ADVANCE AUTO PARTS INC
Form 10-Q
November 16, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 8, 2011
OR
o 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 001-16797

_____

ADVANCE AUTO PARTS, INC.
(Exact name of registrant as specified in its charter)

_____

Delaware	54-2049910
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5008 Airport Road, Roanoke, Virginia 24012
(Address of Principal Executive Offices)
(Zip Code)

(540) 362-4911
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report).

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Registration S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of November 14, 2011, the registrant had outstanding 72,445,870 shares of Common Stock, par value $0.0001 per share (the only class of common stock of the registrant outstanding).

Table of Contents

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ADVANCE AUTO PARTS, INC. AND SUBSIDIARIES

Advance Auto Parts, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
October 8, 2011, January 1, 2011 and October 9, 2010
(in thousands, except per share data)
(unaudited)

Assets	October 8, 2011	January 1, 2011	October 9, 2010
Current assets:			
Cash and cash equivalents	$65,929	$59,209	$194,502
Receivables, net	131,409	124,227	115,731
Inventories, net	2,109,721	1,863,870	1,839,498
Other current assets	67,063	76,965	51,931
Total current assets	2,374,122	2,124,271	2,201,662
Property and equipment, net of accumulated depreciation of $963,845, $927,564 and $906,296	1,191,453	1,143,170	1,104,380
Assets held for sale	707	1,472	1,472
Goodwill	51,378	34,387	34,387
Intangible assets, net	29,122	25,360	25,583
Other assets, net	31,286	25,557	26,841
	$3,678,068	$3,354,217	$3,394,325
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt	$949	$973	$1,176
Financed vendor accounts payable	—	31,648	50,310
Accounts payable	1,586,058	1,292,113	1,255,608
Accrued expenses	390,283	404,086	429,262
Other current liabilities	128,338	119,229	91,508
Total current liabilities	2,105,628	1,848,049	1,827,864
Long-term debt	599,438	300,851	301,043
Other long-term liabilities	195,376	165,943	123,380
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, nonvoting, $0.0001 par value	—	—	—
Common stock, voting, $0.0001 par value	11	11	11
Additional paid-in capital	485,242	456,645	443,595
Treasury stock, at cost	(1,642,807)	(1,028,612)	(869,256)
Accumulated other comprehensive income (loss)	7,621	(1,597)	(2,080)
Retained earnings	1,927,559	1,612,927	1,569,768
Total stockholders' equity	777,626	1,039,374	1,142,038
	$3,678,068	$3,354,217	$3,394,325

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

1

Table of Contents

Advance Auto Parts, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Twelve and Forty Week Periods Ended
October 8, 2011 and October 9, 2010
(in thousands, except per share data)
(unaudited)

	Twelve Week Periods Ended		Forty Week Periods Ended	
	October 8, 2011	October 9, 2010	October 8, 2011	October 9, 2010
Net sales	$1,464,988	$1,406,511	$4,842,890	$4,655,073
Cost of sales, including purchasing and warehousing costs	740,485	698,726	2,424,338	2,321,243
Gross profit	724,503	707,785	2,418,552	2,333,830
Selling, general and administrative expenses	546,683	560,563	1,865,828	1,832,834
Operating income	177,820	147,222	552,724	500,996
Other, net:				
Interest expense	(8,150)	(7,002)	(25,876)	(20,134)
Other expense, net	(614)	(293)	(771)	(1,471)
Total other, net	(8,764)	(7,295)	(26,647)	(21,605)
Income before provision for income taxes	169,056	139,927	526,077	479,391
Provision for income taxes	63,503	52,329	197,834	181,451
Net income	$105,553	$87,598	$328,243	$297,940
Basic earnings per share	$1.43	$1.04	$4.27	$3.41
Diluted earnings per share	$1.41	$1.03	$4.19	$3.37
Average common shares outstanding	73,381	83,695	76,595	87,011
Average common shares outstanding - assuming dilution	74,730	84,802	78,058	87,953

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

Table of Contents

Advance Auto Parts, Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Stockholders' Equity
For the Forty Week Periods Ended
October 8, 2011 and October 9, 2010
(in thousands, except per share data)
(unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock, at cost		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount			
Balance, January 1, 2011	—	$—	105,682	$11	$456,645	23,726	$(1,028,612)	$ (1,597)	$1,612,927	$1,039,374
Net income									328,243	328,243
Changes in net unrecognized other postretirement benefit costs, net of $224 tax								(350)		(350)
Unrealized gain on hedge arrangement, net of $3,056 tax								4,759		4,759
Amortization of unrecognized losses on interest rate swaps, net of $3,644 tax								4,809		4,809
Comprehensive income										337,461
Issuance of shares upon the exercise of stock options			438		7,475					7,475
Tax benefit from share-based compensation					5,064					5,064
Issuance of restricted stock, net of forfeitures			3							—
Amortization of restricted stock balance					5,452					5,452
Share-based compensation					8,780					8,780
Stock issued under employee stock purchase			29		1,745					1,745

plan										
Treasury stock purchased					9,983	(614,195)				(614,195)
Cash dividends								(13,611)		(13,611)
Other				81						81
Balance, October 8, 2011	—	$—	106,152	$11	$485,242	33,709	$(1,642,807)	$ 7,621	$1,927,559	$777,626
Balance, January 2, 2010	—	$—	104,251	$10	$392,962	10,628	$(391,176)	$ (6,699)	$1,287,268	$1,282,365
Net income									297,940	297,940
Changes in net unrecognized other postretirement benefit costs, net of $205 tax								(320)		(320)
Unrealized gain on hedge arrangement, net of $1,257 tax								4,939		4,939
Comprehensive income										302,559
Issuance of shares upon the exercise of stock options			1,078	1	31,565					31,566
Tax benefit from share-based compensation					1,732					1,732
Issuance of restricted stock, net of forfeitures			(10)							—
Amortization of restricted stock balance					6,890					6,890
Share-based compensation					8,851					8,851
Stock issued under employee stock purchase plan			32		1,520					1,520
Treasury stock purchased						10,707	(478,080)			(478,080)
Cash dividends									(15,440)	(15,440)
Other					75					75
Balance, October 9, 2010	—	$—	105,351	$11	$443,595	21,335	$(869,256)	$ (2,080)	$1,569,768	$1,142,038

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements.

3

Table of Contents

Advance Auto Parts, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Forty Week Periods Ended
October 8, 2011 and October 9, 2010
(in thousands)
(unaudited)

	Forty Week Periods Ended	
	October 8, 2011	October 9, 2010
Cash flows from operating activities:		
Net income	$328,243	$297,940
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	134,480	125,441
Share-based compensation	14,232	15,741
Loss on property and equipment, net	3,357	4,782
Other	796	938
Provision for deferred income taxes	45,374	25,526
Excess tax benefit from share-based compensation	(5,099)	(3,965)
Net (increase) decrease in:		
Receivables, net	(6,854)	(23,171)
Inventories, net	(245,851)	(207,631)
Other assets	17,715	10,790
Net increase in:		
Accounts payable	293,609	289,334
Accrued expenses	14,720	58,164
Other liabilities	16,260	2,605
Net cash provided by operating activities	610,982	596,494
Cash flows from investing activities:		
Purchases of property and equipment	(207,505)	(147,158)
Business acquisition, net of cash acquired	(18,170)	—
Proceeds from sales of property and equipment	1,114	197
Net cash used in investing activities	(224,561)	(146,961)
Cash flows from financing activities:		
Decrease in bank overdrafts	(9,555)	(4,620)
(Decrease) increase in financed vendor accounts payable	(31,648)	18,218
Issuance of senior unsecured notes	—	298,761
Payment of debt related costs	(3,656)	(4,572)
Early extinguishment of debt	—	(200,000)
Borrowings under credit facilities	1,363,200	75,000
Payments on credit facilities	(1,064,000)	(75,000)
Dividends paid	(18,541)	(21,027)
Proceeds from the issuance of common stock, primarily exercise of stock options	9,301	33,160
Excess tax benefit from share-based compensation	5,099	3,965
Repurchase of common stock	(629,189)	(478,080)
Other	(712)	(854)
Net cash used in financing activities	(379,701)	(355,049)
Net increase in cash and cash equivalents	6,720	94,484
Cash and cash equivalents, beginning of period	59,209	100,018

Cash and cash equivalents, end of period	$65,929	$194,502

Table of Contents

Advance Auto Parts, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Forty Week Periods Ended
October 8, 2011 and October 9, 2010
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	Forty Week Periods Ended	
	October 8, 2011	October 9, 2010
Supplemental cash flow information:		
Interest paid	$24,901	$15,090
Income tax payments, net	114,277	136,379
Non-cash transactions:		
Accrued purchases of property and equipment	22,213	12,343
Contingent consideration accrued on acquisition	6,156	—
Changes in other comprehensive income	9,218	4,619

The accompanying notes to the condensed consolidated financial statements are an integral part of these statements

Table of Contents
Advance Auto Parts, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
For the Twelve and Forty Week Periods Ended October 8, 2011 and October 9, 2010
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1. Basis of Presentation:

The accompanying condensed consolidated financial statements include the accounts of Advance Auto Parts, Inc., its wholly owned subsidiary, Advance Stores Company, Incorporated ("Stores"), and its subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheets as of October 8, 2011, January 1, 2011 and October 9, 2010, the condensed consolidated statements of operations for the twelve and forty week periods ended October 8, 2011 and October 9, 2010, the condensed consolidated statements of changes in stockholders' equity for the forty week periods ended October 8, 2011 and October 9, 2010 and the condensed consolidated statements of cash flows for the forty week periods ended October 8, 2011 and October 9, 2010, have been prepared by the Company. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position of the Company, the results of its operations and cash flows have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's consolidated financial statements for the fiscal year ended January 1, 2011, or Fiscal 2010.

The accounting policies followed in the presentation of interim financial results are consistent with those followed on an annual basis. These policies are presented in Note 1 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for Fiscal 2010 (filed with the Securities and Exchange Commission, or SEC, on March 1, 2011).

The results of operations for the interim periods are not necessarily indicative of the operating results to be expected for the full fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

New Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board, or FASB, issued ASU No. 2011-08 "Intangible-Goodwill and Other – Testing Goodwill for Impairment". ASU 2011-08 modifies the impairment test for goodwill and indefinite lived intangibles so that the fair value of a reporting unit is no longer required to be calculated unless the Company believes, based on qualitative factors, that it is more likely than not that the reporting unit's or indefinite lived intangible asset's fair value is less than the carrying value. ASU 2011-8 is effective for fiscal years beginning after December 15, 2011. The adoption of ASU 2011-08 is not expected to have a material impact on the

Company’s condensed consolidated financial statements.

In June 2011, the Financial Accounting Standards Board, or FASB, issued ASU No. 2011-05 “Comprehensive Income – Presentation of Comprehensive Income”. ASU 2011-05 requires comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. This update eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in this update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments in this update should be applied retrospectively and is effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of ASU 2011-05 is not expected to have a material impact on the Company’s condensed consolidated financial statements.

Table of Contents
Advance Auto Parts, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
For the Twelve and Forty Week Periods Ended October 8, 2011 and October 9, 2010
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In January 2010, the Financial Accounting Standards Board, or FASB, issued ASU No. 2010-06 “Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements”. ASU 2010-06 requires new disclosures for significant transfers in and out of Level 1 and 2 of the fair value hierarchy and the activity within Level 3 of the fair value hierarchy. The updated guidance also clarifies existing disclosures regarding the level of disaggregation of assets or liabilities and the valuation techniques and inputs used to measure fair value. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2009, with the exception of the new Level 3 activity disclosures, which are effective for interim and annual reporting periods beginning after December 15, 2010. The adoption of ASU 2010-06 had no impact on the Company’s condensed consolidated financial statements.

2. Inventories, net:

Inventories are stated at the lower of cost or market. The Company used the LIFO method of accounting for approximately 95% of inventories at October 8, 2011, January 1, 2011 and October 9, 2010. Under LIFO, the Company’s cost of sales reflects the costs of the most recently purchased inventories, while the inventory carrying balance represents the costs for inventories purchased in Fiscal 2011 and prior years. As a result of utilizing LIFO, the Company recorded an increase to cost of sales of $16,741 for the forty weeks ended October 8, 2011 due to an increase in supply chain costs and inflationary pressures affecting certain product categories. The Company recorded a reduction to cost of sales of $33,408 for the forty weeks ended October 9, 2010. Prior to Fiscal 2011, the Company’s overall costs to acquire inventory for the same or similar products generally decreased historically as the Company has been able to leverage its continued growth, execution of merchandise strategies and realization of supply chain efficiencies.

