Canadian uncertain tax positions and changes in the geographic mix of pre-tax earnings.

As previously disclosed, the Company concluded that there was substantial doubt about its ability to continue as a going concern within one year after the date of issuance of the Condensed Consolidated Financial Statements included in the Second-Quarter 2022 Form 10-Q. The Company considered this in determining that certain net deferred tax assets were no longer more likely than not realizable. As a result, an immaterial increase in valuation allowance on the Company's net deferred tax assets was recorded in various jurisdictions during the second quarter of 2022.

The Company maintains a full valuation allowance against the net deferred tax assets in the U.S., Luxembourg, Ireland and certain other foreign tax jurisdictions as of September 30, 2023. It is possible that in the future there may be sufficient positive evidence to release a portion or all of the valuation allowance. Release of these valuation allowances would result in a benefit to income tax expense for the period the release is recorded, which could have a material impact on net earnings. The timing and amount of the potential valuation allowance release are subject to significant management judgment and prospective earnings.

We are incorporated in Ireland and also maintain subsidiaries in, among other jurisdictions, the U.S., Canada, India, the United Kingdom and Luxembourg. The IRS and other taxing authorities may continue to challenge our tax positions. Where appropriate, we have established reserves for tax-related uncertainties. Uncertain tax positions are reviewed quarterly and adjusted as necessary when events occur that impact potential tax liabilities, such as lapsing of applicable statutes of limitations, proposed assessments by tax authorities, identification of new issues and issuance of new legislation, regulations or case law.

The IRS presently is examining certain of our subsidiaries' U.S. income tax returns for fiscal years ended between December 31, 2011 and December 31, 2015 and, in connection with those examinations, is reviewing our tax positions related to, among other things, certain intercompany arrangements, including the level of profit earned by our U.S. subsidiaries pursuant to such arrangements, and a product liability loss carryback claim. For additional information, including a discussion of related recent developments and their potential impact on us, refer to Note 19. Income Taxes of the Condensed Consolidated Financial Statements included in Part I, Item 1.

During the third quarter of 2020, the IRS opened an examination into certain of our subsidiaries' U.S. income tax returns for fiscal years ended between December 31, 2016 and December 31, 2018. The IRS will likely examine our tax returns for other fiscal years and/or for other tax positions. Similarly, other tax authorities are currently examining our non-U.S. tax returns. Additionally, other jurisdictions where we are not currently under audit remain subject to potential future examinations. Such examinations may lead to proposed or actual adjustments to our taxes that may be material, individually or in the aggregate. See the risk factor "The IRS and other taxing authorities may continue to challenge our tax positions and we may not be able to successfully maintain such positions" in Part I, Item 1A. "Risk Factors" in the Annual Report for more information.

Discontinued operations, net of tax. The operating results of the Company's Astora business, which the Board resolved to wind down in 2016, are reported as Discontinued operations, net of tax in the Condensed Consolidated Statements of Operations for all periods presented. The following table provides the operating results of Astora Discontinued operations, net of tax, for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Litigation-related and other contingencies, net	\$ —	\$ —	\$ 500	\$ —
Loss from discontinued operations before income taxes	\$ (631)	\$ (3,897)	\$ (1,817)	\$ (15,115)
Income tax benefit	\$ (84)	\$ —	\$ (241)	\$ —
Discontinued operations, net of tax	\$ (547)	\$ (3,897)	\$ (1,576)	\$ (15,115)

Amounts included in the Litigation-related and other contingencies, net line of the table above are for mesh-related litigation. The remaining pre-tax amounts during the three and nine months ended September 30, 2023 and 2022 were primarily related to mesh-related legal defense costs and certain other items. For additional discussion of mesh-related matters, refer to Note 15. Commitments and Contingencies of the Condensed Consolidated Financial Statements included in Part I, Item 1.

Business Segment Results Review

Revenues, net. The following table displays our revenue by reportable segment for the three and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended September 30,		% Change 2023 vs. 2022	Nine Months Ended September 30,		% Change 2023 vs. 2022
	2023	2022		2023	2022	
Branded Pharmaceuticals	\$ 203,368	\$ 203,501	—%	\$ 613,318	\$ 627,314	(2)%
Sterile Injectables	95,381	118,693	(20)%	333,664	481,892	(31)%
Generic Pharmaceuticals	134,382	201,435	(33)%	511,141	590,756	(13)%
International Pharmaceuticals (1)	18,534	18,061	3%	55,661	63,101	(12)%
Total net revenues from external customers	\$ 451,665	\$ 541,690	(17)%	\$ 1,513,784	\$ 1,763,063	(14)%

(1) Revenues generated by our International Pharmaceuticals segment are primarily attributable to external customers located in Canada.

