

# Q4 and Full Year 2018 Earnings Call

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Financial  
Results and  
Business  
Update

February 28, 2019

# Safe Harbor Statement

## Safe Harbor Statement

Certain statements contained herein, regarding matters that are not historical facts, may be forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995). Such forward-looking statements include statements regarding management's intentions, plans, beliefs, expectations or forecasts for the future, including, among other things, future operating results and financial performance, product development and launches, integration strategies and resulting cost reduction, market position and business strategy. Words such as "may," "will," "could," "expect," "plan," "anticipate," "intend," "believe," "estimate," "assume," "continue," and similar words are intended to identify estimates and forward-looking statements.

The reader is cautioned not to rely on these forward-looking statements. These forward-looking statements are based on current expectations of future events. If the underlying assumptions prove inaccurate or known or unknown risks or uncertainties materialize, actual results could vary materially from the expectations and projections of Amneal Pharmaceuticals, Inc. (the "Company"). Such risks and uncertainties include, but are not limited to: the impact of global economic conditions; our ability to integrate the operations of Amneal Pharmaceuticals LLC and Impax Laboratories, LLC pursuant to the business combination completed on May 4, 2018, and our ability to realize the anticipated synergies and other benefits of the combination; our ability to successfully develop and commercialize new products; our ability to obtain exclusive marketing rights for our products and to introduce products on a timely basis; the competition we face in the pharmaceutical industry from brand and generic drug product companies, and the impact of that competition on our ability to set prices; our ability to manage our growth; our dependence on the sales of a limited number of products for a substantial portion of our total revenues; the risk of product liability and other claims against us by consumers and other third parties; risks related to changes in the regulatory environment, including United States federal and state laws related to healthcare fraud abuse and health information privacy and security and changes in such laws; changes to FDA product approval requirements; risks related to federal regulation of arrangements between manufacturers of branded and generic products; the impact of healthcare reform and changes in coverage and reimbursement levels by governmental authorities and other third-party payers; the continuing trend of consolidation of certain customer groups; our reliance on certain licenses to proprietary technologies from time to time; our dependence on third party suppliers and distributors for raw materials for our products and certain finished goods; our dependence on third party agreements for a portion of our product offerings; our ability to make acquisitions of or investments in complementary businesses and products on advantageous terms; legal, regulatory and legislative efforts by our brand competitors to deter competition from our generic alternatives; the significant amount of resources we expend on research and development; our substantial amount of indebtedness and our ability to generate sufficient cash to service our indebtedness in the future, and the impact of interest rate fluctuations on such indebtedness; the high concentration of ownership of our Class A Common Stock and the fact that we are controlled by a group of stockholders. A further list and descriptions of these risks, uncertainties and other factors can be found in the Company's most recently filed Quarterly Report on Form 10-Q and in the Company's subsequent filings with the Securities and Exchange Commission, including its Annual Report on 10-K for the fiscal year ended December 31, 2018 expected to be filed on or about March 1, 2019. Copies of these filings are available online at [www.sec.gov](http://www.sec.gov), [www.amneal.com](http://www.amneal.com) or on request from the Company.

Forward-looking statements included herein speak only as of the date hereof and we undertake no obligation to revise or update such statements to reflect the occurrence of events or circumstances after the date hereof.



# Non-GAAP Financial Measures

This presentation includes certain Non-GAAP financial measures, including adjusted EBITDA, adjusted net income, adjusted net income per diluted share, adjusted gross profit, adjusted gross margin and adjusted operating income, are intended as supplemental measures of the Company's performance that are not required by or presented in accordance with GAAP. In addition, this presentation includes these Non-GAAP measures and our reported results on a Non-GAAP combined basis to include the results of Impax and Gemini as if the transaction closing dates had occurred on the first day of all periods presented herein. Management uses these Non-GAAP historical and combined measures internally to evaluate and manage the Company's operations and to better understand its business because they facilitate a comparative assessment of the Company's operating performance relative to its performance based on results under GAAP. These Non-GAAP measures also isolate the effects of some items that vary from period to period without any correlation to core operating performance and eliminate certain charges that management believes do not reflect the Company's operations and underlying operational performance. The compensation committee of the Company's board of directors also uses certain of these measures to evaluate management's performance and set its compensation. The Company believes that these Non-GAAP measures also provide useful information to investors regarding certain financial and business trends relating to the Company's financial condition and operating results, and doing so on a combined basis facilitates an evaluation of the financial performance of the Company and its operations on a consistent basis. Providing this information therefore allows investors to make independent assessments of the Company's financial performance, results of operation and trends while viewing the information through the eyes of management.

All combined business results presented in this presentation are not prepared in accordance with Article 11 of Regulation S-X. Adjusted gross profit is calculated as total revenues less adjusted cost of goods sold. Adjusted gross margin is calculated as adjusted gross profit divided by total revenues. The calculation of Non-GAAP adjusted diluted earnings per share assumes the conversion of all outstanding shares of Class B Common Stock to shares of Class A Common Stock.

These Non-GAAP measures are subject to limitations. The Non-GAAP measures presented in this presentation may not be comparable to similarly titled measures used by other companies because other companies may not calculate one or more in the same manner. Additionally, the Non-GAAP performance measures exclude significant expenses and income that are required by GAAP to be recorded in the Company's financial statements; do not reflect changes in, or cash requirements for, working capital needs; and do not reflect interest expense, or the requirements necessary to service interest or principal payments on debt. Further, the combined results may not represent what our combined results of operations and financial position would have been had the transactions occurred on the dates indicated, nor are they intended to project our combined results of operations or financial position for any future period. To compensate for these limitations, management presents and considers these Non-GAAP measures in conjunction with the Company's GAAP results; no Non-GAAP measure should be considered in isolation from or as alternatives to net income, diluted earnings per share or any other measure determined in accordance with GAAP. Readers should review the reconciliations of below, and should not rely on any single financial measure to evaluate the Company's business.

A reconciliation of each Non-GAAP measure to the most directly comparable GAAP measure is set forth in the appendix to this presentation.

# Agenda

1

Q4 and Full Year 2018 Highlights  
Rob Stewart, President & CEO

2

Financial Results Review  
Todd Branning, SVP & CFO

3

2019 Outlook  
Rob Stewart

4

Q&A





# Performance and Highlights



**Rob Stewart**  
President & CEO

# Significant Achievements in 2018

## Operational Excellence



- Led U.S. generics industry in both approvals and launches  
62 ANDAs approved ♦ 10 tentative approvals ♦ 42 new products launched
- Strong growth from Specialty products Rytary® and Unithroid®
- R&D activity: 31 ANDAs submitted; initiated Phase 3 Study IPX203

## Merger Integration



- Amneal + Impax merger closed May 2018
- On track to achieve more than \$200 million in cost synergies earlier than forecasted
- Completed all manufacturing at Hayward site and divested owned buildings
- Completed all major actions required to deliver synergies

## Capital Deployment

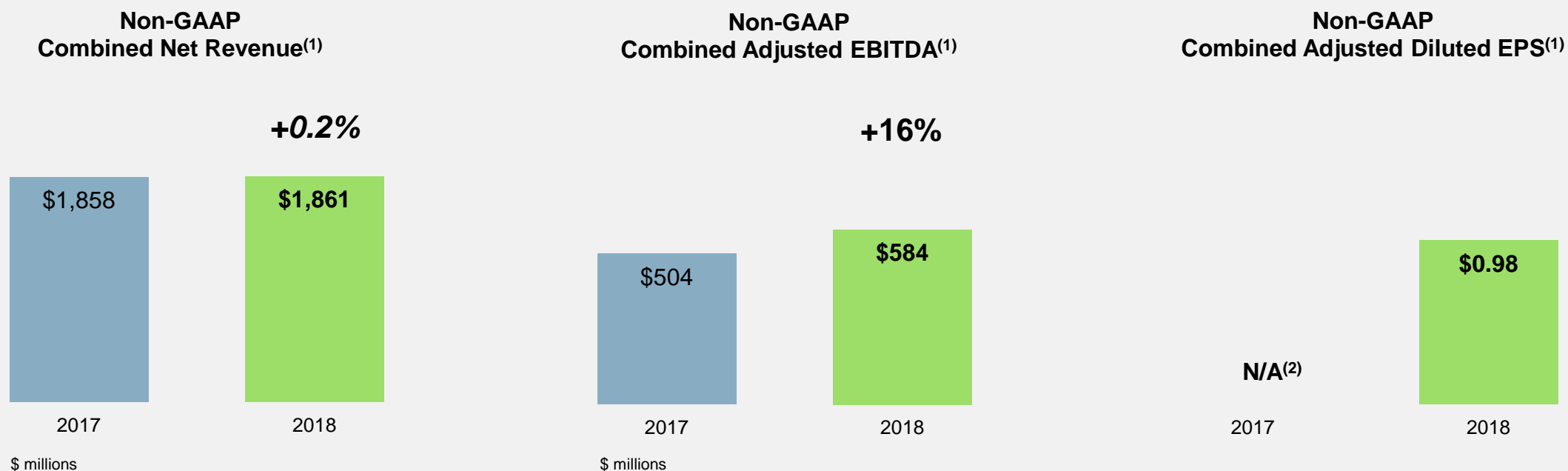


- Acquisition of Gemini Laboratories
- Levothyroxine partnerships with Jerome Stevens and Lannett
- gMakena® partnership with American Regent
- Biosimilar Avastin® partnership with mAbxience