An actual valuation of inventory under the LIFO method is performed by the Company at the end of each fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management’s estimates of expected fiscal year-end inventory levels and costs.

Inventory balances at October 8, 2011, January 1, 2011 and October 9, 2010 were as follows:

	October 8, 2011	January 1, 2011	October 9, 2010
Inventories at FIFO, net	$1,999,651	$1,737,059	$1,708,833
Adjustments to state inventories at LIFO	110,070	126,811	130,665
Inventories at LIFO, net	$2,109,721	$1,863,870	$1,839,498

3. Goodwill and Intangible Assets:

Goodwill

The Company has goodwill recorded in both the Advance Auto Parts ("AAP") and Autopart International ("AI") segments. The following table reflects the carrying amount of goodwill pertaining to the Company's two segments and the changes in goodwill carrying amounts.

	AAP Segment	AI Segment	Total
Balance at January 1, 2011	$16,093	$18,294	$34,387
Fiscal 2011 activity	16,991	—	16,991
Balance at October 8, 2011	$33,084	$18,294	$51,378
Balance at January 2, 2010	$16,093	$18,294	$34,387
Fiscal 2010 activity	—	—	—
Balance at October 8, 2010	$16,093	$18,294	$34,387

Table of Contents
Advance Auto Parts, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
For the Twelve and Forty Week Periods Ended October 8, 2011 and October 9, 2010
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The Company's increase to its goodwill balance for the twelve and forty weeks ended October 8, 2011 was related to the acquisition of a technology company in support of the Company's e-commerce strategy.

Intangible Assets Other Than Goodwill

The gross and net carrying amounts of acquired intangible assets as of October 8, 2011, January 1, 2011 and October 9, 2010 are comprised of the following:

	Acquired intangible assets				
	Subject to Amortization			Not Subject to Amortization	
	Customer Relationships	Acquired Technology	Other	Trademark and Tradenames	Intangible Assets (excluding goodwill)
Gross:					
Gross carrying amount at January 1, 2011	$9,800	$—	$885	$20,550	$31,235
Additions	—	4,750	—	—	4,750
Gross carrying amount at October 8, 2011	$9,800	$4,750	$885	$20,550	$35,985
Gross carrying amount at January 2, 2010	$9,800	$—	$885	$20,550	$31,235
Additions	—	—	—	—	—
Gross carrying amount at October 9, 2010	$9,800	$—	$885	$20,550	$31,235
Net:					
Net carrying amount at January 1, 2011	$4,578	$—	$232	$20,550	$25,360
Additions	—	4,750	—	—	4,750
2011 amortization	738	244	6	—	988
Net book value at October 8, 2011	$3,840	$4,506	$226	$20,550	$29,122
Net carrying amount at January 2, 2010	$5,543	$—	$326	$20,550	$26,419
Additions	—	—	—	—	—
2010 amortization	738	—	98	—	836
Net book value at October 9, 2010	$4,805	$—	$228	$20,550	$25,583

8

Table of Contents
Advance Auto Parts, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
For the Twelve and Forty Week Periods Ended October 8, 2011 and October 9, 2010
(in thousands, except per share data)
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Future Amortization Expense

The table below shows expected amortization expense for the next five years for acquired intangible assets recorded as of October 8, 2011:

Fiscal Year	Amount
Remainder of 2011	$588
2012	2,550
2013	2,550
2014	1,942
2015	751

4. Long-term Debt:

Long-term debt consists of the following:

	October 8, 2011	January 1, 2011	October 9, 2010
Revolving Credit Facility at variable interest rates (1.81% at October 8, 2011) due May 27, 2016	$299,200	$—	$—
5.75% Senior Unsecured Notes (net of unamortized discount of $1,101, $1,176 and $1,198 at October 8, 2011, January 1, 2011 and October 9, 2010, respectively) due May 1, 2020	298,899	298,824	298,802
Other	2,288	3,000	3,417
	600,387	301,824	302,219
Less: Current portion of long-term debt	(949)	(973)	(1,176)
Long-term debt, excluding current portion	$599,438	$300,851	$301,043

Bank Debt

On May 27, 2011, the Company entered into a new $750,000 unsecured five-year revolving credit facility with Stores serving as the borrower. This new facility replaced the Company's previous revolving credit facility. Proceeds from the new revolving credit facility were used to repay $165,000 of principal outstanding on the Company's previous revolving credit facility. In conjunction with this refinancing, the Company incurred $3,561 of financing costs which it will amortize over the term of the new revolving credit facility. The revolving credit facility also provides for the issuance of letters of credit with a sub-limit of $300,000, and swingline loans in an amount not to exceed $50,000. The Company may request, subject to agreement by one or more lenders, that the total revolving commitment be increased by an amount not exceeding $250,000 (up to a total commitment of $1,000,000) during the term of the credit agreement. Voluntary prepayments and voluntary reductions of the revolving balance are permitted in whole or in part, at the Company's option, in minimum principal amounts as specified in the revolving credit facility. The revolving credit facility matures on May 27, 2016.

As of October 8, 2011, the Company had $299,200 outstanding under its revolving credit facility, and had letters of credit outstanding of $96,154, which reduced the availability under the revolving credit facility to $354,646. (The

letters of credit generally have a term of one year or less.)

The interest rate on borrowings under the revolving credit facility is based, at the Company's option, on an adjusted LIBOR rate, plus a margin, or an alternate base rate, plus a margin. The current margin is 1.5% and 0.5% per annum for the adjusted LIBOR and alternate base rate borrowings, respectively. A facility fee is charged on the total amount of the revolving credit facility, payable in arrears. The current facility fee rate is 0.25% per annum. Under the terms of the revolving credit facility, the interest rate and facility fee are based on the Company's credit rating.

The Company's revolving credit facility contains covenants restricting its ability to, among other things: (1) create, incur or assume additional debt, (2) incur liens or engage in sale-leaseback transactions, (3) make loans and investments (including acquisitions), (4) guarantee obligations, (5) engage in certain mergers and liquidations, (6) change the nature of the Company's business and the business conducted by its subsidiaries, (7) enter into certain hedging transactions, and (8) change Advance's status as a holding company. The Company is also required to comply with financial covenants with respect to a maximum leverage ratio and a minimum consolidated coverage ratio. The Company was in compliance with its covenants in place at October 8, 2011 and January 1, 2011, respectively. The Company's revolving credit facility also provides for customary events of default, covenant defaults and cross-defaults to its other material indebtedness.

Senior Unsecured Notes

The Company's 5.75% senior unsecured notes, the Notes, were issued in April 2010 at 99.587% of the principal amount of $300,000 and are due May 1, 2020. The parent company, or Advance, served as the issuer of the Notes with each of Advance's domestic subsidiaries currently serving as a subsidiary guarantor. The terms of the Notes are governed by an indenture and supplemental indenture (collectively the "Indenture") among the Company, the subsidiary guarantors and Wells Fargo Bank, National Association, as Trustee.

The Notes bear interest at a rate of 5.75% per year payable semi-annually in arrears on May 1 and November 1 of each year. The Company may redeem some or all of the Notes at any time or from time to time, at the redemption price described in the Indenture. In addition, in the event of a Change of Control Triggering Event (as defined in the Indenture), the Company will be required to offer to repurchase the notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date. The Notes are currently fully and unconditionally guaranteed, jointly and severally, on an unsubordinated and unsecured basis by each of the subsidiary guarantors. The Company will be permitted to release guarantees without the consent of holders of the Notes under the circumstances described in the Indenture.

The Indenture contains customary provisions for events of default including for (i) failure to pay principal or interest when due and payable, (ii) failure to comply with covenants or agreements in the Indenture or the Notes and failure to cure or obtain a waiver of such default upon notice, (iii) a default under any debt for money borrowed by the Company or any of its subsidiaries that results in acceleration of the maturity of such debt, or failure to pay any such debt within any applicable grace period after final stated maturity, in an aggregate amount greater than $25,000 without such debt having been discharged or acceleration having been rescinded or annulled within 10 days after receipt by the Company of notice of the default by the Trustee or holders of not less than 25% in aggregate principal amount of the Notes then outstanding, and (iv) events of bankruptcy, insolvency or reorganization affecting the Company and certain of its subsidiaries. In the case of an event of default, the principal amount of the Notes plus accrued and unpaid interest may be accelerated. The Indenture also contains covenants limiting the ability of the Company and its subsidiaries to incur debt secured by liens and to enter into sale and lease-back transactions.

Debt Guarantees

Certain domestic subsidiaries of Stores, including its Material Subsidiaries (as defined in the revolving credit facility and Indenture, respectively) serve as guarantors of the Notes and revolving credit facility with Advance also serving

as a guarantor of the revolving credit facility. The subsidiary guarantees related to the Company's Notes and revolving credit facility are full and unconditional and joint and several, and there are no restrictions on the ability of Advance to obtain funds from its subsidiaries. Also, Advance has no independent assets or operations, and the subsidiaries not guaranteeing the Notes and revolving credit facility are minor as defined by SEC regulations.

Table of Contents
Advance Auto Parts, Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
For the Twelve and Forty Week Periods Ended October 8, 2011 and October 9, 2010
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(unaudited)

5. Derivative Instruments and Hedging Activities:

The Company had previously entered into interest rate swap agreements as a hedge to the variable rate interest payments on its bank debt. Effective April 24, 2010, the Company's outstanding interest rate swaps no longer qualified for hedge accounting as a result of the Company's intent to pay off its bank debt with the proceeds from the offering of the Notes. Accordingly, the Company has recorded all subsequent changes in the fair value of the interest rate swaps through earnings and amortized to interest expense the remaining balance of previously recorded unrecognized loss in accumulated other comprehensive loss over the remaining life of the swaps which matured on October 5, 2011.

On September 22, 2011, the Company executed two forward treasury rate locks that mature on December 7, 2011 for a notional amount totaling $300,000. The average rate under the treasury locks was 1.85%. These agreements, which are derivative instruments, have been designated as cash flow hedges to offset the Company's exposure to increases in the underlying U.S. Treasury benchmark rate. This rate is expected to be used to establish the fixed interest rate for debt that the Company anticipates issuing. The actual coupon rate of the debt will be comprised of the underlying U.S. Treasury benchmark rate, plus a credit spread premium at the date of issuance.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the condensed consolidated balance sheet as of October 8, 2011, January 1, 2011 and October 9, 2010:

	Balance Sheet Location	Fair Value as of October 8, 2011
Derivatives designated as hedging instruments:		
Treasury rate locks	Other current assets	® and Grünenthal is our sole source of our formulation of Opana® ER, designed to be crush-resistant. Be restraints and the lead-time necessary to obtain FDA approval, and possibly DEA registration, of a new of any of these manufacturers may be expensive and time consuming and may cause interruptions in our customers. As a result, any such delay could have a material adverse effect on our business, financial co operations and cash flows. Because most of our products are manufactured by third parties, we have a limited ability to control the costs related to this process. Increases in the prices we pay our manufacturers, interruptions in our suppl quality could adversely impact our margins, profitability and cash flows. We are reliant on our third par maintain the facilities at which they manufacture our products in compliance with FDA, DEA, state and fail to maintain compliance with FDA, DEA or other critical regulations, they could be ordered to cease may be recalled, which would have a material adverse impact on our business, results of operations, fina flows. For example, in December 2011, Novartis Consumer Health, Inc.'s Lincoln, Nebraska manufactu

temporarily shut down to facilitate its implementation of certain manufacturing process improvements, r
supply constraints for certain Endo analgesic products which had been manufactured at this facility prio
Additionally, if any facility that manufactures our products experiences a natural disaster, we could exp
impact on our business, results of operations, financial condition and cash flows. In addition to FDA and
violation of standards enforced by the Environmental Protection Agency (EPA) and the Occupational Sa
Administration (OSHA) and their counterpart agencies at the state level, could slow down or curtail ope
manufacturers.

In addition, we may consider entering into additional manufacturing arrangements with third party manu
we will incur significant costs in obtaining the regulatory approvals and taking the other steps necessary
production by these manufacturers. If the market for the products manufactured by these third parties su
disappears, we will continue to be financially obligated under these contracts, an obligation which could
effect on our business.

We are dependent on third parties to supply all raw materials used in our products and to provide servic
of our business. Any interruption or failure by these suppliers, distributors and collaboration partners to
pursuant to various agreements with us could have a material adverse effect on our business, results of o
condition and cash flows.