Branded Pharmaceuticals. The following table displays the significant components of our Branded Pharmaceuticals revenues from external customers for the three and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2023	2022	2023 vs. 2022	2023	2022	2023 vs. 2022
Specialty Products:						
XIAFLEX®	\$ 113,053	\$ 104,014	9 %	\$ 327,254	\$ 324,376	1 %
SUPPRELIN® LA	21,590	31,283	(31)%	73,390	84,852	(14)%
Other Specialty (1)	15,749	11,033	43 %	57,282	50,023	15 %
Total Specialty Products	\$ 150,392	\$ 146,330	3 %	\$ 457,926	\$ 459,251	— %
Established Products:						
PERCOCET®	\$ 26,290	\$ 25,052	5 %	\$ 78,791	\$ 77,483	2 %
TESTOPEL®	9,610	9,430	2 %	32,199	28,331	14 %
Other Established (2)	17,076	22,689	(25)%	44,402	62,249	(29)%
Total Established Products	\$ 52,976	\$ 57,171	(7)%	\$ 155,392	\$ 168,063	(8)%
Total Branded Pharmaceuticals (3)	\$ 203,368	\$ 203,501	— %	\$ 613,318	\$ 627,314	(2)%

(1) Products included within Other Specialty include AVEED®, NASCOBAL® Nasal Spray and QWO®.

(2) Products included within Other Established include, but are not limited to, EDEX®.

(3) Individual products presented above represent the top two performing products in each product category for either the three or nine months ended September 30, 2023 and/or any product having revenues in excess of \$25 million during any completed quarterly period in 2023 or 2022.

Specialty Products

Certain of our products that are physician administered, including XIAFLEX®, generally experienced decreased sales volumes during the COVID-19 pandemic due to reduced physician office activity and patient office visits because of the COVID-19 pandemic. The pandemic and other market conditions also created a high backlog of demand for non-elective urology procedures, which has in certain cases reduced the utilization of XIAFLEX® by healthcare providers.

The increase in XIAFLEX® revenues for the three months ended September 30, 2023 was primarily attributable to increased net price and increased volumes following the third quarter 2022 disruption experienced by our third-party specialty pharmacy provider. The increase in XIAFLEX® revenues for the nine months ended September 30, 2023 was primarily attributable to increased net price, partially offset by decreased volumes. Volumes for the nine months ended September 30, 2023 were primarily impacted by channel inventory destocking during the first quarter 2023, partially offset by volume growth during the second and third quarters of 2023.

The decreases in SUPPRELIN® LA revenues for the three and nine months ended September 30, 2023 were primarily attributable to decreased net price and decreased volumes.

Established Products

The decreases in Other Established Products revenues for the three and nine months ended September 30, 2023 were primarily attributable to product discontinuations, ongoing competitive pressures impacting this product portfolio and certain other factors.

Our Established Products portfolio has been and is likely to continue to be affected by ongoing competitive pressures. The effects of competition could result in revenue decreases or otherwise impact future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Sterile Injectables. The following table displays the significant components of our Sterile Injectables revenues from external customers for the three and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2023	2022	2023 vs. 2022	2023	2022	2023 vs. 2022
ADRENALIN®	\$ 22,873	\$ 24,917	(8)%	\$ 75,581	\$ 85,514	(12)%
VASOSTRICT®	20,827	33,697	(38)%	71,197	225,217	(68)%
Other Sterile Injectables (1)	51,681	60,079	(14)%	186,886	171,161	9 %
Total Sterile Injectables (2)	\$ 95,381	\$ 118,693	(20)%	\$ 333,664	\$ 481,892	(31)%

(1) Products included within Other Sterile Injectables include, but are not limited to, APLISOL®.

(2) Individual products presented above represent the top two performing products within the Sterile Injectables segment for either the three or nine months ended September 30, 2023 and/or any product having revenues in excess of \$25 million during any completed quarterly period in 2023 or 2022.