# 2018 Financial Results

***Strategic investments, accelerated synergy capture, new product launches and base business performance drove combined adjusted EBITDA<sup>(1)</sup> growth in 2018***



<sup>(1)</sup> Assumes the combination between Amneal Pharmaceuticals LLC and Impax Laboratories, LLC and the acquisition of Gemini Laboratories, LLC occurred on the first day of the year presented. See the Non-GAAP Financial Measures page of this presentation for a discussion of these Non-GAAP measures and the Appendix to this presentation for a reconciliation thereof to the most directly comparable GAAP measure.

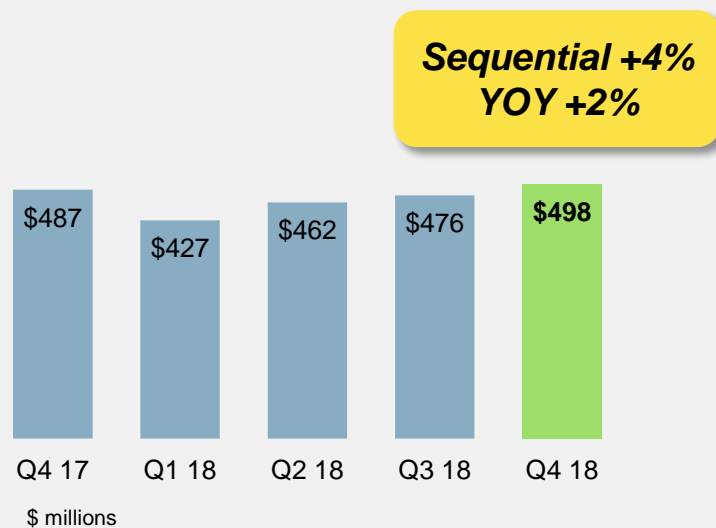
<sup>(2)</sup> Diluted EPS for full year 2017 is not available as Amneal Pharmaceuticals LLC was a privately-held company for the period presented.



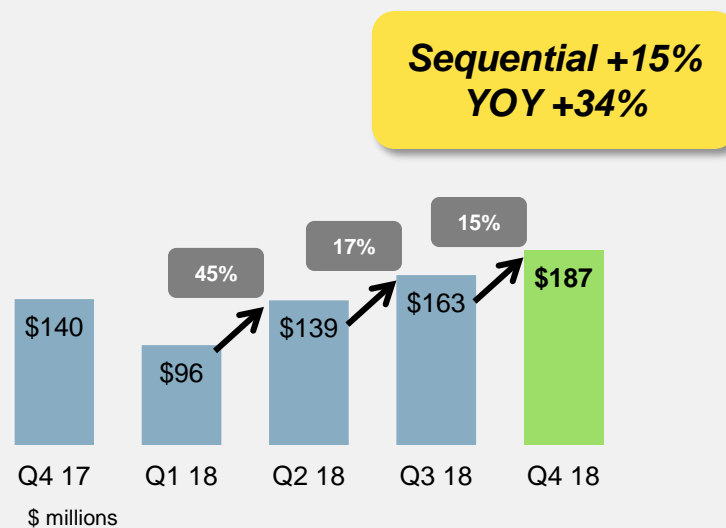
# Q4 '18 Financial Results

*Delivered solid financial and operational performance in fourth quarter 2018*

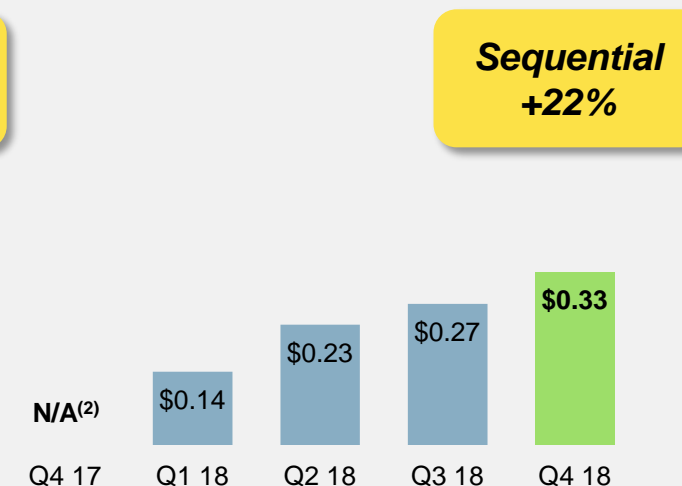
**Non-GAAP  
Combined Net Revenue<sup>(1)</sup>**



**Non-GAAP  
Combined Adjusted EBITDA<sup>(1)</sup>**



**Non-GAAP  
Combined Adjusted Diluted EPS<sup>(1)</sup>**



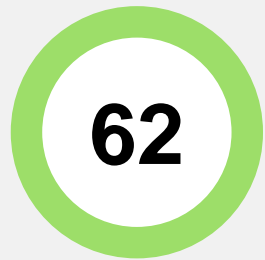
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<sup>(2)</sup> Diluted EPS in Q4 '17 is not available as Amneal Pharmaceuticals LLC was a privately-held company for the period presented.