We rely on third parties to supply all raw materials used in our products. In addition, we rely on third pa
and collaboration partners to provide services for certain core aspects of our business, including manufa
distribution, customer service support, medical affairs services, clinical studies, sales and other technica
All third party suppliers and contractors are subject to FDA, and very often DEA, requirements. Our bus
viability are dependent on the continued supply by these third party suppliers, the regulatory compliance
on

Table of Contents

the strength, validity and terms of our various contracts with these third party manufacturers, distributor
partners. Any interruption or failure by our suppliers, distributors and collaboration partners to meet the
various agreements with us could have a material adverse effect on our business, financial condition, res
cash flows. In addition, we have entered into minimum purchase requirement contracts with some of ou
suppliers. If the market for the products that utilize these raw materials substantially contracts or disapp
be financially obligated under these contracts and meeting such obligations could have a material advers
For example, our subsidiary AMS currently relies on single- or sole-source suppliers for certain raw ma
components used in its male prostheses, many of its female products, its GreenLight™ laser systems, ar
disposables. These sources of supply could encounter manufacturing difficulties or may unilaterally dec
AMS because of product liability concerns or other factors. We and AMS cannot be certain that we wou
cost-effectively replace any of these sources upon any disruption due to the need to qualify alternate des
interruption or failure by these sources to supply raw materials or components to AMS could have a ma
sales of AMS's products.

We are dependent upon third parties to provide us with various estimates as a basis for our financial rep
undertake certain procedures to review the reasonableness of this information, we cannot obtain absolut
accounting methods and controls over the information provided to us by third parties. As a result we are
us with erroneous data which could have a material adverse impact on our business.

If our manufacturing facilities are unable to manufacture our products or the manufacturing process is in
comply with regulations or for other reasons, it could have a material adverse impact on our business.

In November 2010, we acquired Qualitest Pharmaceuticals' pharmaceutical manufacturing facilities loc
Alabama and Charlotte, North Carolina. The Qualitest Pharmaceuticals facilities currently manufacture
products. In connection with the AMS acquisition, we acquired AMS's manufacturing facilities in Minn
where many of AMS's products are made. In 2012, we began manufacturing in our facility in Ireland.

If any of our manufacturing facilities fail to comply with regulatory requirements or encounter other ma
could adversely affect our ability to supply products. All facilities and manufacturing processes used for
pharmaceutical products and medical devices must be operated in conformity with cGMP and, in the cas
substances, DEA regulations. Compliance with the FDA's cGMP and DEA requirements applies to both
regulatory approval and to approved drug products. In complying with cGMP requirements, pharmaceut
manufacturing facilities must continually expend significant time, money and effort in production, recor
assurance and control (and design control for medical devices) so that their products meet applicable spe
requirements for product safety, efficacy and quality. Failure to comply with applicable legal requireme
manufacturing facilities to possible legal or regulatory action, including shutdown, which may adversely
supply us with product. Were we not able to manufacture products at our manufacturing facilities becau
or any other reasons, the manufacture and marketing of these products would be interrupted. This could
impact on our business, results of operation, financial condition, cash flows and competitive position.

The DEA limits the availability of the active ingredients used in many of our current products and produ
well as the production of these products, and, as a result, our procurement and production quotas may no
commercial demand or complete clinical trials.

The DEA regulates chemical compounds as Schedule I, II, III, IV or V substances, with Schedule I subs
present the highest risk of substance abuse and Schedule V substances the lowest risk. The active ingred
current products and products in development, including oxycodone, oxymorphone, morphine, fentanyl,
listed by the DEA as Schedule II or III substances under the Controlled Substances Act of 1970. Conseq
shipment, storage, sale and use are subject to a high degree of regulation. For example, generally, all Sc
prescriptions must be signed by a physician, physically presented to a pharmacist and may not be refille
prescription.

Furthermore, the DEA limits the availability of the active ingredients used in many of our current produ
development, as well as the production of these products and, and we, or our contract manufacturing org
apply to the DEA for procurement and production quotas in order to obtain and produce these substance
procurement and production quotas may not be sufficient to meet commercial demand or to complete cl

DEA may adjust these quotas from time to time during the year, although the DEA has substantial discr
make such adjustments. Any delay or refusal by the DEA in establishing our quotas, or modification of
substances could delay or result in the stoppage of our clinical trials or product launches, or could cause
disruptions for those products that have already been launched, which could have a material adverse eff
financial position, results of operations and cash flows.

Table of Contents

We may not be able to maintain our current insurance policies covering our business, assets, directors a
liability claims and we may not be able to obtain new policies in the future.

Property, product liability, directors' and officers' and general liability insurance represent significant c
of September 11, 2001, and due to an increased focus on corporate governance in the U.S., and product
pharmaceuticals and medical devices, liability and other types of insurance have, in some instances, bec
costly to obtain. As we continue to expand our portfolio of available products, we may experience an in
product liability claims against us. Moreover, we may be subject to claims that are not covered by insura
for which we currently have coverage may be excluded from coverage in the future. Certain claims may
self-insured retention, exceed our policy limits or relate to damages that are not covered by our policy. I
liability coverage for certain pharmaceutical entities is becoming more expensive and increasingly diffic
result, we may not be able to obtain the type and amount of coverage we desire or to maintain our curre
additional insurance costs could have a material adverse effect on our results of operations and cash flo
assurance that we will be able to maintain our existing insurance policies or obtain new policies in mea
reasonable cost. Any failure to obtain or maintain any necessary insurance coverage could have a materi
business, financial condition, results of operations and cash flows.

If we are unable to retain our key personnel, and continue to attract additional professional staff, we ma
expand our business.

Because of the specialized scientific nature of our business, our ability to develop products and to comp
future competitors will remain highly dependent, in large part, upon our ability to attract and retain qual
and commercial personnel. The loss of key scientific, technical and commercial personnel or the failure
scientific, technical and commercial personnel could have a material adverse effect on our business. Wh
agreements with certain key individuals and institutions and have employment agreements with our key
assure you that we will succeed in retaining personnel or their services under existing agreements. There
qualified personnel in the areas of our activities, and we cannot assure you that we will be able to contin
qualified personnel necessary for the development of our business.

Our revenues and operating results may fluctuate in future periods and we may fail to meet expectations
market value of the debt and equity securities issued by us to decline.

Our quarterly operating results are difficult to predict and may fluctuate significantly from period to per
cannot predict our quarterly financial results based on our full-year financial guidance. We cannot predi
or level of sales of our products in the future. If our quarterly sales or operating results fall below the ex
securities analysts, the value of our securities could decline substantially. Our operating results may fluc
factors including those set forth above. As a result of these factors, we believe that period-to-period com
results are not a good indication of our future performance.

The trading prices of our securities may be volatile, and your investment in our securities could decline

The market prices for securities of healthcare companies in general have been highly volatile and may c
volatile in the future. For example, in 2013, our stock traded between $25.01 and $67.63 per share. The
addition to other risk factors described in this section, may cause the market value of our securities to flu

- FDA approval or disapproval of any of the drug or medical device applications we have submitted;
- the success or failure of our clinical trials;
- new data or new analyses of older data that raises potential safety or effectiveness issues concerning our
- product recalls;
- competitors announcing technological innovations or new commercial products;
- introduction of generic substitutes for our products, including the filing of ANDAs with respect to gene
products;
- developments concerning our or others' proprietary rights, including patents;
- competitors' publicity regarding actual or potential products under development;
- regulatory developments in the U.S. and foreign countries, or announcements relating to these matters;
- period-to-period fluctuations in our financial results;
- new legislation in the U.S. relating to the development, sale or pricing of pharmaceuticals or medical de

- a determination by a regulatory agency that we are engaging or have engaged in inappropriate sales or m
including promoting the “off-label” use of our products;
- litigation; and
- economic and other external factors, including market speculation or disasters and other crises.

Table of Contents

Our operations could be disrupted if our information systems fail or if we are unsuccessful in implemen
Our business depends on the efficient and uninterrupted operation of our computer and communications
hardware and software systems and our other information technology. If our systems were to fail or we
expand the capacity of these systems, or we are unable to integrate new technologies into our existing sy
financial results could suffer.
The publication of negative results of studies or clinical trials on pharmaceutical industry products may
revenue.
From time to time, studies or clinical trials on various aspects of pharmaceutical products are conducted
including government agencies. The results of these studies or trials, when published, may have a drama
for the pharmaceutical product that is the subject of the study. The publication of negative results of stu
related to our products or the therapeutic areas in which our products compete – could adversely affect
trends for our products and the reputation of our products. In the event of the publication of negative res
trials related to our products or the therapeutic areas in which our products compete, our business, finan
operations and cash flows could be materially adversely affected. In addition, on September 27, 2007, C
requirements for the reporting of clinical trial information by expanding the type of clinical trials for wh
investigator of a drug, medical device or biological product clinical trial must register and provide result
of Health (NIH) for inclusion in the publicly-available Clinical Trial Registry database of clinical trials.
impact the publication of clinical research data will have for our products.
The regulatory approval process outside the U.S. varies depending on foreign regulatory requirements, a
regulatory approval in foreign jurisdictions would prevent the marketing of our products in those jurisdi
We have worldwide intellectual property rights to market many of our products and product candidates.
approval to market certain of our products outside of the U.S. To market our products in the European U
jurisdictions, we must obtain separate regulatory authorization and comply with numerous and varying r
Approval of a product by the comparable regulatory authorities of foreign countries must be obtained pr
marketing that product in those countries. The approval procedure varies among countries and can invol
the time required to obtain approval may differ from that required to obtain FDA approval. The foreign
process includes all of the risks associated with obtaining FDA approval set forth herein and approval by
approval by the regulatory authorities of any other country, nor does the approval by foreign regulatory
ensure approval by regulatory authorities in other foreign countries or the FDA. If we fail to comply wit
requirements or obtain and maintain required approvals, our target market will be reduced and our abilit
from abroad will be adversely affected.
Agreements between branded pharmaceutical companies and generic pharmaceutical companies are fac
scrutiny in both the U.S. and abroad.
We are involved in numerous patent litigations in which generic companies challenge the validity or enf
listed patents and/or the applicability of these patents to the generic applicant's products. Likewise, our
involved in patent litigations in which we challenge the validity or enforceability of innovator companie
their applicability to our generic products. Therefore, settling patent litigations has been and is likely to
business. Parties to such settlement agreements in the U.S., including us, are required by law to file them
Antitrust Division of the DOJ for review. The FTC has publicly stated that, in its view, some of these se
violate the antitrust laws and has brought actions against some brand and generic companies that have e
agreements. Accordingly, we may receive formal or informal requests from the FTC for information abo
agreement, and there is a risk that the FTC may commence an action against us alleging violation of the
adverse outcome of these actions or investigations could have a significant adverse effect on our busines
results of operations. In addition, some members of Congress have proposed legislation that would limit
agreements generic manufacturers can enter into with brand companies. In 2013, the Supreme Court, in
determined that reverse payment patent settlements between generic and brand companies should be eva
reason, and provided limited guidance beyond the selection of this standard. Because the Court did not a
lawfulness for such settlements, there may be extensive litigation over what constitutes a reasonable and
between a brand and generic company. Recently, Endo was notified of multiple lawsuits purporting to b

direct and indirect payors alleging that its Settlement Agreement with Watson (now Actavis) regarding t
litigation was unlawful and in violation of federal antitrust laws, as well as various state laws. Additiona
filed in the future. The impact of such pending and future litigation, legislative proposals and potential f
review is uncertain and could adversely affect Endo’s business, financial condition and results of operat
2014, the Company's subsidiary, EPI received a Civil Investigative Demand (CID) from the United Stat
Commission. The CID requests documents and information concerning EPI's Settlement Agreements wi
relating to the Opana® ER patent litigation and its Settlement Agreement with Actavis relating to the Li

Table of Contents

patent litigation, as well as information concerning the marketing and sales of Opana® ER and Lidoderm
cooperate with the FTC's investigation. At this time, EPI cannot predict or determine the outcome of thi
reasonably estimate the amount or range of amounts of fines and penalties, if any, that might result from
While healthcare reform may increase the number of patients who have insurance coverage for our prod
measures may adversely affect reimbursement for our products.

In March 2010, President Obama signed into law healthcare reform legislation. This legislation has both
impacts on us, as discussed below.