The decreases in ADRENALIN® revenues for the three and nine months ended September 30, 2023 were primarily attributable to decreased net price, partially offset by increased volumes.

The decrease in VASOSTRICT[®] revenues for the three months ended September 30, 2023 was primarily driven by a decrease in net price, partially offset by increased volumes. The decrease in VASOSTRICT[®] revenues for the nine months ended September 30, 2023 was primarily driven by decreases to both volumes and net price, which was primarily attributable to the impact of generic competition as well as lower overall market demand as COVID-19-related hospital utilization levels declined. During the first quarter of 2022, multiple competitive generic alternatives to VASOSTRICT[®] were launched. Since then, additional competitive alternatives entered the market, including authorized generics. These launches began to significantly impact both Endo's market share and product price toward the middle of the first quarter of 2022, and the effects of competition have since increased. Additionally, beginning late in the first quarter of 2022, COVID-19-related hospital utilization levels began to decline, resulting in significantly decreased market volumes for both branded and competing generic alternatives to VASOSTRICT[®]. In February 2022, we launched VASOSTRICT[®] in an RTU bottle, representing the first and only RTU formulation of the drug. The bottle formulation now represents a meaningful portion of the overall vasopressin market. Nevertheless, the factors described above could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The decrease in Other Sterile Injectables revenues for the three months ended September 30, 2023 was primarily attributable to decreased net price. The increase in Other Sterile Injectables revenues for the nine months ended September 30, 2023 was primarily attributable to the Novavax Settlement Agreement, partially offset by decreased net price.

Our Sterile Injectables segment is likely to continue to be affected by ongoing competitive pressures. This could result in revenue decreases or otherwise impact future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Generic Pharmaceuticals. The decreases in Generic Pharmaceuticals revenues for the three and nine months ended September 30, 2023 were primarily attributable to competitive pressures on certain generic products including lubiprostone capsules and varenicline tablets, partially offset by the revenues from dexlansoprazole delayed release capsules, which launched in November 2022.

During the nine months ended September 30, 2023, multiple competitors launched alternative generic versions of varenicline tablets. These launches began to impact both Endo's market share and product price toward the middle of the first quarter of 2023, and the effects of additional competition in the second and third quarters of 2023 have accelerated both price and volume erosion within the overall market. The effects of competition are likely to increase in future periods, impacting our Generic Pharmaceuticals segment. Other products in our Generic Pharmaceuticals segment are also likely to continue to be affected by ongoing competitive pressures. These factors could result in revenue decreases or otherwise impact future periods, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Segment adjusted income from continuing operations before income tax. The following table displays our Segment adjusted income from continuing operations before income tax (the measure we use to evaluate segment performance) by reportable segment for the three and nine months ended September 30, 2023 and 2022 (dollars in thousands):

	Three Months Ended September 30,		% Change 2023 vs. 2022	Nine Months Ended September 30,		% Change 2023 vs. 2022
	2023	2022		2023	2022	
Branded Pharmaceuticals	\$ 105,696	\$ 84,940	24 %	\$ 317,301	\$ 251,219	26 %
Sterile Injectables	\$ 27,966	\$ 58,633	(52)%	\$ 138,602	\$ 318,284	(56)%
Generic Pharmaceuticals	\$ 32,057	\$ 87,675	(63)%	\$ 204,148	\$ 237,394	(14)%
International Pharmaceuticals	\$ 4,804	\$ 4,296	12 %	\$ 15,012	\$ 17,149	(12)%

Branded Pharmaceuticals. The increase in Segment adjusted income from continuing operations before income tax for the three months ended September 30, 2023 was primarily attributable to decreased costs associated with our commercial investment in QWO[®], as well as favorable product mix. The increase in Segment adjusted income from continuing operations before income tax for the nine months ended September 30, 2023 was primarily attributable to decreased costs associated with our commercial investment in QWO[®] and certain legal matters, as well as decreased costs associated with our XIAPLEX[®] development programs, partially offset by the gross margin effects of the decreased revenues further described above.

Sterile Injectables. The decreases in Segment adjusted income from continuing operations before income tax for the three and nine months ended September 30, 2023 were primarily attributable to the gross margin effects of the decreased revenues further described above.