# Strong Generic Pipeline Execution in 2018

Led U.S. Generic Industry in ANDA Approvals



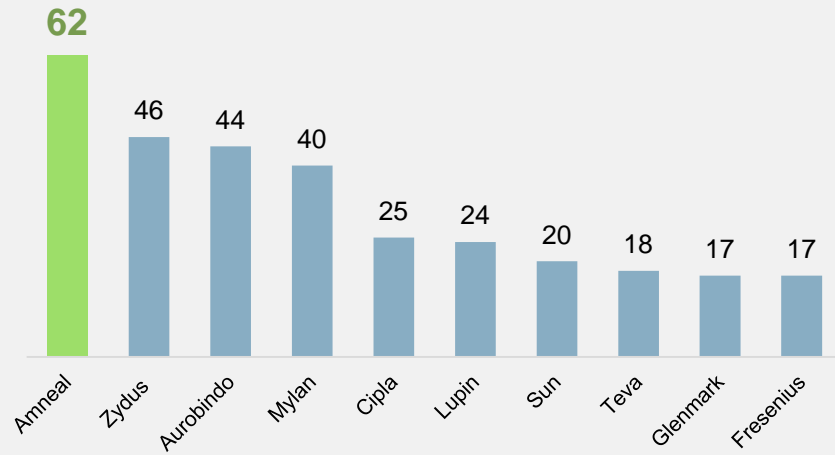
ANDAs Approved

+



Tentative ANDAs Approved

2018 ANDAs Approved

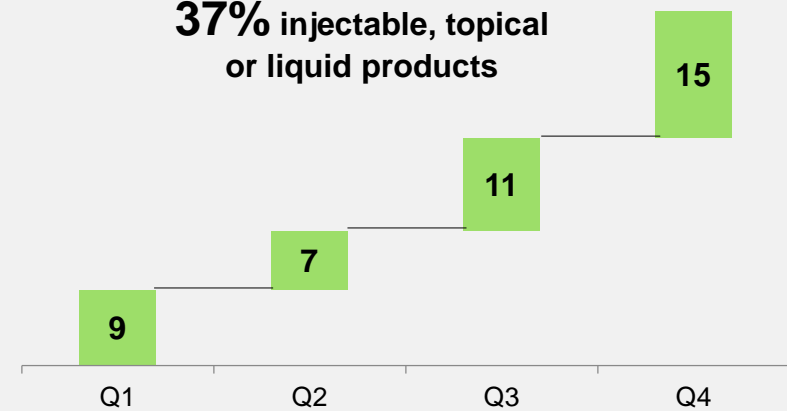


\$171 Million in Net Revenue from New Product Launches<sup>(1)</sup>



New Products Launched in 2018

37% injectable, topical or liquid products

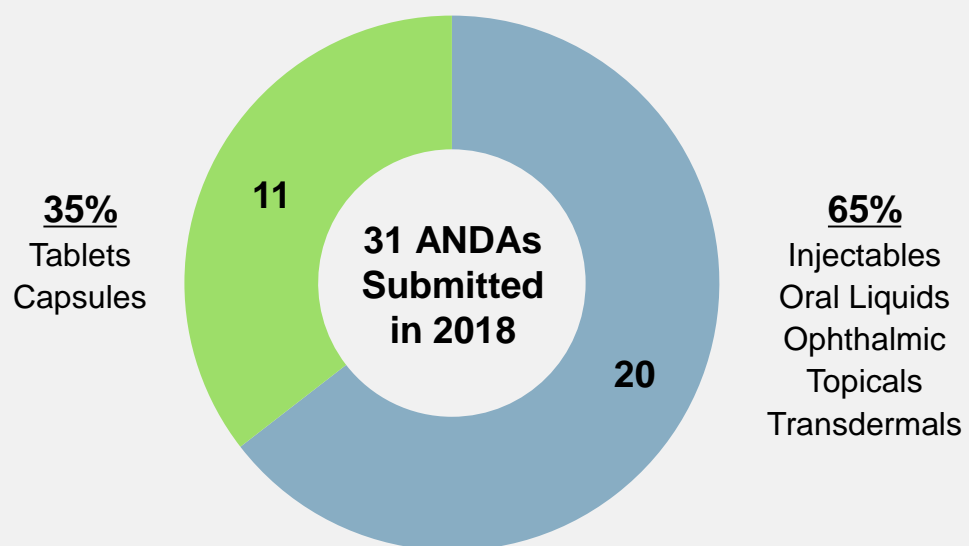


Data as of December 31, 2018.

<sup>(1)</sup> Total 2018 net revenue from 42 generic product launches

# Continuing to Diversify Amneal's Generic Pipeline to Drive Future Growth

**65% of ANDAs submitted in 2018 were non-oral solid products**



## Amneal's Submitted Pipeline<sup>(1)</sup>

Dosage Form	Submitted Products	% Portfolio	2018 U.S. Sales <sup>(2)</sup> \$ billions
Tablets	48	41%	\$34.2
Injectable	19	16%	\$8.9
Capsules	15	13%	\$16.4
Liquids / Suspensions	12	10%	\$2.0
Topicals	11	9%	\$3.1
Ophthalmic	5	4%	\$2.3
Transdermal	4	3%	\$1.1
Transmucosal	2	2%	\$1.1
Intranasal	1	1%	\$0.4
Otic	1	1%	\$0.3
<b>Grand Total</b>	<b>118</b>	<b>100%</b>	<b>\$69.8B</b>



<sup>(1)</sup> Data as of February 20, 2019.

<sup>(2)</sup> Source: IQVIA LTM for Dec 2018.

# Focused on Complex, High-Value Products

*R&D investments targeting valuable and durable product opportunities*



## Amneal's Development Pipeline<sup>(1)</sup>

Dosage Form	Development	% Portfolio	2018 U.S. Sales <sup>(2)</sup> \$ billions
Injectable	25	26%	\$6.5
Capsules	17	18%	\$7.5
Tablets	16	16%	\$4.7
Ophthalmic	12	12%	\$1.1
Topicals	7	7%	\$0.5
Respiratory	7	7%	\$13.0
Liquids / Suspensions	5	5%	\$0.1
Transdermal	4	4%	\$0.6
Intranasal	3	3%	\$0.3
Otic	1	1%	\$0.4
<b>Grand Total</b>	<b>97</b>	<b>100%</b>	<b>\$34.7B</b>



<sup>(1)</sup> Data as of February 20, 2019.

<sup>(2)</sup> Source: IQVIA LTM for Dec 2018.

# Specialty CNS Franchises Delivered Solid Growth in 2018



## 2018 Results

- Net sales growth of 43% over 2017
- Hit all-time high TRx/week in December of 4,237<sup>(1)</sup>
- Added ~12MM new covered Med-D lives through new agreements with Humana and United Healthcare<sup>(2)</sup>

## 2019 Focus

- Execute on new positioning, messaging and concepts
- Establish the importance of the Rytary value proposition and better connect with both prescribers and patients
- Continued improvement in Medicare Part D access



## 2018 Results

- Net sales growth of 11% over 2017
- Overcame managed care headwinds

## 2019 Focus

- Continue field promotion to maximize brand penetration
- Taking steps to improve patient access and affordability

# Implementing Strategies to Deliver Growth in 2019

## **UNITHROID®** (Levothyroxine Sodium Tablets, USP)



### 2018 Results

- Net sales growth of 39% over 2017
- Hit all time high TRx of 6,621/week in December<sup>(1)</sup>
- Double-digit growth in TRx and NRx in 2018

### 2019 Focus

- Continued execution of successful promotional strategy
- Sales force expansion planned in 2H 2019

## **Emverm®** (mebendazole) chewable tablet, USP 100 mg



### 2018 Results

- Net sales declined 4% versus 2017

### 2019 Focus

- Action plan underway to increase patient awareness, access and affordability
- Replaced CoPay card with point-of-sale eVoucher to improve affordability
- Began direct to physician promotion campaign with 24 field representatives

# Initiated Phase 3 Study for IPX203 in 2018



- IPX203 is an investigational extended-release capsule formulation of carbidopa-levodopa (CD-LD) for oral administration
- Investigator meeting and patient enrollment began Q4 2018
- Topline data expected first half 2020
- NDA filing expected in 2021





# Financial Review



Todd  
Branning  
SVP & CFO



# Generic Segment Results

## Combined Adjusted<sup>(1)</sup>

\$ millions	Variance				
	Q4 18	Q3 18	Q4 17	Sequential	YOY
<b>Net Revenue</b>	<b>\$411</b>	\$391	\$406	5%	1%
<b>Gross Margin</b>	<b>45%</b>	50%	47%	(460)bps	(190)bps
<b>Operating Income</b>	<b>\$150</b>	\$132	\$123	14%	23%

## Key Drivers: Combined Adjusted<sup>(1)</sup> Results

### Sequentially: Revenue Up 5%

- 15 new product launches in Q418 including Levothyroxine
- Lower sales of Yuvaferm®, Aspirin Dipyridamole and Diclofenac 1% due to new competition
- Also, lower sales of Epinephrine Auto-injector due to seasonality and ongoing supply disruption

### Year-Over-Year: Revenue Up 1%

- 42 new product launches throughout 2018
- Lower sales of Aspirin Dipyridamole and Oseltamivir

### Gross Margin

- Lower sequentially and year-over-year driven by product sales mix, recent competition on several higher margin products and inventory adjustments

### Operating Profit

- Increased sequentially and year-over-year due to higher revenue and cost savings from synergies



<sup>(1)</sup> Assumes the combination between Amneal Pharmaceuticals LLC and Impax Laboratories, LLC and the acquisition of Gemini Laboratories, LLC occurred on the first day of the year presented. See the Non-GAAP Financial Measures page of this presentation for a discussion of these Non-GAAP measures and the Appendix to this presentation for a reconciliation thereof to the most directly comparable GAAP measure. Refer to the GAAP to Non-GAAP reconciliation tables in the appendix for a reconciliation of Non-GAAP results.