The provisions of this healthcare reform legislation have already become or will become effective on va
several years. The principal provisions affecting us provide for the following:

- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate
13% of the average manufacturer price for most branded and generic drugs, respectively (effective Janu
- extension of Medicaid prescription drug rebates to drugs dispensed to enrollees in certain Medicaid mar
(effective March 23, 2010);
- an increase in the additional Medicaid rebates for “new formulations” of oral solid dosage forms of inno
- the revision of the average manufacturers’ price, or AMP, definition to remove the “retail pharmacy cla
October 1, 2010);
- expansion of the types of institutions eligible for the “Section 340B discounts” for outpatient drugs prov
the qualification criteria under Section 340B of the Public Health Service Act of 1944 (effective January
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50%
off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period
manufacturer’s outpatient drugs to be covered under Medicare Part D (effective January 1, 2011);
- an annual fee payable to the federal government (which is not deductible for U.S. income tax purposes)
prior-calendar-year share relative to other companies of branded prescription drug sales to specified gov
(effective January 1, 2011, with the total fee to be paid each year by the pharmaceutical industry increas
2019);
- a deductible 2.3% excise tax on any entity that manufactures or imports medical devices offered for sale
exceptions (effective January 1, 2013);
- new requirements to report certain financial arrangements with physicians and teaching hospitals, inclu
of value” made or distributed to physicians and teaching hospitals and reporting any investment interest
their immediate family members during each calendar year (with the effective date to be clarified in the
- a new requirement to annually report drug samples that manufacturers and distributors provide to physic
2012);
- creation of the Independent Payment Advisory Board which will have authority to recommend certain c
program that could result in reduced payments for items and services (recommendations could have the
Congress does not act on the recommendations, and the implementation of changes based upon Indepen
Board recommendations may affect payments beginning in 2015); and
- establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services to t
and service delivery models to lower Medicare and Medicaid spending, potentially including prescriptio
(beginning January 1, 2011).
- creation of the Patient-Centered Outcomes Research Institute, an independent, non-partisan organizatio
to fund research into evidence-based information about treatment options (established in 2010; first gra
2012).

A number of the provisions of this healthcare reform legislation may adversely affect reimbursement fo
products. Additionally, the best price requirements with respect to Medicaid rebates have traditionally b
consideration with respect to the level of rebates in our Medicare and commercial contracting. Healthca
effects on rebate amounts could adversely impact our future results of operations.

Over the next few years, regulations and guidance implementing this healthcare reform legislation as we
reform proposals may have a financial impact on the Company. In addition, healthcare reform legislatio
certain circumstances, individuals must obtain health insurance beginning in 2014, and it also provides f

Medicaid coverage in 2014. It is expected that, as a result of these provisions, there will be a substantial
Americans with health insurance beginning in 2014, a significant portion of whom will be eligible for M
that this will increase demand for pharmaceutical products and medical devices overall. However, in vie
uncertainties, including but not limited to pending litigation challenging the new law and changes in the
Congress, we are

Table of Contents

unable at this time to determine whether and to what extent sales of our prescription pharmaceutical pro
in the U.S. will be impacted.

Our Consolidated Financial Statements may be impacted in future periods based on the accuracy of our
acquired businesses.

Accounting for our acquisitions involves complex and subjective valuations of the assets, liabilities, and
of the acquired entities, which will be recorded in the Company's Consolidated Financial Statements pu
accounting rules applicable for business combinations. Differences between the inputs and assumptions
actual results could have a material effect on our Consolidated Financial Statements in future periods.

Our sales may be adversely affected if physicians do not recommend or use AMS's products.

We rely upon physicians to recommend or use AMS's products. Many of AMS's products are based on
Acceptance of AMS's products is dependent on educating the medical community as to the distinctive c
benefits, clinical efficacy, potential risks and cost-effectiveness of our products, including these of AMS
products, and on training physicians in the proper application of our products. We believe AMS's produ
opportunities and significant patient needs, but if we are unsuccessful in educating physicians about the
AMS's products, or such products are identified in regulatory agency public health communications, ou
be adversely affected.

We are subject to health information privacy and security standards that include penalties for noncompli

The administrative simplification section of HIPAA imposes stringent requirements on "covered entities
health plans and healthcare clearinghouses) to safeguard the privacy and security of individually-identif
Certain of our operations are subject to these requirements, and we believe that we are in compliance wi
standards. Penalties for noncompliance with these rules include both criminal and civil penalties. In add
Information Technology for Economic and Clinical Health Act (included in the American Recovery and
2009) and it's implementing regulations, collectively HITECH, expanded federal health information pri
protections. Among other things, HITECH makes certain of HIPAA's privacy and security standards dir
"business associates"– independent contractors or agents of covered entities that receive or obtain protec
connection with providing a service on behalf of a covered entity. HITECH also set forth new notificatio
security breaches, increased the civil penalties that may be imposed against covered entities, business as
other persons for HIPAA violations, and gave state attorneys general new authority to file civil actions f
in federal courts to enforce HIPAA and seek attorney's fees and costs associated with pursuing federal c

New and proposed federal and state laws and regulatory initiatives relating to various initiatives in healt
improving privacy and the security of patient information and combating healthcare fraud) could require
sums to appropriately respond to and comply with this broad variety of legislation (such as acquiring an
information systems for privacy and security protection), which could negatively impact our business, re
financial condition and cash flows.

Recent legislative and regulatory initiatives at the state and federal levels address concerns about the pri
information. HITECH expands the health information privacy and security protections under HIPAA an
to notify individuals and the Department of HHS Office for Civil Rights, or OCR, of breaches of certain
information. We do not yet know the total financial or other impact of these laws and regulations on us.
with these laws and regulations may require us to spend substantial sums, including, but not limited to, p
information technology, which could negatively impact financial results. Additionally, if we fail to com
privacy, security and breach notification standards, we could suffer civil penalties of up to $1,500,000 p
violations of an identical standard and criminal penalties of up to $250,000 and 10 years in prison for of
intent to sell, transfer, or use individually identifiable health information for commercial advantage, pers
harm. In addition, healthcare providers will continue to remain subject to any state laws that are more re
privacy regulations. These privacy laws vary by state and could impose additional penalties.

The provisions of HIPAA criminalize situations that previously were handled exclusively civilly throug
overpayments, offsets and fines by creating new federal healthcare fraud crimes. Further, as with the fed
criminal laws may be used to prosecute healthcare fraud and abuse. We believe that our business arrang
comply with existing healthcare fraud and abuse laws. However, a violation could subject us to penalties

exclusion from Medicare or Medicaid. Such sanctions could significantly reduce our financial results. Future healthcare legislation and regulation or other changes in the administration of or interpretation of regulations regarding governmental healthcare programs could have an adverse effect on our business a operations.

Table of Contents

AMS could be adversely affected by special risks and requirements related to its medical products manu
AMS is subject to various risks and requirements associated with being medical equipment manufacture
adverse effects. These include the following:

- the need to comply with applicable FDA and foreign regulations relating to cGMP and medical device a
certification requirements, and with state licensing requirements;
- the need for special non-governmental certifications and registrations regarding product safety, product
procedures in order to market products in the European Union, i.e. EN ISO certifications;
- the fact that in some foreign countries, medical device sales are strongly determined by the reimburseme
and private health insurance companies, i.e., if insurance companies decline reimbursement for AMS's
adversely affected;
- potential product liability claims for any defective or allegedly defective goods that are distributed; and
- the need for research and development expenditures to develop or enhance products and compete in the

International operations of our AMS segment could expose us to various risks, including risks related to
currency exchange rates.

Our AMS segment derives a significant portion of its net sales from operations in international markets.
and 34.6%, respectively, of our AMS segment's total revenues were to customers outside the U.S. Some
governmental entities and other organizations with extended payment terms. A number of factors, inclu
conditions, changes in political climate, differing tax structures, changes in diplomatic and trade relation
economic instability in the countries where AMS does business, could affect payment terms and AMS's
receivables. We have little influence over these factors and changes could have a material adverse impac
addition, foreign sales are influenced by fluctuations in currency exchange rates, primarily the euro, Brit
dollar, Australian dollar, and Swedish krona. Increases in the value of the foreign currencies relative to t
positively impact our earnings and decreases in the value of the foreign currencies relative to the U.S. do
impact our earnings.

The risks of selling and shipping products and of purchasing components and products internationally m
revenues, results of operations and financial condition.

The sale and shipping of AMS's products and services across international borders is subject to extensiv
governmental trade regulations, such as various anti-bribery laws, including the U.S. Foreign Corrupt Pr
laws, customs and import laws, and anti-boycott laws. Our failure to comply with applicable laws and re
significant criminal, civil and administrative penalties, including, but not limited to, imprisonment of ind
export privileges, seizure of shipments, restrictions on certain business activities, and exclusion or debar
contracting. Also, the failure to comply with applicable legal and regulatory obligations could result in t
shipping and sales activities.

In addition, some countries in which AMS sells products are, to some degree, subject to political, econo
instability. AMS's international sales operations expose us and our representatives, agents and distributo
operating in foreign jurisdictions. These risks include:

- the imposition of additional U.S. and foreign governmental controls or regulations;
- the imposition of costly and lengthy new export licensing requirements;
- the imposition of U.S. and/or international sanctions against a country, company, person or entity with v
business that would restrict or prohibit continued business with the sanctioned country, company, perso
- economic instability or disruptions, including local and regional instability, or disruptions due to natural
weather and geological events;
- changes in duties and tariffs, license obligations and other non-tariff barriers to trade;
- the imposition of new trade restrictions;
- imposition of restrictions on the activities of foreign agents, representatives and distributors;
- scrutiny of foreign tax authorities which could result in significant fines, penalties and additional taxes b
- pricing pressure that we may experience internationally;
- laws and business practices favoring local companies;
- difficulties in enforcing or defending intellectual property rights; and

- exposure to different legal and political standards due to our conducting business in several foreign cou

We cannot provide assurance that one or more of these factors will not harm our business and we are ex
regulatory and pricing trends as a result of healthcare reform. Any material decrease in AMS's internati
impact AMS's results of operations and financial condition.

Table of Contents

Worldwide economic conditions may adversely affect our business, operating results and financial cond
We believe that worldwide economic conditions have resulted and may continue to result in reductions i
AMS's products. Although a majority of AMS's products are subject to reimbursement from third-party
non-governmental entities, some procedures that use AMS's products can be deferred by patients. In cu
patients may not have employer-provided healthcare or be as willing to take time off from work or spen
deductibles and co-payments often required in connection with the procedures that use AMS's products.
hospitals and clinics may be less likely to purchase capital equipment in the current economic condition
Economic conditions could also affect the financial strength of AMS's vendors and their ability to fulfil
AMS, and the financial strength of AMS's customers and its ability to collect accounts receivable. Whil
worldwide economic conditions may have contributed to a softening in AMS's recent revenue growth ra
difficult to measure. We cannot predict how these economic conditions will impact future sales, cost of
expense.

We have indebtedness which could adversely affect our financial position and prevent us from fulfilling
such indebtedness.

We currently have a substantial amount of indebtedness. As of December 31, 2013, we have total debt o
billion in aggregate principal amount. This debt primarily consists of $2.0 billion of senior notes, $1.4 b
indebtedness and $379.5 million of convertible senior subordinated notes. As of December 31, 2013, we
$500.0 million under our revolving credit facility, not including an up to $500.0 million uncommitted ex
under our 2011 Credit Facility, subject to satisfaction of certain conditions. We may also incur significa
in the future. Our substantial indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and int
notes and our other indebtedness;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or oth
purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital ex
other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Despite our current level of indebtedness, we may still be able to incur substantially more indebtedness.
risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, including
secured indebtedness pursuant to the uncommitted expansion option under our 2011 Credit Facility, sub
certain conditions, and subsidiary indebtedness to which the notes would be effectively subordinated. Th
will limit, but not prohibit, us or our subsidiaries from incurring additional indebtedness, but these limits
exceptions and do not limit liabilities that do not constitute debt. If we incur any additional indebtedness
the notes and the guarantees, the holders of that indebtedness will be entitled to share ratably with the ho
guarantees in any proceeds distributed in connection with any insolvency, liquidation, reorganization, di
winding-up of us. This may have the effect of reducing the amount of proceeds paid to you. If new indeb
current debt levels, the related risks that we and our subsidiaries now face could intensify.

Covenants in our debt agreements restrict our business in many ways.

The indentures governing the notes and the agreements governing the 2011 Credit Facility and other out
subject us to various covenants that limit our ability and/or our restricted subsidiaries' ability to, among

- incur or assume liens or additional debt or provide guarantees in respect of obligations of other persons;
- issue redeemable stock and preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase debt;
- make loans, investments and capital expenditures;

- enter into agreements that restrict distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- enter into certain transactions with affiliates; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

A breach of any of these covenants could result in a default under our indebtedness, including the 2011 notes.

Table of Contents

We are a holding company with no direct operations and will depend on the business of our subsidiaries under our indebtedness.

We are a holding company with no direct operations. Our principal assets are the equity interests we hol subsidiaries. Our subsidiaries will conduct substantially all of the operations necessary to fund payments subsidiaries are legally distinct from us and have no obligation to make funds available to us. Our ability indebtedness will depend on our subsidiaries' cash flow and their payment of funds to us. Our subsidiari payments to us will depend on:

- their earnings;
- covenants contained in our debt agreements and the debt agreements of our subsidiaries;
- covenants contained in other agreements to which we or our subsidiaries are or may subsidiaries are or
- business and tax considerations; and
- applicable law, including state laws regulating the payment of dividends and distributions.