Generic Pharmaceuticals. The decrease in Segment adjusted income from continuing operations before income tax for the three months ended September 30, 2023 was primarily attributable to the gross margin effects of the decreased revenues further described above. The decrease in Segment adjusted income from continuing operations before income tax for the nine months ended September 30, 2023 was primarily attributable to the gross margin effects of the decreased revenues further described above, partially offset by lower Selling, general and administrative expenses resulting from reduced legal expenses and the impact of prior restructurings.

LIQUIDITY AND CAPITAL RESOURCES

On the Petition Date, certain of the Debtors filed voluntary petitions for relief under the Bankruptcy Code, which constituted an event of default that accelerated our obligations under substantially all of our then-outstanding debt instruments. However, section 362 of the Bankruptcy Code stays creditors from taking any action to enforce the related financial obligations and creditors' rights of enforcement in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code. Refer to Note 1. Basis of Presentation, Note 2. Bankruptcy Proceedings and Note 14. Debt of the Condensed Consolidated Financial Statements included in Part I, Item 1 for further discussion.

Our principal source of liquidity is cash generated from operations. Cash and cash equivalents, which primarily consisted of bank deposits and money market accounts, totaled \$823.3 million at September 30, 2023 compared to \$1,018.9 million at December 31, 2022. Our principal liquidity requirements are primarily for working capital for operations, licenses, capital expenditures, mergers and acquisitions (including upfront and milestone payments to third parties), income taxes, litigation-related and other contingent liabilities, debt service payments (including adequate protection payments on our First Lien Debt Instruments) and other amounts related to our bankruptcy proceedings.

Our business is exposed to a variety of material risks as further described herein and in the Annual Report. We may face unexpected costs in connection with our business operations, our ongoing and future legal proceedings, governmental investigations and other contingent liabilities (including potential costs related to settlements and judgments, as well as legal defense costs) and our ongoing bankruptcy proceedings. On a longer-term basis, we may not be able to accurately predict the effect of certain developments on our sales and gross margins, such as the degree of market acceptance, patent protection and exclusivity of our products, pricing pressures (including those due to the impact of competition), the effectiveness of our sales and marketing efforts and the outcome of our current efforts to develop, receive approval for and successfully launch our product candidates. Furthermore, we may not be successful in implementing, or may face unexpected changes or expenses in connection with, our strategic direction, including the potential for opportunistic corporate development transactions. Additionally, as further discussed in Note 1. Basis of Presentation of the Condensed Consolidated Financial Statements included in Part I, Item 1, management has concluded that there is substantial doubt regarding our ability to continue as a going concern. Any of the above could have a material adverse effect on our business, financial condition, results of operations and cash flows and require us to seek additional sources of liquidity and capital resources as described below.

To the extent we are required or choose to seek third-party financing in the future, there can be no assurance that we would be able to obtain any such required financing on a timely basis or at all, particularly in light of our ongoing bankruptcy proceedings and the corresponding event of default on our existing debt instruments. Additionally, any future financing arrangements could include terms that are not commercially beneficial to us, which could further restrict our operations and exacerbate any impact on our results of operations and liquidity that may result from any of the factors described herein or other factors.

Indebtedness. The Company and certain of its subsidiaries are party to the Credit Agreement governing the Credit Facilities and the indentures governing our various senior secured and senior unsecured notes. Refer to Note 2. Bankruptcy Proceedings and Note 14. Debt of the Condensed Consolidated Financial Statements included in Part I, Item 1 of this report and Note 15. Debt in the Consolidated Financial Statements included in Part IV, Item 15 of the Annual Report for additional information about our indebtedness, including information about amounts currently outstanding, maturities, interest rates, security, priority, certain recent debt financing transactions and the effects of bankruptcy-related proceedings and the corresponding event of default.

Working capital. The components of our working capital and our liquidity at September 30, 2023 and December 31, 2022 are below (dollars in thousands):

	September 30, 2023	December 31, 2022
Total current assets	\$ 1,753,276	\$ 2,076,768
Less: total current liabilities	564,632	689,627
Working capital	<u>\$ 1,188,644</u>	<u>\$ 1,387,141</u>
Current ratio (total current assets divided by total current liabilities)	3.1:1	3.0:1

Net working capital decreased by \$198.5 million from December 31, 2022 to September 30, 2023. During this period, working capital benefited from the favorable impacts to net current assets resulting from revenues and gross margins, which are further described above. These benefits were more than offset by, among other things, the following current period activity: (i) Adequate protection payments of \$445.5 million; (ii) certain expenses incurred in connection with our bankruptcy proceedings and certain restructuring and other cost reduction initiatives; and (iii) Capital expenditures, excluding capitalized interest, net of Proceeds from the U.S. Government Agreement, of \$41.7 million.