# Specialty Segment Results

## Combined Adjusted<sup>(1)</sup>

\$ millions	Variance				
	Q4 18	Q3 18	Q4 17	Sequential	YOY
<b>Net Revenue</b>	<b>\$87</b>	\$85	\$81	2%	7%
<b>Gross Margin</b>	<b>81%</b>	79%	78%	200bps	270bps
<b>Operating Income</b>	<b>\$51</b>	\$44	\$39	16%	30%

## Key Drivers: Combined Adjusted<sup>(1)</sup> Results

### Sequentially: Revenue Up 2%

### Year-Over-Year: Revenue Up 7%

- Higher sales of Rytary<sup>®</sup>, Zomig<sup>®</sup> and Unithroid<sup>®</sup>
- Lower sales of Albenza<sup>®</sup> due to loss of exclusivity

### Gross Margin

- Higher sequentially and year-over-year due to product sales mix

### Operating Profit

- Sequential and year-over-year improvement driven by higher revenues and lower selling, general and administrative expenses



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# Balance Sheet and Cash Flow Information

\$ millions	Q4 2018	Q3 2018	Variance
Cash and Cash Equivalents	\$213	\$165	\$48
Accounts Receivable	\$481	\$641	(\$160)
Current Portion and Long-term Debt	\$2,652	\$2,758	(\$106)
Cash flow from operations	\$260	\$62	\$198
Gross Debt to LTM Adjusted EBITDA <sup>(1)</sup>	4.5x	5.1x	
Net Debt to LTM Adjusted EBITDA <sup>(2)</sup>	4.2x	4.8x	

## Q4 '18 Sources of Cash

- Cash flow from operations of \$260MM
- \$25MM from sale of Hayward buildings and certain equipment

## Q4 '18 Uses of Cash

- \$100MM repayment of revolving credit facility
- \$77MM payment for Gemini Laboratories
- \$43MM payment to Lannett for Levothyroxine
- \$35MM tax distribution
- \$20MM for cap-ex

***Expect strong cash flow in 2019; will allow us to support additional business development activities and debt service***



<sup>(1)</sup> Gross debt = Current portion and long-term debt.

<sup>(2)</sup> Net debt = Current portion and long-term debt less cash and cash equivalents.



# 2019 Outlook

Amneal's full year 2019 estimates are based on management's current expectations, including with respect to prescription trends, pricing levels, inventory levels, and the anticipated timing of future product launches and events. The Company cannot provide a reconciliation between Non-GAAP projections and the most directly comparable GAAP measures without unreasonable efforts because it is unable to predict with reasonable certainty the ultimate outcome of certain significant items required for the reconciliation. The items include, but are not limited to, acquisition-related expenses, restructuring expenses, asset impairments and certain and other gains and losses. These items are uncertain, depend on various factors, and could have a material impact on U.S. GAAP reported results for 2019.



**Rob Stewart**  
President & CEO

# 2019 Outlook Assumptions<sup>(1)</sup>

- **Generics Segment:**
  - Revenues expected to increase driven by the full year impact of 2018 product launches and up to 50 product launches in 2019 including gNuvaring®
  - Partially offset by declines on key products Yuvaferm®, Aspirin/Dipyridamole, Oseltamivir, Diclofenac Gel due to competition and general price erosion of base business
  - Assumes improved supply of Epinephrine Auto-Injector from third-party supplier
- **Specialty Segment:**
  - Revenues expected to decline due to loss of exclusivity on Albenza® in Q4 2018, partially offset by growth of Rytary® and Unithroid®
- **Gross margin** slight decline due to product mix and addition of Levothyroxine partnership
- **R&D** and **SG&A** expense down as a result of a full year of cost synergies and product rationalization
- **Interest expense** increases due to 8 months in 2018 versus full year in 2019
- **Strong cash flow** targeted for reinvestment in growth opportunities and debt service
- Continue to rationalize manufacturing and R&D footprint to align capacity with portfolio



<sup>(1)</sup> 2019 outlook assumptions are versus 2018 Non-GAAP combined adjusted results.

# 2019 Financial Outlook

	2018 Combined Adjusted <sup>(1)</sup>	2019 Outlook
Adjusted Gross Margin	52%	47% - 50%
Adjusted R&D as a % of net revenues	12%	9% - 10%
Adjusted SG&A as a % of net revenues	14%	11% - 12%
Adjusted EBITDA	\$584 million	\$600 million - \$650 million
Adjusted Diluted EPS	\$0.98	\$0.94 - \$1.04
Adjusted Tax Rate	21%	19% - 21%
Capital Expenditures	\$83 million	Approximately \$100 million
Weighted Diluted Shares Outstanding <sup>(2)</sup>	299 million	Approximately 300 million



<sup>(1)</sup> Assumes the combination between Amneal Pharmaceuticals LLC and Impax Laboratories, LLC and the acquisition of Gemini Laboratories, LLC occurred on the first day of the year presented. See the Non-GAAP Financial Measures page of this presentation for a discussion of these Non-GAAP measures and the Appendix to this presentation for a reconciliation thereof to the most directly comparable GAAP measure.

<sup>(2)</sup> Weighted diluted average shares outstanding consists of Class A, Class B & Class B-1 shares.

# Near-Term Priorities to Build from Position of Strength

## OUR GOALS

Drive for double-digit earnings growth

Continue to drive strong operational cash flows



### **Capitalize on Organic Growth**

*Continue to leverage industry leading approvals and on-time launch performance*



### **Drive Operational Excellence**

*Maintain superior customer service and highest level of quality*



### **Improve Earnings Potential**

*Recognize synergy capture from the merger and maintain tight cost control*



# Long-Term Priorities to Drive For Double-Digit Earnings Growth

OUR  
PORTFOLIO  
FOCUS

Generics

Specialty

Biosimilars



## ***Continue to Drive Organic Growth***

*Ongoing investment in Generic and Specialty R&D*



## ***Pursue Creative Business Development***

*Tuck-in acquisitions as well as larger transactions to strengthen key portfolios including acceleration of injectable presence and growing our Specialty franchise*



## ***Explore Additional Commercial Adjacencies***

*Further diversify Amneal's commercial footprint*



# Appendix



# Reconciliation of Net (Loss) Income to Combined Adjusted Net Income and Calculation of Adjusted Diluted EPS

(Unaudited; In thousands, except per share amounts)

	Year ended December 31, 2018			Year ended December 31, 2017		
	(Non-GAAP)			(Non-GAAP)		
	Add:			Add:		
	Actual	Impax/ Gemini	Combined	Actual	Impax/ Gemini	Combined
<b>Net (loss) income</b>	\$ (201,303)	\$ (150,155)	\$ (351,458)	\$ 169,325	\$ (451,693)	\$ (282,368)
Adjusted to add (deduct):						
Non-cash interest	5,859	9,413	15,272	4,585	25,949	30,534
GAAP Income tax (benefit) expense	(1,419)	(6,273)	(7,692)	1,998	18,326	20,324
Amortization	72,987	19,935	92,922	3,974	68,496	72,470
Stock-based compensation expense	8,840	4,816	13,656	—	26,258	26,258
Acquisition and site closure expenses	264,424	9,829	274,253	9,403	20,411	29,814
Restructuring and asset-related charges	56,413	5,123	61,536	245	40,248	40,493
Loss on extinguishment of debt	19,667	—	19,667	2,531	1,215	3,746
Inventory related charges	54,222	9,894	64,116	22,682	26,702	49,384
Litigation, settlements and related charges	2,092	90,099	92,191	—	8,351	8,351
Loss (gain) on sale of assets	878	—	878	—	(17,236)	(17,236)
Asset impairment charges	47,660	53	47,713	—	372,181	372,181
Amortization of upfront payment	10,423	—	10,423	—	—	—
Royalty expense	—	—	—	8,684	—	8,684
Foreign exchange loss (gain)	19,701	(921)	18,780	(29,092)	—	(29,092)
Loss on sale of international operations	2,958	—	2,958	29,232	—	29,232
R&D milestone payments	8,000	—	8,000	—	—	—
Change in fair value of contingent consideration	—	—	—	—	(31,048)	(31,048)
Other	7,095	1,953	9,048	4,158	6,534	10,692
Income tax at 21%	(79,484)	1,309	(78,175)	(47,822)	(24,086)	(71,908)
Net income attributable to NCI not associated with our Class B shares						
	(386)	—	(386)	—	—	—
<b>Adjusted net income (Non-GAAP)</b>	<b>\$ 298,627</b>	<b>\$ (4,925)</b>	<b>\$ 293,702</b>	<b>\$ 179,903</b>	<b>\$ 90,608</b>	<b>\$ 270,511</b>
<b>Adjusted diluted EPS (Non-GAAP)</b>			<b>\$ 0.98</b>			