We cannot assure you that the operating results of our subsidiaries at any given time will be sufficient to other payments to us or that any distributions and/or payments will be adequate to pay principal and inte payments our indebtedness when due.

Our variable rate indebtedness exposes us to interest rate risk, which could cause our debt costs to increa

A substantial portion of our borrowings under the 2011 Credit Facility are at variable rates of interest, ex risks. We are exposed to the risk of rising interest rates to the extent that we fund our operations with sh borrowings. As of December 31, 2013, our total aggregate principal of debt consists of approximately $ debt. Based on this amount, a 1% rise in interest rates would result in approximately $14.0 million in inc expense. If London Inter-Bank Offer rates (LIBOR) increase in the future, then our floating-rate debt co on our interest expense.

We may be unable to repay or repurchase amounts outstanding on our indebtedness at maturity.

At maturity, the entire outstanding principal amount of our indebtedness, together with accrued and unp due and payable. We may not have the funds to fulfill these obligations or the ability to refinance these date occurs at a time when other arrangements prohibit us from repaying our indebtedness, we would try prohibitions from the lenders and holders under those arrangements, or we could attempt to refinance th the restrictions. If we could not obtain the waivers or refinance these borrowings, we would be unable to

To service our indebtedness, we will require a significant amount of cash. If we fail to generate sufficien operations, we may have to refinance all or a portion of our indebtedness or seek to obtain additional fin

We expect to obtain the funds to pay our expenses and the amounts due under our indebtedness primaril ability to meet our expenses and make these payments thus depends on our future performance, which w financial, business, economic, competitive, legislative, regulatory and other factors, many of which are b business may not generate sufficient cash flow from operations in the future and our currently anticipate cash flow may not be realized, either or both of which could result in our being unable to pay amounts d indebtedness, or to fund other liquidity needs, such as future capital expenditures. If we do not have suff operations, we may be required to refinance all or part of our then existing indebtedness, sell assets, redu expenditures or seek to raise additional capital, any of which could have a material adverse effect on our no assurance that we will be able to accomplish any of these alternatives on terms acceptable to us, or at restructure or refinance our indebtedness, including the notes, will depend on the condition of the capita condition at such time. Any refinancing of our debt could be at higher interest rates and may require us t onerous covenants, which could further restrict our business operations. In addition, the terms of existin agreements, including the indentures governing the notes, may restrict us from adopting any of these alt make scheduled payments of interest or principal on our outstanding indebtedness would likely result in rating, which could negatively impact our ability to incur additional indebtedness on commercially reaso failure to generate sufficient cash flow or to achieve any of these alternatives could materially adversely notes, our business, financial condition and other results of operations, and our ability to pay the amount our other indebtedness.

Our failure to comply with the agreements relating to our outstanding indebtedness, including as a resul
control, could result in an event of default under our outstanding indebtedness that could materially and
results of operations and our financial condition.

If there were an event of default under any of the agreements relating to our outstanding indebtedness, t
debt could cause all amounts outstanding with respect to that debt to be due and payable immediately an
terminate all commitments to extend further credit. The instruments governing our debt contain cross-de
provisions that may cause all of the debt issued under such instruments to become immediately due and
default

Table of Contents

under an unrelated debt instrument. An event of default or an acceleration under one debt agreement cou
cross-acceleration of other debt agreements. Upon acceleration of certain of our other indebtedness, hol
declare all amounts outstanding under the notes immediately due and payable. We cannot assure you tha
would be sufficient to fully repay borrowings under our outstanding debt instruments if the obligations t
accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure our secu
such debt could proceed against the collateral securing that indebtedness. We have pledged substantially
collateral under the 2011 Credit Facility. If the lenders under the 2011 Credit Facility accelerate the repa
may not have sufficient assets to repay the obligations outstanding under the 2011 Credit Facility and ou
including the notes. Furthermore, our borrowings under the 2011 Credit Facility are expected to be at va
expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate i
increase even though the amount borrowed remains the same, and our net income would decrease. For a
indebtedness, see Note 13. Debt in the Consolidated Financial Statements, included in Part IV, Item 15.
Financial Statement Schedules".

Risks Related to the Transactions with Paladin

The number of Endo International plc (Endo International) ordinary shares that Endo shareholders will r
for the merger will be based on a fixed exchange ratio, which will not be adjusted to reflect changes in t
common shares or Endo common stock prior to consummation of the transactions.

As consideration for the merger, each Endo common share then issued and outstanding will be canceled
converted into the right to receive one ordinary share of Endo International, pursuant to a fixed exchang
fixed exchange ratio will not adjust upwards to compensate for changes in the price of Endo's common
shares prior to the effective time of the transactions. Share price changes may result from a variety of fa
the business, operations or prospects of Endo or Paladin, market assessments of the likelihood that the tr
completed, the timing of the transaction, regulatory considerations, general market and economic condit
Shareholders are urged to obtain current market quotations for Endo common stock and Paladin commo

The cash consideration to be paid to Paladin shareholders may be increased depending on a decline in th
common stock.

Although the share consideration to be received by Paladin shareholders will also not be adjusted to refl
value of the Endo common stock or Paladin common shares, the cash consideration to be received by Pa
increased if Endo's 10-day volume weighted average price declines during the ten trading day period en
day prior to the Paladin special meeting by more than 7% relative to a reference price of US$44.4642 pe
compensation (determined on a U.S. dollar basis converted into and paid in Canadian dollars) will be pr
shareholders for any share price declines of more than 7% but less than 20% from the reference price. If
declines between 20% and 24% from the reference price during the agreed reference period, Endo will p
(determined on a U.S. dollar basis converted into and paid in Canadian dollars) for one half of the increm
shareholders. Declines in Endo's share price beyond 24% from the reference price will not give rise to f
to Paladin shareholders. The maximum amount potentially payable to Paladin shareholders under this pr
is US$233.0 million.

Failure to consummate the transactions could negatively impact the stock price and the future business a
Endo.

If the transactions are not consummated, the ongoing business of Endo may be materially and adversely
realizing any of the benefits of having consummated the transactions, Endo will be subject to a number
following:

- Endo may be required to reimburse Paladin for certain expenses incurred by Paladin in connection with
filings or certain lawsuits, as described in the arrangement agreement;
- Endo will be required to pay certain costs relating to the transactions, including legal, accounting, filing
and mailing, financial printing and other expenses in connection with the transactions whether or not the
consummated;
- the current prices of Endo common stock may reflect a market assumption that the transactions will occ
to complete the transactions could result in a material decline in the price of Endo common stock;

- Endo will be required, upon a termination of the arrangement agreement under certain circumstances, to
fee of $60.0 million as described in the arrangement agreement.
- matters relating to the transactions (including integration planning) have required and will continue to re
commitments of time and resources by Endo management, which could otherwise have been devoted to
may have been beneficial to Endo; and
- Endo also could be subject to litigation related to any failure to consummate the transactions or related t
proceeding commenced against Endo to perform its obligations under the arrangement agreement.

Table of Contents

If the transactions are not consummated, these risks may materialize and may materially and adversely a financial results and stock price.

Endo's and Paladin's respective business relationships, including customer relationships, may be subjec uncertainty associated with the transactions.

Parties with which Endo and Paladin currently do business or may do business in the future, including c may experience uncertainty associated with the transactions, including with respect to current or future b Endo, Paladin or Endo International. As a result, Endo's and Paladin's business relationships may be su customers, suppliers and others attempt to negotiate changes in existing business relationships or consid relationships with parties other than Endo or Paladin. These disruptions could have a material and adver businesses, financial condition, results of operations or prospects of Endo International following the clo disruptions could be exacerbated by a delay in the consummation of the transactions or termination of th

Loss of key personnel could impair the integration of the two businesses, lead to loss of customers and a adversely affect the progress of pipeline products or otherwise adversely affect the operations of Endo, E International.

The success of Endo International after the completion of the merger and the arrangement will depend, i retain key employees, especially during the integration phase of the two businesses. Current and prospec and Paladin might experience uncertainty about their future roles with Endo International following com which might materially and adversely affect Endo's and Endo International's ability to retain key manag addition, competition for qualified personnel in the biotechnology industry is very intense. If Endo or Pa or Endo International is unable to attract, retain and motivate qualified individuals or the associated cost increase significantly, Endo's business and Endo International's business could be materially and advers

Obtaining required approvals necessary to satisfy the conditions to the completion of the transactions ma completion of the transactions, result in additional expenditures of money and resources and/or reduce th the transactions.

The transactions are subject to closing conditions. These closing conditions include, among others, the r approvals of Endo and Paladin shareholders, approval of the arrangement by the Québec court, the effec statement, the receipt by Endo of a tax opinion rendered by Skadden, the expiration or termination of the HSR Act and receipt of Competition Act and Investment Canada Act approvals in Canada and receipt of approval in South Africa.

The governmental agencies from which the parties will seek certain of these approvals have broad discre governing regulations. As a condition to their approval, agencies may impose requirements, limitations divestitures or place restrictions on the conduct of Endo International's business after the closing. These costs, divestitures or restrictions could jeopardize or delay the consummation of the transactions or may benefits of the transactions. Further, no assurance can be given that the required shareholder approval w required closing conditions will be satisfied, and, if all required consents and approvals are obtained and satisfied, no assurance can be given as to the terms, conditions and timing of the approvals. If Endo and material requirements, limitations, costs or restrictions in order to obtain any approvals required to cons and the merger, these requirements, limitations, costs or restrictions could materially and adversely affec of the transactions. This could result in a failure to consummate these transactions or have a material adv International's business and results of operations.

Endo may waive one or more of the conditions to the merger without resoliciting shareholder approval.

Endo may determine to waive, in whole or in part, one or more of the conditions to its obligations to con extent permitted by applicable laws. Endo will evaluate the materiality of any such waiver and its effect light of the facts and circumstances at the time to determine whether any amendment of the proxy statem resolicitation of proxies is required or warranted. In some cases, if Endo's board of directors determines warranted but that such waiver or its effect on its shareholders is not sufficiently material to warrant reso has the discretion to complete the merger without seeking further shareholder approval. Any determinat condition to the merger or as to resoliciting shareholder approval or amending the proxy statement/prosp waiver will be made by Endo at the time of such waiver based on the facts and circumstances as they ex

Certain of Endo's executive officers and all of Endo's directors have interests in the transactions in addi
shareholders.

In considering the recommendations of the Endo board of directors with respect to the arrangement agre
aware that certain of Endo's executive officers and all of Endo's directors have financial and other inter

Table of Contents

addition to interests they might have as shareholders. In particular, it is expected that members of the En executive officers will become directors and executive officers of Endo International.

As a result of the merger and arrangement, Endo International will incur additional direct and indirect co Endo International will incur additional costs and expenses in connection with and as a result of the tran expenses include professional fees to comply with Irish corporate and tax laws, costs and expenses incu holding a majority of the meetings of the Endo International board of directors and certain executive ma Ireland, as well as any additional costs Endo International may incur going forward as a result of its new There can be no assurance that these costs will not exceed the costs historically borne by Endo and Pala

If goodwill or other intangible assets that Endo International records in connection with the merger beco International could have to take significant charges against earnings.

In connection with the accounting for the merger, it is expected that Endo International will record a sig goodwill and other intangible assets. Under U.S. GAAP, Endo International must assess, at least annuall frequently, whether the value of goodwill and other indefinite-lived intangible assets has been impaired. assets will be assessed for impairment in the event of an impairment indicator. Any reduction or impairm goodwill or other intangible assets will result in a charge against earnings, which could materially adver International's results of operations and shareholders' equity in future periods.

Existing Endo shareholders will own a smaller share of Endo International following completion of the Following completion of the transactions, Endo shareholders will own the same number of shares of En owned in Endo immediately before the closing. Each Endo International ordinary share, however, will r ownership percentage of a significantly larger company. Upon consummation of the merger and arrange shareholders of Endo are expected to own approximately 77.4% of the outstanding ordinary shares of En fully-diluted basis, and the former shareholders of Paladin and holders of Paladin options are expected t 22.6% of the outstanding ordinary shares of Endo International on a fully-diluted basis.

Until the completion of the transactions or the termination of the arrangement agreement in accordance and/or Paladin are prohibited from entering into certain transactions that might otherwise be beneficial t their respective shareholders.