The classification of our assets and liabilities in our Condensed Consolidated Balance Sheets may change significantly during bankruptcy proceedings, which could result in material changes to our working capital in future periods. Refer to Note 2. Bankruptcy Proceedings and Note 14. Debt of the Condensed Consolidated Financial Statements included in Part I, Item 1 for additional information.

The following table summarizes our Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022 (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Net cash flow provided by (used in):		
Operating activities	\$ 320,041	\$ 159,611
Investing activities	(38,147)	(134,546)
Financing activities	(454,871)	(367,323)
Effect of foreign exchange rate	(20)	(4,674)
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	<u>\$ (172,997)</u>	<u>\$ (346,932)</u>

Operating activities. Net cash provided by operating activities represents the cash receipts and cash disbursements from all of our activities other than investing activities and financing activities. Changes in cash from operating activities reflect, among other things, the timing of cash collections from customers, payments to suppliers, managed care organizations, government agencies, collaborative partners and employees in the ordinary course of business, as well as the timing and amount of cash payments and/or receipts related to interest, litigation-related matters, restructurings, reorganization items, income taxes and certain other items.

The \$160.4 million increase in Net cash provided by operating activities during the nine months ended September 30, 2023 compared to the prior year period was primarily due to reduced litigation costs, as a result of the automatic stay, reduced payments for opioid-related matters and reduced interest payments (which have historically been reflected as operating cash flows) on most of our debt instruments, further discussed in Note 2. Bankruptcy Proceedings and Note 14. Debt of the Condensed Consolidated Financial Statements included in Part I, Item 1. As further discussed below, adequate protection payments related to our First Lien Debt Instruments are currently being reflected as financing cash flows. These increases were offset by reduced VASOSTRICT® revenues and increased payments for professional fees associated with our bankruptcy proceedings and certain related transactions.

It is possible that our operating cash flows could decline in the future as a result of, among other things, reductions in revenues and payments associated with our bankruptcy proceedings and certain related transactions. Additionally, it is possible that some or all of the adequate protection payments described above may later be recharacterized as interest expense depending upon certain developments in the Chapter 11 Cases, which could result adequate protection payments being reflected as operating cash flows in future periods, which could in turn lead to decreases to our operating cash flows that may be material.

Investing activities. The \$96.4 million decrease in Net cash used in investing activities during the nine months ended September 30, 2023 compared to the prior year period was primarily attributable to a decrease in Acquisitions, including in-process research and development, net of cash and restricted cash acquired of \$89.5 million and an increase in Proceeds from the U.S. Government Agreement of \$19.0 million, partially offset by a decrease in Proceeds from sale of business and other assets of \$18.8 million.

Financing activities. During the nine months ended September 30, 2023, Net cash used in financing activities primarily related to Adequate protection payments of \$445.5 million.

During the nine months ended September 30, 2022, Net cash used in financing activities primarily related to: (i) Repayments of notes of \$180.3 million; (ii) Adequate protection payments of \$168.6 million; and (iii) Repayments of term loans of \$10.0 million.

Cash Requirements for Contractual and Other Obligations. For information about our cash requirements for contractual and other obligations, refer to the disclosures in our Annual Report as well as in Note 2. Bankruptcy Proceedings and Note 14. Debt of the Condensed Consolidated Financial Statements included in Part I, Item 1. As the Chapter 11 Cases progress, certain of our contractual arrangements could be amended or rejected, which could result in changes to our cash requirements for such obligations.

Fluctuations. As further discussed above, our quarterly results have fluctuated in the past and may continue to fluctuate. Additionally, a substantial portion of our total revenues are through three wholesale distributors who in turn supply our products to pharmacies, hospitals and physicians. Accordingly, we are potentially subject to a concentration of credit risk with respect to our trade receivables.