# Reconciliation of Net (Loss) Income to EBITDA and Combined Adjusted EDITBA

(Unaudited; In thousands)

	Year ended December 31, 2018			Year ended December 31, 2017		
	Actual	Add: Impax/ Gemini	(Non-GAAP) Combined	Actual	Add: Impax/ Gemini	(Non-GAAP) Combined
<b>Net (loss) income</b>	\$ (201,303)	\$ (150,155)	\$ (351,458)	\$ 169,325	\$ (451,693)	\$ (282,368)
Adjusted to add (deduct):						
Interest expense, net	143,571	18,231	161,802	71,061	53,412	124,473
Income tax expense (benefit)	(1,419)	(6,273)	(7,692)	1,998	18,326	20,324
Depreciation and amortization	137,403	24,902	162,305	45,936	93,854	139,790
<b>EBITDA (Non-GAAP)</b>	<b>\$ 78,252</b>	<b>\$ (113,295)</b>	<b>\$ (35,043)</b>	<b>\$ 288,320</b>	<b>\$ (286,101)</b>	<b>\$ 2,219</b>
Adjusted to add (deduct):						
Stock-based compensation expense	\$ 8,840	\$ 4,816	\$ 13,656	\$ —	\$ 26,258	\$ 26,258
Acquisition and site closure expenses	264,424	9,829	274,253	9,403	20,411	29,814
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Foreign exchange loss (gain)	19,701	(921)	18,780	(29,092)	—	(29,092)
Loss on sale of international operations	2,958	—	2,958	29,232	—	29,232
R&D milestone payments	8,000	—	8,000	—	—	—
Change in fair value of contingent consideration	—	—	—	—	(31,048)	(31,048)
Other	4,285	867	5,152	4,158	6,534	10,692
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 577,815</b>	<b>\$ 6,465</b>	<b>\$ 584,280</b>	<b>\$ 336,163</b>	<b>\$ 167,515</b>	<b>\$ 503,678</b>



# Reconciliation of Non-GAAP Combined Revenue

(Unaudited: In thousands)

	Year ended December 31, 2018			Year ended December 31, 2017		
	Actual	Add:	(Non-GAAP)	Actual	Add:	(Non-GAAP)
		Impax/ Gemini	Combined		Impax/ Gemini	Combined
<b>Net revenue:</b>						
Generics	\$ 1,439,031	\$ 102,237	\$ 1,541,268	\$ 1,033,654	\$ 549,077	\$ 1,582,731
Specialty	223,960	96,245	320,205	—	275,049	275,049
Total net revenue	1,662,991	198,482	1,861,473	1,033,654	824,126	1,857,780

	Three months ended December 31, 2018			Three months ended December 31, 2017		
	Actual	Add:	(Non-GAAP)	Actual	Add:	(Non-GAAP)
		Impax/ Gemini	Combined		Impax/ Gemini	Combined
<b>Net revenue:</b>						
Generics	\$ 410,897	\$ —	\$ 410,897	\$ 293,369	\$ 112,943	\$ 406,312
Specialty	86,631	—	86,631	—	81,071	81,071
Total net revenue	497,528	—	497,528	293,369	194,014	487,383

<b>Net revenue:</b>			
Generics, net	\$ 391,175	\$ —	\$ 391,175
Specialty Pharma, net	85,312	—	85,312
Total revenues	476,487	—	476,487

Three months ended Sept. 30, 2018		
Actual	Add:	Combined
	Impax/ Gemini	
\$ 391,175	\$ —	\$ 391,175
85,312	—	85,312
476,487	—	476,487

<b>Net revenue:</b>			
Generics, net	\$361,770	\$20,995	\$382,765
Specialty Pharma, net	52,017	27,546	79,563
Total revenues	413,787	48,541	462,328

Three months ended June 30, 2018		
GAAP	Add:	Combined
	Impax/ Gemini	
\$361,770	\$20,995	\$382,765
52,017	27,546	79,563
413,787	48,541	462,328

<b>Net revenue:</b>			
Generics, net		\$ 358,330	
Specialty Pharma, net		68,700	
Total revenues		427,030	

Three months ended March 31, 2018		
		\$ 358,330
		68,700
		427,030



# Reconciliation of Net (Loss) Income to EBITDA and Combined Adjusted EBITDA

(Unaudited: In thousands)

	Three months ended December 31, 2018			Three months ended December 31, 2017		
	(Non-GAAP)			(Non-GAAP)		
	Actual	Add: Impax/ Gemini	Combined	Actual	Add: Impax/ Gemini	Combined
<b>Net (loss) income</b>	\$ (20,330)	\$ —	\$ (20,330)	\$ 62,194	\$ (297,178)	\$ (234,984)
Adjusted to add (deduct):						
Interest expense, net	42,880	—	42,880	19,956	13,672	33,628
Income tax expense (benefit)	5,524	—	5,524	(119)	(9,010)	(9,129)
Depreciation and amortization	47,494	—	47,494	12,842	21,620	34,462
<b>EBITDA (Non-GAAP)</b>	<b>\$ 75,568</b>	<b>\$ —</b>	<b>\$ 75,568</b>	<b>\$ 94,873</b>	<b>\$ (270,896)</b>	<b>\$ (176,023)</b>
Adjusted to add (deduct):						
Stock-based compensation expense	\$ 3,606	\$ —	\$ 3,606	\$ —	\$ 6,586	\$ 6,586
Acquisition and site closure expenses	28,966	—	28,966	7,050	8,061	15,111
Restructuring and asset-related charges	14,104	—	14,104	245	13,483	13,728
Inventory related charges	9,317	—	9,317	3,400	6,224	9,624
Litigation, settlements and related charges	(497)	—	(497)	—	642	642
Gain on sale of assets	—	—	—	—	(656)	(656)
Asset impairment charges	39,119	—	39,119	—	310,397	310,397
Amortization of upfront payment	10,423	—	10,423	—	—	—
Foreign exchange gain	(2,817)	—	(2,817)	(3,341)	—	(3,341)
Loss on sale of international operations	146	—	146	352	—	352
R&D milestone payments	5,300	—	5,300	—	—	—
Change in fair value of contingent consideration	—	—	—	—	(38,123)	(38,123)
Other	3,412	—	3,412	—	1,328	1,328
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 186,647</b>	<b>\$ —</b>	<b>\$ 186,647</b>	<b>\$ 102,579</b>	<b>\$ 37,046</b>	<b>\$ 139,625</b>

	Three months ended Sept. 30, 2018		
	Add:		
	Actual	Impax/ Gemini	Combined
<b>Net income</b>	\$ 17,465	\$ —	\$ 17,465
Adjusted to add (deduct):			
Interest expense, net	43,018	—	43,018
Income taxes	5,109	—	5,109
Depreciation and amortization	43,013	—	43,013
<b>EBITDA (Non-GAAP)</b>	<b>108,605</b>	<b>—</b>	<b>108,605</b>
Adjusted to add (deduct):			
Share-based compensation expense	3,590	—	3,590
Acquisition, transaction and integration	2,231	—	2,231
Restructuring and severance charges	(2,156)	—	(2,156)
Inventory related charges	17,422	—	17,422
Litigation, settlements and related charges	2,589	—	2,589
(Gain)/loss on sale of assets	—	—	—
Asset impairment charges	8,541	—	8,541
Plant closure	10,199	—	10,199
Exchange loss	5,137	—	5,137
Loss on sale of international operations	2,812	—	2,812
Other	3,947	—	3,947
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 162,917</b>	<b>\$ —</b>	<b>\$ 162,917</b>



# Reconciliation of Net (Loss) Income to EBITDA and Combined Adjusted EBITDA

(Unaudited: In thousands)