During the period that the arrangement agreement is in effect, other than with the other party's written c Endo are subject to certain restrictions. For example, without Paladin's written consent, Endo is prohibi acquisition that would be reasonably likely to prevent the transactions from occurring. The foregoing pr effect of delaying other strategic transactions and may, in some cases, make it impossible to pursue othe that are available only for a limited time.

Endo has entered into voting agreements with certain Paladin shareholders who owned in the aggregate outstanding Paladin common shares as of the date of the arrangement agreement, and termination of the result in significantly decreased support for the arrangement.

The voting agreements may be terminated if the effective date has not occurred by May 5, 2014 (or such the parties to the arrangement agreement), if the arrangement agreement is amended by the parties resul purchase price payable per security or if the volume weighted average price per share of Endo shares is US$44.4642 during a reference valuation period, which will be the ten trading days ending on the third t date of the special meeting of Paladin shareholders (or if such volume weighted average price is not ava calculation agent using a reasonable, good faith estimate of such price for such reference valuation perio

Risks Related to the Business of Endo International

The global nature of Paladin's business exposes Endo International to risks associated with adapting to e taking advantage of growth opportunities.

The globalization of Paladin's business, including in Mexico and Brazil, and the increased volume of op through Litha Health Care Group Limited (Litha), may expose Endo International to increased risks. En identified as one of Paladin's growth platforms and is a key element of Paladin's overall strategy. Any d emerging markets and/or a material decline in the anticipated growth rate in any of these regions could i ability to take advantage of these growth opportunities and affect Endo International's business, results condition.

54

Table of Contents

There is no assurance that Endo International's efforts to expand sales in emerging markets or that Palad in South Africa will succeed. The expansion of Endo International's activities in emerging markets may International to more volatile economic conditions, political instability and competition from companies established in these markets and the inability of Endo International to adequately respond to the unique markets, particularly with respect to their regulatory frameworks, the difficulties in recruiting qualified exchange controls, weaker intellectual property protection, higher crime levels and corruption and fraud adverse effect on the business of Endo International.

Endo International's policies and procedures, which are designed to help Endo International, its employ with various laws and regulations regarding corrupt practices and anti-bribery, cannot guarantee protect actions taken by businesses in which Paladin has historically invested. Failure to comply with domestic result in various adverse consequences, including possible delay in the approval or refusal to approve a withdrawal of an approved product from the market, or the imposition of criminal or civil sanctions, inc monetary penalties.

From a financial reporting perspective, differences in banking systems and business cultures could have efficiency of internal controls over financial reporting matters. Given the significant learning curve to fu emerging markets' business, operating environment and the quality of controls in place, Endo Internatio adequately assess the efficiency of internal controls over financial reporting or the effects of the laws an business jurisdictions.

Many jurisdictions require specific permits or business licenses, particularly if the business is considered requirements including, in particular, requirements in South Africa related to the Broad-Based Black Ec Strategy, may affect Endo International's ability to carry out its business operations in the emerging mar

The combination of the businesses currently conducted by Endo and Paladin will create numerous risks could adversely affect Endo International's operating results or prevent Endo International from realizin the merger and the arrangement.

Strategic transactions like the merger and the arrangement create numerous uncertainties and risks and r and expenditures. Endo will transition from a standalone public Delaware corporation to being part of a incorporated in Ireland. This combination will entail many changes, including the integration of Paladin those of Endo, and changes in systems. These transition activities are complex, and Endo International r difficulties or incur unexpected costs, including:

- the diversion of Endo International management's attention to integration of operations and the and administrative infrastructures;
- difficulties in achieving anticipated business opportunities and growth prospects from combining the bu of Endo;
- difficulties in the integration of operations and systems;
- difficulties in the assimilation of employees and corporate cultures;
- challenges in keeping existing customers and obtaining new customers; and
- challenges in attracting and retaining key personnel.

If any of these factors impairs Endo International's ability to integrate the operations of Endo with those on a timely basis, Endo International may not be able to realize the anticipated synergies, business oppo prospects from combining the businesses. In addition, Endo International may be required to spend addi integration that otherwise would be spent on the development and expansion of its business.

In addition, the market price of Endo International ordinary shares may decline following the business c other things, the integration of Endo and Paladin is unsuccessful, takes longer than expected or fails to a to the extent anticipated by financial analysts or investors, or the effect of the business combination on t combined company is otherwise not consistent with the expectations of financial analysts or investors.

The IRS may not agree with the conclusion that Endo International should be treated as a foreign corpor income tax purposes following the transaction.

Although Endo International will be incorporated in Ireland, the IRS may assert that it should be treated (and, therefore, a U.S. tax resident) for U.S. federal income tax purposes pursuant to Section 7874 of the

generally considered a tax resident in the jurisdiction of its organization or incorporation for U.S. federa
Because Endo International is an Irish incorporated entity, it would generally be classified as a foreign c
a non-U.S. tax resident) under these rules. Section 7874 provides an exception pursuant to which a forei
may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes.

Table of Contents

Under Section 7874, Endo International would be treated as a foreign corporation for U.S. federal incon
former shareholders of Endo own (within the meaning of Section 7874) less than 80% (by both vote and
International stock by reason of holding shares in Endo (the "ownership test"). The Endo shareholders a
80% (by both vote and value) of the shares in Endo International after the merger by reason of their own
common stock. As a result, under current law, Endo International is expected to be treated as a foreign c
income tax purposes. However, there can be no assurance that there will not exist in the future a subsequ
in law which might cause Endo International to be treated as a domestic corporation for U.S. federal inc
including with retrospective effect. Further, there can be no assurance that the IRS will agree with the po
test is satisfied. There is limited guidance regarding the application of Section 7874 of the Code, includi
provisions regarding the application of the ownership test. Endo's obligation to complete the transaction
receipt of the Section 7874 opinion from Skadden, dated as of the closing date and subject to certain qua
set forth therein, to the effect that Section 7874 of the Code and the regulations promulgated thereunder
manner so as to cause Endo International to be treated as a U.S. corporation for U.S. federal income tax
the closing date. However, an opinion of tax counsel is not binding on the IRS or a court. Therefore, the
the IRS will not take a position contrary to Skadden's Section 7874 opinion or that a court will not agree
of litigation.

Section 7874 of the Code likely will limit Endo's and its U.S. affiliates' ability to utilize certain U.S. tax
U.S. taxable income, if any, generated by the transactions or certain specified transactions for a period o
transaction.

Following the acquisition of a U.S. corporation by a foreign corporation, Section 7874 of the Code may
acquired U.S. corporation and its U.S. affiliates to utilize certain U.S. tax attributes such as net operating
taxable income resulting from certain transactions. Based on the limited guidance available, Endo curren
the transaction, this limitation will apply and as a result, Endo currently does not expect that it or its U.S
utilize certain U.S. tax attributes to offset U.S. taxable income, if any, resulting from certain specified ta

Future changes to U.S. and non-U.S. tax laws could materially adversely affect Endo International.

Under current law, Endo International is expected to be treated as a foreign corporation for U.S. federal
However, changes to the rules in Section 7874 of the Code or regulations promulgated thereunder or oth
Treasury or the IRS, could adversely affect Endo International's status as a foreign corporation for U.S.
purposes, and any such changes could have prospective or retroactive application to Endo International,
shareholders and affiliates, and/or the transaction. In addition, recent legislative proposals would expand
corporate tax residence, and such legislation, if enacted, could have a material and adverse effect on End
In addition, the U.S. Congress, the Organization for Economic Co-operation and Development, and othe
jurisdictions where Endo International and its affiliates do business have had an extended focus on issue
multinational corporations and there are several current legislative proposals that, if enacted, would subs
federal income tax system as it relates to the taxation of multinational corporations. One example is in th
profit shifting," where payments are made between affiliates from a jurisdiction with high tax rates to a j
rates. As a result, the tax laws in the U.S. and other countries in which Endo International and its affiliat
change on a prospective or retroactive basis, and any such changes could materially and adversely affect

The tax treatment of the merger to Endo shareholders is uncertain and cannot be known until after the tr

For U.S. federal income tax purposes, the merger is intended to qualify as a non-taxable "reorganization
will merge with and into Endo with Endo as the surviving corporation in the merger, and (ii) Endo share
their Endo common stock for Endo International ordinary shares received from both Endo International
Endo share exchange. Under current U.S. federal income tax law, Endo shareholders generally are expec
gain or loss on the Endo share exchange. Such non-recognition treatment is not certain, however, and th
holders of Endo common stock will be required to recognize gain (but not loss) on the Endo share excha
non-recognition treatment depends on the application of new and complex provisions of U.S. federal inc
certain facts that are subject to change and that cannot be known prior to the end of the year in which the
including the aggregate gain of U.S. shareholders in their Endo common stock as of the closing date and
of Endo U.S. Inc. for the taxable year that includes the closing date.

Endo International is expected to be subject to U.S. federal withholding tax as a result of Endo U.S. Inc.
International ordinary shares in exchange for its promissory note.
If the merger qualifies as a reorganization under Section 368(a) of the Code and Section 367(a) of the C
International should be treated for U.S. tax purposes as receiving a distribution from Endo U.S. Inc. imm
merger. The deemed distribution for U.S. tax purposes will be treated as a taxable dividend to the extent
current

Table of Contents

and accumulated earnings and profits for the year of the deemed distribution and such dividend will be s
tax (at a rate of 5%) in accordance with the Convention between Ireland and the United States of Ameri
on Income and Capital Gains, signed July 28, 1997, as amended, (Ireland-U.S. Tax Treaty). The amount
current and accumulated earnings and profits for the year of the deemed distribution is uncertain, but co
Notwithstanding the foregoing, if it is determined that Section 367(a) of the Code does apply, the deeme
withholding tax rules would not apply.

Paladin is currently not subject to the compliance obligations of the Sarbanes-Oxley Act of 2002 and En
be able to timely and effectively implement controls and procedures over Paladin's operations as require
Sarbanes-Oxley Act of 2002.

Paladin is currently not subject to the information and reporting requirements of the Exchange Act and c
laws, and the compliance obligations of the Sarbanes-Oxley Act of 2002. Subsequent to the completion
International will need to timely and effectively implement the internal controls necessary to satisfy the
Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the
controls over financial reporting and a report by our independent registered public accounting firm addr
Endo International intends to take appropriate measures to establish or implement an internal control en
aimed at successfully adopting the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Hov
Endo International may experience delays in implementing or be unable to implement the required inter
controls and procedures, which could result in enforcement actions, the assessment of penalties and civi
reporting obligations and other material and adverse events that could have a negative effect on the mar
International ordinary shares.

Risks Related to the Financial Condition of Endo International

Growing the business of Endo International will require the commitment of substantial resources, which
losses or otherwise limit the opportunities of Endo International.

Growing the Endo International business over the longer-term will require us to commit substantial reso
and/or acquiring new products and product candidates, or towards costly and time-consuming product d
trials of Endo International product candidates. It will also require continued investment in the commerc
International. Endo International's future capital requirements will depend on many factors, including m
above, such as:

- the revenues from Endo International commercial products and the costs of Endo International's comme
- the extent of generic competition for Endo International products;
- the cost of acquiring and/or licensing new products and product candidates;
- the scope, rate of progress, results and costs of Endo International's development and clinical activities;
- the cost and timing of obtaining regulatory approvals and of compliance with laws and regulations;
- the cost of preparing, filing, prosecuting, defending and enforcing patent claims and other intellectual pr
- the cost of investigations, litigation and/or settlements related to regulatory activities and third-party cla
- changes in laws and regulations, including, for example, healthcare reform legislation.

One of Endo International's goals will be to expand the business through the licensing, acquisition and/o
additional products and product candidates. There can be no assurance that Endo International's funds w
these activities if opportunities arise, and Endo International may be unable to expand the business if it c
capital or cannot borrow or raise additional capital on attractive terms.

Endo International may not be able to successfully maintain its low tax rates, which could adversely affe
financial condition, results of operations and growth prospects.

Endo International will be incorporated in Ireland and will maintain subsidiaries in the United States, Ca
Taxing authorities, such as the IRS, actively audit and otherwise challenge these types of arrangements,
pharmaceutical industry. The IRS may challenge the Endo International structure and transfer pricing ar
audit or lawsuit. Responding to or defending such a challenge could be expensive and consume time and
divert management's time and focus from operating the Endo International business. Endo International
taxing authorities will conduct an audit or file a lawsuit challenging this structure, the cost involved in re
audit or lawsuit, or the outcome. If Endo International is unsuccessful, it may be required to pay taxes fo

fines or penalties, and may be
obligated to pay increased taxes in the future, any of which could require Endo International to reduce it
decrease efforts in support of its products or seek to raise additional funds, all of which could have a ma
Endo International business, financial condition, results of operations and growth prospects.