Inflation. Materials, equipment and labor shortages, shipping, logistics and other delays and other supply chain and manufacturing disruptions continue to make it more difficult and costly for us to obtain raw materials, supplies or services from third parties, to manufacture our own products and to pursue clinical development activities. Economic or political instability or disruptions, such as the conflict in Ukraine, could negatively affect our supply chain or increase our costs. While we do not believe that inflation had a material adverse effect on our financial statements for the periods presented, if these types of events or disruptions continue to occur, they could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Off-balance sheet arrangements. We have no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates have not changed materially since December 31, 2022. For additional discussion of the Company's critical accounting estimates, see "Critical Accounting Estimates" in Item 7 of the Annual Report.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 3. Summary of Significant Accounting Policies of the Condensed Consolidated Financial Statements included in Part I, Item 1, as applicable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Principal Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of September 30, 2023. Based on that evaluation, the Company's Chief Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2023.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the fiscal quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The disclosures under Note 15. Commitments and Contingencies of the Condensed Consolidated Financial Statements included in Part I, Item 1 are incorporated into this Part II, Item 1 by reference.

Item 1A. Risk Factors

For a discussion of our risk factors, see the information in Part I, Item 1A. “Risk Factors” in the Annual Report and in Part II, Item 1A “Risk Factors” of our First-Quarter 2023 Form 10-Q. There have been no material changes to our risk factors from those described therein.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no purchases or sales of equity securities by the Company during the three months ended September 30, 2023.

Item 3. Defaults Upon Senior Securities

As described in Note 2. Bankruptcy Proceedings and Note 14. Debt of the Condensed Consolidated Financial Statements included in Part I, Item 1, our filing of voluntary petitions for relief under the Bankruptcy Code constituted an event of default that accelerated our obligations under substantially all of our then-outstanding debt instruments. However, section 362 of the Bankruptcy Code stays creditors from taking any action to enforce the related financial obligations and creditors’ rights of enforcement in respect of the debt instruments are subject to the applicable provisions of the Bankruptcy Code.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Description	Incorporated by Reference from:		
		File Number	Filing Type	Filing Date
3.1	Certificate of Incorporation on re-registration as a public limited company of Endo International plc	001-36326	Current Report on Form 8-K12B	February 28, 2014
3.2	Memorandum and Articles of Association of Endo International plc, dated as of October 31, 2013 and as amended as of June 8, 2017	001-36326	Quarterly Report on Form 10-Q	August 8, 2017
31.1	Certification of the President and Chief Executive Officer of Endo pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Not applicable; filed herewith		
31.2	Certification of the Chief Financial Officer of Endo pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Not applicable; filed herewith		
32.1	Certification of the President and Chief Executive Officer of Endo pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Not applicable; furnished herewith		
32.2	Certification of the Chief Financial Officer of Endo pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Not applicable; furnished herewith		
101.INS	iXBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.	Not applicable; submitted herewith		
101.SCH	iXBRL Taxonomy Extension Schema Document	Not applicable; submitted herewith		
101.CAL	iXBRL Taxonomy Extension Calculation Linkbase Document	Not applicable; submitted herewith		
101.DEF	iXBRL Taxonomy Extension Definition Linkbase Document	Not applicable; submitted herewith		
101.LAB	iXBRL Taxonomy Extension Label Linkbase Document	Not applicable; submitted herewith		
101.PRE	iXBRL Taxonomy Extension Presentation Linkbase Document	Not applicable; submitted herewith		
104	Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101	Not applicable; submitted herewith		

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENDO INTERNATIONAL PLC

(Registrant)

/S/ BLAISE COLEMAN

Name: **Blaise Coleman**

Title: **President and Chief Executive Officer
(Principal Executive Officer)**

/S/ MARK T. BRADLEY

Name: **Mark T. Bradley**

Title: **Executive Vice President, Chief Financial Officer
(Principal Financial Officer)**

Date: November 6, 2023

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Blaise Coleman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Endo International plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ BLAISE COLEMAN

Blaise Coleman

President and Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2023

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Mark T. Bradley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Endo International plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARK T. BRADLEY

Mark T. Bradley
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: November 6, 2023

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Blaise Coleman, as President and Chief Executive Officer of Endo International plc (the Company), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2023 (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ BLAISE COLEMAN

Name: Blaise Coleman
Title: President and Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2023

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, Endo International plc and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark T. Bradley, as Chief Financial Officer of Endo International plc (the Company), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2023 (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ MARK T. BRADLEY

Name: Mark T. Bradley
Title: Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: November 6, 2023

A signed original of this written statement required by Section 906 has been provided to, and will be retained by, Endo International plc and furnished to the Securities and Exchange Commission or its staff upon request.