	Three months ended June 30, 2018				Three months ended March 31, 2018
	Add:				
	GAAP	Impax/ Gemini	Combined		
<b>Net loss</b>	\$(250,090)	\$(23,006)	\$(273,096)	<b>Net loss</b>	\$ (79,397)
Adjusted to add (deduct):				Adjusted to add (deduct):	
Interest expense, net	36,622	4,753	41,375	Interest expense, net	34,743
Income taxes	(12,416)	1,017	(11,399)	Income taxes	(6,926)
Depreciation and amortization	32,147	6,925	39,072	Depreciation and amortization	32,727
<b>EBITDA (Non-GAAP)</b>	<b>(193,737)</b>	<b>(10,311)</b>	<b>(204,048)</b>	<b>EBITDA (Non-GAAP)</b>	<b>(18,853)</b>
Adjusted to add (deduct):				Adjusted to add (deduct):	
Share-based compensation expense	1,644	-	1,644	Gemini Laboratories, LLC EBITDA	4,100
Acquisition, transaction and integration	207,507	4,381	211,888	Share-based compensation expense	4,816
Restructuring and severance charges	44,465	223	44,688	Business development expenses	13,679
Loss on extinguishment of debt	19,667	-	19,667	Restructuring and severance charges	4,900
Inventory related charges	32,519	3,005	35,524	Loss on extinguishment of debt	-
Litigation, settlements and related charges	-	-	-	Inventory related charges	6,889
(Gain)/loss on sale of assets	878	-	878	Litigation, settlements and related charges	90,099
Asset impairment charges	-	-	-	Asset impairment charges	53
Royalty expense	-	-	-	Royalty expense	-
Exchange gain	25,946	-	25,946	Exchange gain	(9,486)
Other	2,649	-	2,649	Other	(293)
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$141,538</b>	<b>\$(2,702)</b>	<b>\$138,836</b>	<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 95,904</b>





# Reconciliation of Net (Loss) Income to Combined Adjusted Net Income and Calculation of Adjusted Diluted EPS

(Unaudited; In thousands, except per share amounts)

	Three months ended December 31, 2018			Three months ended December 31, 2017		
	(Non-GAAP)			(Non-GAAP)		
	Actual	Add: Impax/ Gemini	Combined	Actual	Add: Impax/ Gemini	Combined
<b>Net (loss) income</b>	\$ (20,330)	\$ —	\$ (20,330)	\$ 62,194	\$ (297,178)	\$ (234,984)
Adjusted to add (deduct):						
Non-cash interest	1,640	—	1,640	690	6,660	7,350
GAAP Income tax expense (benefit)	5,524	—	5,524	(119)	(9,010)	(9,129)
Amortization	28,878	—	28,878	923	16,959	17,882
Stock-based compensation expense	3,606	—	3,606	—	6,586	6,586
Acquisition and site closure expenses	28,966	—	28,966	7,050	8,061	15,111
Restructuring and asset-related charges	14,104	—	14,104	245	13,483	13,728
Inventory related charges	9,317	—	9,317	3,400	6,224	9,624
Litigation, settlements and related charges	(497)	—	(497)	—	642	642
Gain on sale of assets	—	—	—	—	(656)	(656)
Asset impairment charges	39,119	—	39,119	—	310,397	310,397
Amortization of upfront payment	10,423	—	10,423	—	—	—
Foreign exchange gain	(2,817)	—	(2,817)	(3,341)	—	(3,341)
Loss on sale of international operations	146	—	146	352	—	352
R&D milestone payments	5,300	—	5,300	—	—	—
Change in fair value of contingent consideration	—	—	—	—	(38,123)	(38,123)
Other	3,412	—	3,412	—	1,328	1,328
Income tax at 21%	(26,626)	—	(26,626)	(14,993)	(5,328)	(20,321)
Net income attributable to NCI not associated with our Class B shares						
	(189)	—	(189)	—	—	—
<b>Adjusted net income (Non-GAAP)</b>	<b>\$ 99,976</b>	<b>\$ —</b>	<b>\$ 99,976</b>	<b>\$ 56,401</b>	<b>\$ 20,045</b>	<b>\$ 76,446</b>
<b>Adjusted diluted EPS (Non-GAAP)</b>		<b>\$ 0.33</b>				

	Three months ended Sept. 30, 2018		
	Add:		
	Actual	Impax/ Gemini	Combined
<b>Net income (loss)</b>	\$ 17,465	\$ —	\$ 17,465
Adjusted to add (deduct):			
Non-cash interest	1,452	—	1,452
GAAP Income taxes	5,109	—	5,109
Amortization	25,655	—	25,655
Share-based compensation expense	3,590	—	3,590
Acquisition, transaction and integration	2,231	—	2,231
Restructuring and severance charges	(2,156)	—	(2,156)
Inventory related charges	17,422	—	17,422
Litigation, settlements and related charges	2,589	—	2,589
Gain on sale of assets	—	—	—
Asset impairment charges	8,541	—	8,541
Plant closure	10,199	—	10,199
Exchange loss	5,137	—	5,137
Loss on sale of international operations	2,812	—	2,812
Other	3,947	—	3,947
Income tax at 21%	(21,839)	—	(21,839)
<b>Adjusted net income (Non-GAAP)</b>	<b>\$ 82,154</b>	<b>\$ —</b>	<b>\$ 82,154</b>
<b>Adjusted diluted EPS (Non-GAAP)</b>			<b>\$ 0.27</b>





# Reconciliation of Generics Operating Income to Generics Combined Operating Income

(Unaudited; In thousands)

Generics	Three months ended December 31, 2018			Three months ended December 31, 2017		
	Actual	Add: Impax/ Gemini	(Non-GAAP) Combined	Actual	Add: Impax/ Gemini	(Non-GAAP) Combined
<b>Net revenue - Generics</b>	\$ 410,897	\$ —	\$ 410,897	\$ 293,369	\$ 112,943	\$ 406,312
Cost of goods sold	263,002	—	263,002	141,953	150,762	292,715
<b>Gross profit</b>	<b>147,895</b>	<b>—</b>	<b>147,895</b>	<b>151,416</b>	<b>(37,819)</b>	<b>113,597</b>
Selling, general, and administrative	16,572	—	16,572	11,210	8,223	19,433
Research and development	53,650	—	53,650	43,494	12,612	56,106
In-process research and development impairment charges	38,609	—	38,609	—	186,731	186,731
Restructuring and asset-related charges	12,031	—	12,031	—	—	—
Legal settlement gains	(19,300)	—	(19,300)	(7,845)	—	(7,845)
Intellectual property legal development expenses	3,263	—	3,263	2,732	—	2,732
Change in fair value of contingent consideration	—	—	—	—	(38,123)	(38,123)
Fixed asset impairment	—	—	—	—	5,577	5,577
<b>Operating income (loss)</b>	<b>\$ 43,070</b>	<b>\$ —</b>	<b>\$ 43,070</b>	<b>\$ 101,825</b>	<b>\$ (212,839)</b>	<b>\$ (111,014)</b>
Gross margin	36.0%	—	36.0%	51.6%	(33.5)%	28.0%
Adjusted gross profit (Non-GAAP) <sup>(1)</sup>	\$ 185,268	\$ —	\$ 185,268	\$ 155,739	\$ 35,401	\$ 191,140
Adjusted gross margin (Non-GAAP) <sup>(2)</sup>	45.1%	—	45.1%	53.1%	31.3%	47.0%
Adjusted operating income (Non-GAAP)	\$ 150,166	\$ —	\$ 150,166	\$ 106,148	\$ 16,431	\$ 122,579

	Three months ended Sept. 30, 2018		
	Actual	Add: Impax	Combined
<b>Net revenue - Generics</b>			
Generics, net	\$ 391,175	\$ —	\$ 391,175
Cost of goods sold	237,866	—	237,866
<b>Gross profit</b>	<b>153,309</b>	<b>—</b>	<b>153,309</b>
Selling, general, and administrative	21,030	—	21,030
Research and development	38,997	—	38,997
Intellectual property legal development expenses	3,929	—	3,929
Legal settlement gain	—	—	—
Restructuring	(2,885)	—	(2,885)
<b>Operating income</b>	<b>\$ 92,238</b>	<b>\$ —</b>	<b>\$ 92,238</b>
Gross margin	39.2 %	—	39.2 %
Adjusted gross profit (Non-GAAP) <sup>(1)</sup>	\$ 194,368	\$ —	\$ 194,368
Adjusted gross margin (Non-GAAP) <sup>(2)</sup>	49.7 %	—	49.7 %



<sup>(1)</sup> Adjusted gross profit is calculated as combined net revenue less adjusted cost of goods sold. See Non-GAAP reconciliations below for calculation of adjusted cost of goods sold.