Table of Contents

Risks Related to the Endo International Ordinary Shares

The market price of Endo International ordinary shares may be volatile, and the value of your investmer
Investors who hold Endo International ordinary shares may not be able to sell their shares at or above th
purchased the Endo common stock. The prices of Endo and Paladin common shares have fluctuated mat
and Endo International cannot predict the price of its ordinary shares. The risk factors described above c
Endo International ordinary shares to fluctuate materially. In addition, the stock market in general, inclu
specialty pharmaceutical companies, has experienced extreme price and volume fluctuations that have o
disproportionate to the operating performance of those companies. These broad market and industry fac
the market price of Endo International ordinary shares, regardless of Endo International's operating perf
Endo International stock price may be dependent upon the valuations and recommendations of the analy
International business, and if its results do not meet the analysts' forecasts and expectations, Endo Intern
decline as a result of analysts lowering their valuations and recommendations or otherwise. In the past, f
volatility in the market, securities class-action litigation has often been instituted against companies. Suc
against Endo International, could result in substantial costs and diversion of management's attention and
materially and adversely affect Endo International's business, financial condition, results of operations a
Future sales of Endo International ordinary shares in the public market could cause volatility in the price
ordinary shares or cause the share price to fall.

Sales of a substantial number of Endo International ordinary shares in the public market, or the percepti
occur, could depress the market price of Endo International ordinary shares, and could impair Endo Inte
capital through the sale of additional equity securities.

The Endo International ordinary shares to be received by Endo shareholders in connection with the merg
rights from the Endo common stock.

Upon consummation of the merger, Endo shareholders will become Endo International shareholders and
shareholders will be governed by Endo International's memorandum and articles of association and Irish
with Endo common stock are different from the rights associated with Endo International ordinary share
Endo International will not have sufficient distributable reserves to pay dividends or repurchase or redee
merger and the arrangement even if considered appropriate by the Endo International board of directors
the Irish High Court to create distributable reserves. This is because, under Irish law, dividends may onl
purchases and redemptions must generally be funded out of, distributable reserves. Endo International c
that Irish High Court approval of the creation of distributable reserves will be forthcoming.

If Endo International proposes to pay dividends or to repurchase or redeem shares in the future, it may b
Irish law. Under Irish law, dividends may only be paid, and share repurchases and redemptions must ge
of, "distributable reserves." Endo International will not have distributable reserves immediately followin
proposals to approve the creation of distributable reserves of Endo International, are approved by the En
shareholders. The creation of distributable reserves requires the approval of the Irish High Court which
seek following completion of the merger. Endo International is not aware of any reason why the Irish Hi
approve the creation of distributable reserves; however, the issuance of the required order is a matter for
High Court and there is no guarantee that such approval will be forthcoming. Even if the Irish High Cou
creation of distributable reserves, it may take substantially longer than the parties anticipate.

Endo International does not expect to pay dividends for the foreseeable future, and you must rely on inc
of the Endo International ordinary shares for returns on your investment.

Endo has never paid cash dividends on its common stock. Endo International does not expect to pay div
future. Endo International anticipates that it will retain all earnings, if any, to support its operations. Any
to the payment of dividends will, subject to Irish legal requirements, be at the sole discretion of the Endo
directors and will depend on Endo International's financial condition, results of operations, capital requi
the Endo International board of directors deems relevant. Holders of Endo International ordinary shares
the trading price of their shares for returns on their investment in the foreseeable future.

After the completion of the merger, attempted takeovers of Endo International will be subject to Irish Ta
to review by the Irish Takeover Panel.

Delaware's anti-takeover statutes and laws regarding directors' fiduciary duties give the boards of direct
against unwanted takeover proposals. Following the closing, Endo International will become subject to

Table of Contents

under which the Endo International board of directors will not be permitted to take any action which mi
Endo International ordinary shares once it has received an approach which may lead to an offer or has re
imminent. Further, it could be more difficult for Endo International to obtain shareholder approval for a
transaction after the closing of the business combination because the shareholder approval requirements
transactions differ, and in some cases are greater, under Irish law than under Delaware law.
Following the completion of the merger, a future transfer of Endo International ordinary shares may be s
Transfers of Endo International ordinary shares could be subject to Irish stamp duty. However, transfers
ordinary shares effected by means of the transfer of book entry interests in DTC will not be subject to Ir
A submission is being made to the Irish Revenue Commissioners to seek confirmation in relation to the
respect of the transfer of book entry interests in Clearing and Depositary Services Inc. (CDS). If this con
transfers of Endo International ordinary shares effected by means of the transfer of book entry interests
to Irish stamp duty. No assurance can be given that this confirmation will be forthcoming.
It is anticipated that the majority of Endo International ordinary shares will be traded through DTC and/
hold such shares on behalf of customers.
Endo International ordinary shares held directly (i.e a registered shareholder) could be subject to Irish st
rate of 1% of the higher of the price paid or the market value of the shares acquired) on any transfer. Pay
is generally a legal obligation of the transferee.
The imposition of stamp duty could adversely affect the price of your shares.
Dividends paid by Endo International may be subject to Irish dividend withholding tax.
In certain limited circumstances, dividend withholding tax (currently at a rate of 20%) may arise in resp
Endo International ordinary shares. A number of exemptions from dividend withholding tax exist, such
in European Union member states (other than Ireland) or other countries with which Ireland has signed a
would include the U.S. or Canada, should generally be entitled to exemptions from dividend withholdin
appropriate documentation is in place. Please note the requirement to complete certain dividend withhol
qualify for many of the exemptions.
It is expected that shareholders resident in the U.S. who hold their shares through DTC may not be subje
withholding tax if the addresses of the beneficial owners of such shares in the records of the brokers hol
recorded as being in the U.S. (and such brokers have further transmitted the relevant information to a qu
appointed by Endo International).
However, other shareholders may be subject to dividend withholding tax, which could adversely affect t
After the transaction, dividends received by Irish residents and certain other shareholders may be subjec
Shareholders entitled to an exemption from Irish dividend withholding tax on dividends received from E
be subject to Irish income tax in respect of those dividends, unless they have some connection with Irela
shareholding in Endo International (for example, they are resident in Ireland). Shareholders who receive
dividend withholding tax will generally have no further liability to Irish income tax on those dividends.
Risks Related to the Tax Consequences of the Merger and Arrangement
Certain Irish Tax Consequences of the Merger and Arrangement
No Irish tax should arise for Endo shareholders or Paladin shareholders pursuant to the merger and the a
shareholders are resident or ordinarily resident in Ireland or hold such shares in connection with a trade
through an Irish branch or agency.
It is recommended that each shareholder or shareholder consult his or her own tax advisor as to the tax c
shares in and receiving dividends from Endo International.
Item 1B. Unresolved Staff Comments
None.

Table of Contents

Item 2. Properties

Our significant properties at December 31, 2013 are as follows:

Location	Purpose	App Squ Foo
Corporate Properties:		
Malvern, Pennsylvania	Corporate Headquarters	299
Austin, Texas	Shared Services Center	15,7
Chadds Ford, Pennsylvania	Former Corporate Headquarters*	64,4
Chadds Ford, Pennsylvania	Former Corporate Headquarters*	48,6
Chadds Ford, Pennsylvania	Former Corporate Headquarters*	23,9
Endo Pharmaceuticals Segment Properties:		
Cranbury, New Jersey	Distribution/Manufacturing	51,0
Qualitest Segment Properties:		
Westbury, New York	Research & Development	24,1
Huntsville, Alabama	Qualitest Pharmaceuticals Headquarters/Distribution	280
Huntsville, Alabama	Distribution/Manufacturing/Laboratories	180
Huntsville, Alabama	Distribution/Manufacturing/Laboratories	309
Charlotte, North Carolina	Distribution/Manufacturing/Laboratories	60,0
Charlotte, North Carolina	Distribution	58,0
AMS Segment Properties:		
Minnetonka, Minnesota	AMS Headquarters/Warehouse/Research & Development/Manufacturing	230
Westmeath, Ireland	AMS Manufacturing	33,7
San Jose, California	AMS Office/Manufacturing/Research & Development/Warehouse	68,6
Properties classified as Assets Held for Sale:		
Austin, Texas	HealthTronics, Inc. Headquarters and Manufacturing/Service Center	80,2

(1) Lease term ends December, 2024
(2) Lease term ends December, 2017
(3) Lease term ends January, 2015
(4) Lease term ends March, 2018
(5) Lease term ends January, 2015
(6) Lease term ends March, 2015
(7) Lease term ends May, 2015. In connection with the consolidation of our generics research and develo Huntsville, Alabama, we exited this facility in February 2013.
(8) Lease term ends May, 2021
(9) Initial lease term ends January, 2021
(10) Lease term ends October, 2016
(11) Lease term ends December, 2017

*In connection with the relocation of our headquarters to Malvern, Pennsylvania, we exited these prope

Item 3. Legal Proceedings

The disclosures under Note 14. Commitments and Contingencies of the Consolidated Financial Stateme Item 15. of this report "Exhibits, Financial Statement Schedules" are incorporated into this Part I, Item 3

Item 4. Mine Safety Disclosures

Not applicable.

PART II

60

Table of Contents

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases
Market Information. Our common stock is traded on the NASDAQ Global Select Market under the sym
table sets forth the quarterly high and low share price information for the periods indicated. The prices s
between dealers, without adjustment for retail markups, markdowns or commissions, and may not repre

	Endo Commo High
Year Ended December 31, 2013	
1st Quarter	$33.32
2nd Quarter	$39.82
3rd Quarter	$46.09
4th Quarter	$67.63
Year Ended December 31, 2012	
1st Quarter	$39.29
2nd Quarter	$38.96
3rd Quarter	$33.86
4th Quarter	$33.03

Holders. As of February 20, 2014, we estimate that there were approximately 55 record holders of our c
Dividends. We have never declared or paid any cash dividends on our capital stock. In June 2011, we es
facility with Morgan Stanley Senior Funding, Inc., as administrative agent, Bank of America, N.A., as S
certain other lenders. We also entered into indentures in June 2011 and November 2010 among the Com
named therein and Wells Fargo Bank, National Association, as trustee, which governs the terms of the C
aggregate principal amount of senior notes. Subject to certain limitations, we are permitted to pay divide
currently existing indebtedness.
Performance Graph. The following graph provides a comparison of the cumulative total stockholder retu
common stock with that of the cumulative total stockholder return on the (i) NASDAQ Stock Market In
NASDAQ Pharmaceutical Index, commencing on December 31, 2008 and ending December 31, 2013. T
invested on December 31, 2008 in the Company's common stock and in each of the comparative indices
performance is not necessarily indicative of future stock price

Table of Contents

performance.

	December 31,				
	2008	2009	2010	2011	20
Endo Health Solutions Inc.	$100.00	$79.29	$137.98	$133.42	$
NASDAQ Composite Index	$100.00	$144.88	$170.58	$171.30	$
NASDAQ Pharmaceutical Index	$100.00	$104.90	$109.55	$125.16	$

Recent sales of unregistered securities; Use of proceeds from registered securities. During the fourth qua
Company did not sell any unregistered securities.

Table of Contents

Purchase of equity securities by the issuer and affiliated purchasers. The following table reflects purchas
Solutions Inc. common stock by the Company during the three-months ended December 31, 2013:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	A V Y P
October 1, 2013 to October 31, 2013	—	—	—	$
November 1, 2013 to November 30, 2013	—	—	—	$
December 1, 2013 to December 31, 2013	—	—	—	$
Total	—	—	—	

(1) In August 2012, our Board of Directors approved a share repurchase program (the 2012 Share Repur Share Repurchase Program authorizes the Company to repurchase in the aggregate of up to $450.0 m outstanding common stock and is set to expire on March 31, 2015. The amounts above reflect shares Share Repurchase Plan at December 31, 2013. All shares are to be purchased in the open market or i transactions, as in the opinion of management, market conditions warrant.

Item 6. Selected Financial Data

The consolidated financial data presented below have been derived from our audited financial statement consolidated financial data presented below should be read in conjunction with Part II, Item 7. of this re Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 8. of this re Statements and Supplementary Data". The selected data in this section is not intended to replace the Co Statements. The information presented below is not necessarily indicative of the results of our future op amounts have been reclassified to conform to the current year presentation.

The assets of our HealthTronics business and related liabilities are classified as held for sale in the Cons and its operating results are reported as Discontinued operations, net of tax in the Consolidated Statemer periods presented.