<sup>(2)</sup> Adjusted gross margin is calculated as adjusted gross profit divided by combined net revenue.

# Reconciliation of Generics Cost of Goods Sold to Generics Combined Adjusted Cost of Goods Sold

(Unaudited; In thousands)

Generics	Three months ended December 31, 2018 (Non-GAAP)			Three months ended December 31, 2017 (Non-GAAP)			Three months ended Sept. 30, 2018			
	Actual	Add:		Actual	Add:		Actual	Add:		
		Impax/ Gemini	Combined		Impax/ Gemini	Combined		Impax/ Gemini	Combined	
<b>Cost of goods sold</b>	\$ 263,002	\$ —	\$ 263,002	\$ 141,953	\$ 150,762	\$ 292,715	<b>Cost of goods sold</b>	\$ 237,866	\$ —	\$ 237,866
Adjusted to deduct:							Adjusted to deduct:			
Amortization	10,030	—	10,030	923	13,075	13,998	Amortization	6,107	—	6,107
Inventory related charges	3,620	—	3,620	3,400	6,224	9,624	Inventory step-up	16,090	—	16,090
Acquisition and site closure expenses	12,384	—	12,384	—	—	—	Plant closure	10,199	—	10,199
Asset impairment charges	510	—	510	—	43,961	43,961	Asset impairment charges	7,891	—	7,891
Stock-based compensation expense	406	—	406	—	—	—	Share-based compensation expense	400	—	400
Restructuring and asset-related charges	—	—	—	—	9,960	9,960	Restructuring and severance	—	—	—
Amortization of upfront payment	10,423	—	10,423	—	—	—	Other inventory related charges	372	—	372
<b>Adjusted cost of goods sold (Non-GAAP)</b>	<b>\$ 225,629</b>	<b>\$ —</b>	<b>\$ 225,629</b>	<b>\$ 137,630</b>	<b>\$ 77,542</b>	<b>\$ 215,172</b>	<b>Adjusted cost of goods sold (Non-GAAP)</b>	<b>\$ 196,807</b>	<b>\$ —</b>	<b>\$ 196,807</b>





# Reconciliation of Specialty Operating Income to Specialty Combined Operating Income

(Unaudited; In thousands)

Specialty	Three months ended December 31, 2018 (Non-GAAP)			Three months ended December 31, 2017 (Non-GAAP)			Three months ended Sept. 30, 2018		
	Actual	Add: Impax/ Gemini	Combined	Actual	Add: Impax/ Gemini	Combined	Actual	Impax/ Gemini	Combined
<b>Net revenue - Specialty:</b>									
Rytary®	\$ 42,680	\$ —	\$ 42,680	\$ —	\$ 28,290	\$ 28,290	\$ 33,073	\$ —	\$ 33,073
Zomig®	18,308	—	18,308	—	15,034	15,034	15,445	—	15,445
All other specialty products	25,643	—	25,643	—	37,747	37,747	36,794	—	36,794
Total net revenue - Specialty	86,631	—	86,631	—	81,071	81,071	85,312	—	85,312
Cost of goods sold	41,118	—	41,118	—	23,405	23,405	38,516	—	38,516
<b>Gross profit</b>	<b>45,513</b>	<b>—</b>	<b>45,513</b>	<b>—</b>	<b>57,666</b>	<b>57,666</b>	<b>46,796</b>	<b>—</b>	<b>46,796</b>
Selling, general, and administrative	16,200	—	16,200	—	22,156	22,156	19,716	—	19,716
Research and development	3,647	—	3,647	—	3,077	3,077	4,002	—	4,002
Intellectual property legal development expenses	(26)	—	(26)	—	—	—	472	—	472
Restructuring and asset-related charges	1,682	—	1,682	—	—	—	(27)	—	(27)
Litigation, settlements and related charges	—	—	—	—	1,111	1,111	—	—	—
Fixed asset impairment	—	—	—	—	74,128	74,128	—	—	—
<b>Operating income (loss)</b>	<b>\$ 24,010</b>	<b>\$ —</b>	<b>\$ 24,010</b>	<b>\$ —</b>	<b>\$ (42,806)</b>	<b>\$ (42,806)</b>	<b>\$ 22,633</b>	<b>\$ —</b>	<b>\$ 22,633</b>
Gross margin	52.5%	—	52.5%	—	71.1%	71.1%	54.9%	—	54.9%
Adjusted gross profit (Non-GAAP) <sup>(1)</sup>	\$ 70,058	\$ —	\$ 70,058	\$ —	\$ 63,368	\$ 63,368	\$ 67,304	\$ —	\$ 67,304
Adjusted gross margin (Non-GAAP) <sup>(2)</sup>	80.9%	—	80.9%	—	78.2%	78.2%	78.9%	—	78.9%
Adjusted operating income (Non-GAAP)	\$ 50,600	\$ —	\$ 50,600	\$ —	\$ 38,995	\$ 38,995			



<sup>(1)</sup> Adjusted gross profit is calculated as combined net revenue less adjusted cost of goods sold. See Non-GAAP reconciliations below for calculation of adjusted cost of goods sold.

<sup>(2)</sup> Adjusted gross margin is calculated as adjusted gross profit divided by combined net revenue.

# Reconciliation of Specialty Cost of Goods Sold to Specialty Combined Adjusted Cost of Goods Sold

(Unaudited; In thousands)

Specialty	Three months ended December 31, 2018 (Non-GAAP)			Three months ended December 31, 2017 (Non-GAAP)			Three months ended Sept. 30, 2018		
	Actual	Add:		Actual	Add:		Actual	Add:	
		Impax/ Gemini	Combined		Impax/ Gemini	Combined		Impax/ Gemini	Combined
<b>Cost of goods sold</b>	\$ 41,118	\$ —	\$ 41,118	\$ —	\$ 23,405	\$ 23,405	\$ 38,516	\$ —	\$ 38,516
Adjusted to deduct:									
Amortization	18,848	—	18,848	—	3,884	3,884	19,548	—	19,548
Inventory related charges	5,697	—	5,697	—	—	—	960	—	960
Restructuring and asset-related charges	—	—	—	—	1,818	1,818	—	—	—
<b>Adjusted cost of goods sold (Non-GAAP)</b>	<b>\$ 16,573</b>	<b>\$ —</b>	<b>\$ 16,573</b>	<b>\$ —</b>	<b>\$ 17,703</b>	<b>\$ 17,703</b>	<b>\$ 18,008</b>	<b>\$ —</b>	<b>\$ 18,008</b>

# Reconciliation of Specialty Operating (Loss) Income to Specialty Combined Adjusted Operating Income

(Unaudited; In thousands)

Specialty	Three months ended December 31, 2018 (Non-GAAP)			Three months ended December 31, 2017 (Non-GAAP)			Three months ended Sept. 30, 2018		
	Actual	Add:		Actual	Add:		Actual	Add:	
		Impax/ Gemini	Combined		Impax/ Gemini	Combined		Impax/ Gemini	Combined
<b>Operating income (loss)</b>	\$ 24,010	\$ —	\$ 24,010	\$ —	\$ (42,806)	\$ (42,806)	\$ 22,633	\$ —	\$ 22,633
Adjusted to add:									
Amortization	18,848	—	18,848	—	3,884	3,884	19,548	—	19,548
Inventory related charges	5,697	—	5,697	—	—	—			
Acquisition and site closure expenses	189	—	189	—	—	—			
Stock-based compensation expense	11	—	11	—	1,971	1,971	960	—	960
Asset impairment charges	—	—	—	—	74,128	74,128	(27)	—	(27)
Restructuring and asset-related charges	1,682	—	1,682	—	1,818	1,818	474	—	474
Litigation, settlements and related charges	—	—	—	—	—	—			
Other	163	—	163	—	—	—			
<b>Adjusted operating income (Non-GAAP)</b>	<b>\$ 50,600</b>	<b>\$ —</b>	<b>\$ 50,600</b>	<b>\$ —</b>	<b>\$ 38,995</b>	<b>\$ 38,995</b>	<b>\$ 43,588</b>	<b>\$ —</b>	<b>\$ 43,588</b>





# Reconciliation of Total Company Cost of Goods Sold to Total Company Combined Adjusted Cost of Goods Sold

(Unaudited; In thousands)

	Three months ended December 31, 2018			Three months ended December 31, 2017		
	(Non-GAAP)			(Non-GAAP)		
	Actual	Add: Impax/ Gemini	Combined	Actual	Add: Impax/ Gemini	Combined
Cost of goods sold	\$ 304,120	\$ —	\$ 304,120	\$ 141,953	\$ 174,167	\$ 316,120
Adjusted to deduct:						
Amortization	28,878	—	28,878	923	16,959	17,882
Inventory step-up	6,869	—	6,869	—	—	—
Site closures	12,384	—	12,384	—	—	—
Asset impairment charges	510	—	510	—	43,961	43,961
Stock-based compensation expense	406	—	406	—	—	—
Restructuring and asset-related charges and severance	—	—	—	—	11,778	11,778
Amortization of upfront payment	10,423	—	10,423	—	—	—
Other inventory related charges	2,448	—	2,448	3,400	6,224	9,624
Adjusted cost of goods sold	<u>\$ 242,202</u>	<u>\$ —</u>	<u>\$ 242,202</u>	<u>\$ 137,630</u>	<u>\$ 95,245</u>	<u>\$ 232,875</u>
Adjusted gross profit <sup>(1)</sup>	\$ 255,326	—	\$ 255,326	\$ 155,739	\$ 98,769	\$ 254,508
Adjusted gross margin <sup>(2)</sup>	51.3%	—	51.3%	53.1%	50.9%	52.2%
	Year ended December 31, 2018			Year ended December 31, 2017		
	(Non-GAAP)			(Non-GAAP)		
	Actual	Add: Impax/ Gemini	Combined	Actual	Add: Impax/ Gemini	Combined
Cost of goods sold	\$ 946,588	\$ 149,492	\$ 1,096,080	\$ 507,476	\$ 650,426	\$ 1,157,902
Adjusted to deduct:						
Amortization	72,987	19,935	92,922	3,974	68,496	72,470
Inventory step-up	39,119	—	39,119	—	—	—
Site closures	27,619	—	27,619	—	9,314	9,314
Asset impairment charges	8,401	53	8,454	—	96,864	96,864
Stock-based compensation expense	921	—	921	—	—	—
Restructuring and asset-related charges and severance	—	—	—	—	34,821	34,821
Amortization of upfront payment	10,423	—	10,423	—	—	0
Royalty expense	—	—	—	8,684	—	8,684
Other inventory related charges	15,103	9,894	24,997	22,682	26,702	49,384
Adjusted cost of goods sold	<u>\$ 772,015</u>	<u>\$ 119,610</u>	<u>\$ 891,625</u>	<u>\$ 472,136</u>	<u>\$ 414,229</u>	<u>\$ 886,365</u>
Adjusted gross profit <sup>(1)</sup>	\$ 890,976	\$ 78,872	\$ 969,848	561,518	409,897	971,415
Adjusted gross margin <sup>(2)</sup>	53.6%	39.7%	52.1%	54.3%	49.7%	52.3%



<sup>(1)</sup> Adjusted gross profit is calculated as combined net revenue less adjusted cost of goods sold. See Non-GAAP reconciliations below for calculation of adjusted cost of goods sold.

<sup>(2)</sup> Adjusted gross margin is calculated as adjusted gross profit divided by combined net revenue.

# Reconciliation of SG&A to Combined Adjusted SG&A

(Unaudited; In thousands)

	<u>Three months ended December 31, 2018</u>			<u>Three months ended December 31, 2017</u>		
	<u>(Non-GAAP)</u>			<u>(Non-GAAP)</u>		
	<u>Actual</u>	<u>Add: Impax/ Gemini</u>	<u>Combined</u>	<u>Actual</u>	<u>Add: Impax/ Gemini</u>	<u>Combined</u>
<b>Selling, general and administrative expenses</b>	\$ 71,236	\$ —	\$ 71,236	\$ 26,966	\$ 59,441	\$ 86,407
Adjusted to (add) deduct:						
Acquisition and site closure expenses	7,670	—	7,670	—	—	—
Stock-based compensation expense	2,664	—	2,664	—	5,399	5,399
Litigation, settlements and related charges	(497)	—	(497)	—	642	642
Restructuring and asset-related charges	—	—	—	245	669	914
Other	1,496	—	1,496	—	—	—
<b>Adjusted selling, general and administrative expenses</b>	<b>\$ 59,903</b>	<b>\$ —</b>	<b>\$ 59,903</b>	<b>\$ 26,721</b>	<b>\$ 52,731</b>	<b>\$ 79,452</b>

	<u>Year ended December 31, 2018</u>			<u>Year ended December 31, 2017</u>		
	<u>(Non-GAAP)</u>			<u>(Non-GAAP)</u>		
	<u>Actual</u>	<u>Add: Impax/ Gemini</u>	<u>Combined</u>	<u>Actual</u>	<u>Add: Impax/ Gemini</u>	<u>Combined</u>
<b>Selling, general and administrative expenses</b>	\$ 230,435	\$ 80,242	\$ 310,677	\$ 109,046	\$ 217,410	\$ 326,456
Adjusted to deduct:						
Acquisition and site closure expenses	11,434	5,448	16,882	—	—	—
Stock-based compensation expense	6,923	4,816	11,739	—	25,071	25,071
Litigation, settlements and related charges	2,092	4,562	6,654	—	451	451
Restructuring and asset-related charges	—	5,123	5,123	245	3,618	3,863
Other	3,899	2,006	5,905	—	—	—
<b>Adjusted selling, general and administrative expenses</b>	<b>\$ 206,087</b>	<b>\$ 58,287</b>	<b>\$ 264,374</b>	<b>\$ 108,801</b>	<b>\$ 188,270</b>	<b>\$ 297,071</b>



# Reconciliation of Research and Development to Combined Adjusted Research and Development

(Unaudited; In thousands)

	<u>Three months ended December 31, 2018</u>			<u>Three months ended December 31, 2017</u>		
	<u>(Non-GAAP)</u>			<u>(Non-GAAP)</u>		
	<u>Actual</u>	<u>Add: Impax/ Gemini</u>	<u>Combined</u>	<u>Actual</u>	<u>Add: Impax/ Gemini</u>	<u>Combined</u>
<b>Research and development</b>	\$ 57,297	\$ —	\$ 57,297	\$ 43,494	\$ 15,689	\$ 59,183
Intellectual property legal development expenses	3,237	—	3,237	2,732	—	2,732
Adjusted to (add) deduct:						
Stock-based compensation expense	536	—	536	—	1,187	1,187
Restructuring and asset-related charges	—	—	—	—	98	98
Acquisition and site closure expenses	4,467	—	4,467	—	—	—
R&D milestone payment	5,300	—	5,300	—	—	—
Other	79	—	79	—	—	—
<b>Adjusted research and development</b>	<b>\$ 50,152</b>	<b>—</b>	<b>\$ 50,152</b>	<b>\$ 46,226</b>	<b>\$ 14,404</b>	<b>\$ 60,630</b>
	<u>Year ended December 31, 2018</u>			<u>Year ended December 31, 2017</u>		
	<u>(Non-GAAP)</u>			<u>(Non-GAAP)</u>		
	<u>Actual</u>	<u>Add: Impax/ Gemini</u>	<u>Combined</u>	<u>Actual</u>	<u>Add: Impax/ Gemini</u>	<u>Combined</u>
<b>Research and development</b>	\$ 194,190	\$ 17,287	\$ 211,477	\$ 171,420	\$ 80,907	\$ 252,327
Intellectual property legal development expenses	16,261	23	16,284	20,518	3,882	24,400
Adjusted to deduct:						
Stock-based compensation expense	996	—	996	—	1,187	1,187
Restructuring and asset-related charges	—	—	—	—	3,378	3,378
Acquisition and site closure expenses	3,553	—	3,553	—	—	—
R&D milestone payment	8,000	—	8,000	—	2,535	2,535
Other	79	—	79	—	—	—
<b>Adjusted research and development</b>	<b>\$ 197,823</b>	<b>\$ 17,310</b>	<b>\$ 215,133</b>	<b>\$ 191,938</b>	<b>\$ 77,689</b>	<b>\$ 269,627</b>