Table of Contents

	Year Ended December 31,			
	2013	2012	2011	201
	(dollars in thousands, except per share data)			
Consolidated Statement of Operations Data:				
Total revenues	$2,616,907	$2,815,736	$2,524,920	$1,
Operating (loss) income from continuing operations	(425,625)	(539,935)	464,978	447
(Loss) income from continuing operations before income tax	(559,567)	(730,423)	306,442	402
(Loss) income from continuing operations	(535,500)	(694,008)	194,358	265
Discontinued operations, net of tax	(96,914)	5,987	47,707	21,
Consolidated net (loss) income	(632,414)	(688,021)	242,065	287
Less: Net income attributable to noncontrolling interests	52,925	52,316	54,452	28,(
Net (loss) income attributable to Endo Health Solutions Inc.	$(685,339)	$(740,337)	$187,613	$25
Basic and Diluted net (loss) income per share attributable to Endo Health Solutions Inc.:				
Continuing operations - basic	$(4.73)	$(6.00)	$1.67	$2.
Discontinued operations - basic	(1.32)	(0.40)	(0.06)	(0.(
Basic	$(6.05)	$(6.40)	$1.61	$2.
Continuing operations - diluted	$(4.73)	$(6.00)	$1.60	$2.
Discontinued operations - diluted	(1.32)	(0.40)	(0.05)	(0.(
Diluted	$(6.05)	$(6.40)	$1.55	$2.
Shares used to compute basic net (loss) income per share attributable to Endo Health Solutions Inc.	113,295	115,719	116,706	116
Shares used to compute diluted net (loss) income per share attributable to Endo Health Solutions Inc.	113,295	115,719	121,178	117
Cash dividends declared per share	$—	$—	$—	$—
	As of and for the Year Ended December 31,			
	2013	2012	2011	201
	(dollars in thousands)			
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$526,597	$529,689	$526,644	$44
Total assets	6,571,856	6,568,559	7,292,583	3,9
Long-term debt, less current portion, net	3,323,844	3,035,031	3,421,590	1,0
Other long-term obligations, including capitalized leases	966,124	649,134	616,324	232
Total Endo Health Solutions Inc. stockholders' equity	526,018	1,072,856	1,977,690	1,7
Noncontrolling interests	59,198	60,350	61,901	61,
Total stockholders' equity	$585,216	$1,133,206	$2,039,591	$1,
Other Financial Data:				
Net cash provided by operating activities	$298,517	$733,879	$702,115	$45
Net cash used in investing activities	$(883,639)	$(88,467)	$(2,374,092)	$(8
Net cash provided by (used in) financing activities	$579,525	$(645,547)	$1,752,681	$20

The comparability of the forgoing information is impacted by certain charges for asset impairments and
and other matters during 2013 and 2012, and a number of significant acquisitions that have occurred sin
debt incurred to finance these acquisitions. These business combinations have had a significant impact o
statements in their respective years of acquisition and in subsequent years. This impact results from the

by

64

Table of Contents

the Company for the acquisition, the initial and subsequent purchase accounting for the underlying acqu
post-acquisition consolidation of the acquired entity's assets, liabilities and results of operations.
The assets of the Company's HealthTronics business and related liabilities are classified as held for sale
Balance Sheets and its operating results are reported as Discontinued operations, net of tax in the Conso
Operations for all periods presented.
For further information regarding the comparability of the financial data presented in the tables above ar
comparability of future results, refer to Item 7. Management's Discussion and Analysis of Financial Con
Operations as well as the Consolidated Financial Statements and related notes included in this report and
Reports on Form 10-K.

Table of Contents

Item 7. 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 Operation principal factors affecting the results of operations, liquidity and capital resources, and critical accountin discussion should be read in conjunction with our audited Consolidated Financial Statements and related the historical information contained in this Report, including the following discussion, this Report conta statements that involve risks and uncertainties. See "Forward-Looking Statements" beginning on page 1

The assets of our HealthTronics business and related liabilities are classified as held for sale in the Cons and its operating results are reported as Discontinued operations, net of tax in the Consolidated Statemer periods presented.

EXECUTIVE SUMMARY

Endo Health Solutions Inc., (which we refer to herein as "Endo", the "Company", "we", "our" or "us") is company focused on branded and generic pharmaceuticals and devices. We aim to be the premier partne professionals and payment providers, delivering an innovative suite of complementary branded and gene meet the needs of patients in areas such as pain management, urology, oncology and endocrinology.

We regularly evaluate and, where appropriate, execute on opportunities to expand through acquisition o in areas that will serve patients and customers and that Endo believes will offer above average growth ch attractive margins. In particular, Endo looks to continue to enhance its product lines by acquiring or lice products and regularly evaluating selective acquisition and license opportunities. Such acquisitions or li through the purchase of assets, joint ventures and licenses or by acquiring other companies.

The following key events and transactions occurred during 2013 as discussed in further detail in the Stra Developments and Results of Operations sections of Management's Discussion and Analysis:

- Rajiv De Silva, Suketu P. Upadhyay and Don DeGolyer were appointed as our new President and Chief Executive Vice President and Chief Financial Officer and Chief Operating Officer of Endo Pharmaceuti
- Arthur J. Higgins was appointed to the Board of Directors in December 2013, following the resign Scodari from the Board of Directors.
- During the first quarter of 2013, our subsidiary Endo Pharmaceuticals Inc. (EPI) commenced Lidoderm wholesaler affiliate of Watson pursuant to the 2012 Watson Settlement Agreement. On September 16, 2 lidocaine patch 5%, its generic version of Lidoderm®.
- On March 26, 2013, we amended and restated our existing credit agreement to extend its term by appro modify its covenants to provide us with greater financial and operating flexibility.
- In May 2013, the FDA issued Endo Pharmaceuticals a complete response letter regarding the NDA for A subsequently submitted a complete response with respect to the NDA for Aveed™. This complete respo review by the FDA in September 2013. In connection with this acceptance, the FDA assigned Endo's N date of February 28, 2014.
- On June 4, 2013, the Company's Board of Directors approved certain strategic, operational and the Company to take to refocus its operations and enhance shareholder value. These actions wer comprehensive assessment of the Company's strengths and challenges, its cost structure and exe most promising opportunities to drive future cash flow and earnings growth. The cost reduction reduction in headcount of approximately 15% worldwide, streamlining of general and administr commercial spend and refocusing research and development efforts.
- On August 28, 2013, Endo announced that it had entered into a definitive agreement to acquire Boca, a company that focuses on niche areas, commercializing and developing products in categories that includ semisolids and solutions.
- On November 5, 2013, the Company announced that it had reached a definitive agreement to acquire Pa transaction valued at approximately $2.7 billion as of February 20, 2014. Pursuant to the acquisition, ea will be acquired by Endo International, a newly-formed Irish holding company.
- On December 19, 2013, the Company issued $700.0 million in aggregate principal amount of 5.75% Se issue price of par.
-

On December 28, 2013 the Company's Board of Directors approved a plan to sell its HealthTronics busi
the Company entered into a definitive agreement to sell its HealthTronics business. We closed the sale o
business on February 3, 2014.

Table of Contents

Highlights

The following table is a summary of our financial highlights for the three years ended December 31 (do

	2013	2012	2011
Total revenues	$2,616,907	$2,815,736	$2,524,92
Total costs and expenses	$3,042,532	$3,355,671	$2,059,94
(Loss) income from continuing operations before income tax	$(559,567)	$(730,423)	$306,442
Income tax	$(24,067)	$(36,415)	$112,084
Discontinued operations, net of tax	$(96,914)	$5,987	$47,707
Net (loss) income attributable to Endo Health Solutions, Inc	$(685,339)	$(740,337)	$187,613
Net (loss) income attributable to Endo Health Solutions, Inc common stockholders-Basic			
Continuing operations	$(4.73)	$(6.00)	$1.67
Discontinued operations	$(1.32)	$(0.40)	$(0.06
Basic	$(6.05)	$(6.40)	$1.61
Net (loss) income attributable to Endo Health Solutions, Inc common stockholders-Diluted			
Continuing operations	$(4.73)	$(6.00)	$1.60
Discontinued operations	$(1.32)	$(0.40)	$(0.05
Diluted	$(6.05)	$(6.40)	$1.55
Cash, cash equivalents and marketable securities	$529,576	$531,435	$545,749

Business Environment

The Company conducts its business within the pharmaceutical and devices industries, which are highly numerous government regulations. Many competitive factors may significantly affect the Company's sa including efficacy, safety, price and cost-effectiveness, marketing effectiveness, product labeling, qualit assurance at our and our third-party manufacturing operations and research and development of new pro successfully for business in the healthcare industry, the Company must demonstrate that its products off as cost advantages. Currently, most of the Company's products compete with other products already on therapeutic category, and are subject to potential competition from new products that competitors may i Generic competition is one of the Company's leading challenges. Similarly, the Company competes wit respect to the devices we offer, as well as providers of alternative treatments.

In the pharmaceutical industry, the majority of an innovative product's commercial value is usually real the product has market exclusivity. When a product loses exclusivity, it is no longer protected by a pate competing products in the form of generic brands. Upon loss of exclusivity, the Company can lose a ma product's sales in a short period of time. Intellectual property rights have increasingly come under attac environment. Generic drug firms continue to file ANDAs seeking to market generic forms of certain of pharmaceutical products, prior to expiration of the applicable patents covering those products. In the eve successful in defending the patent claims challenged in ANDA filings, the generic firms will then introd the product at issue, resulting in the potential for substantial market share and revenue losses for that pro description of legal proceedings, see Note 14. Commitments and Contingencies in the Consolidated Fina included in Part IV, Item 15. of this report "Exhibits, Financial Statement Schedules".

The healthcare industry is subject to various government-imposed regulations authorizing prices or price will continue to have an impact on the Company's sales. The U.S. Congress and some state legislatures of proposals and have enacted laws that could result in major changes in the current healthcare system, e state level. Driven in part by budget concerns, Medicaid access and reimbursement restrictions have bee states and proposed in many others. In addition, the Medicare Prescription Drug Improvement and Mod outpatient prescription drug coverage to senior citizens in the U.S. This legislation has had a modest fav Company as a result of an increase in the number of seniors with drug coverage. At the same time, there potential negative impact on the U.S. pharmaceutical business that could result from pricing pressures o

The growth of Managed Care Organizations (MCOs) in the U.S. has increased competition in the health to reduce healthcare expenditures for participants by making volume purchases and entering into long-te discounts with various pharmaceutical providers. Because of the market potential created by the large po marketing

Table of Contents

prescription drugs to MCOs has become an important part of the Company's strategy. Companies comp
formularies and the Company generally has been successful in having its major products included. The
developments in the managed care industry, including continued consolidation, have had and will contin
downward pressure on prices.

Changes in the behavior and spending patterns of purchasers of health care products and services, includ
procedures, rationing prescription medications, reducing the frequency of physician visits and foregoing
coverage, may impact the Company's business.

Pharmaceutical production processes are complex, highly regulated and vary widely from product to pro
pharmaceutical manufacturing operations at our Qualitest Pharmaceuticals locations, we contract with v
manufacturers and suppliers to provide us with raw materials used in our products and finished goods. C
agreements are with Novartis Consumer Health, Inc. and Novartis AG, Teikoku Seiyaku Co., Ltd., Nora
GMBH and Sharp Corporation. Shifting or adding manufacturing capacity can be a lengthy process that
expenditures and regulatory approvals. If for any reason we are unable to continue our internal manufac
sufficient quantities of any of the finished goods or raw materials or components required for our produc
material adverse effect on our business, financial condition, results of operations and cash flows.

Strategy

Our strategy is focused on continuing our progress in becoming a leading global specialty healthcare co
and efficient operating model, we are committed to serving patients and customers while continuing to i
make a difference in the lives of its patients. We strive to maximize shareholder value by adapting to ma
customer needs.

We are committed to driving organic growth at attractive margins by improving execution, optimizing c
our strong market position while maintaining a streamlined cost structure throughout each of our busine
management's focus include:

- Endo Pharmaceuticals: Enhancing performance of organic growth drivers, increasing profitability from
brands and investing in key late-stage pipeline opportunities.
- Qualitest: Capitalizing on encouraging demand trends for a differentiated portfolio of controlled substar
effective R&D investment by targeting low-risk, high-return opportunities in generics.
- American Medical Systems: Utilizing its leading position in urology to enhance demand for American M
products and services in attractive growth markets.

We remain committed to R&D across each business unit with a particular focus on development capabil
revenue generating assets. We also seek to identify incremental growth opportunities through product li

In addition to a focus on organic growth drivers, we are also actively pursuing accretive acquisitions tha
synergies, enhance our strategic position and accelerate future growth.

Since June 2013, we have announced the following acquisitions:

- On August 28, 2013, Endo announced that it had entered into a definitive agreement to acquire Boca, a
company that focuses on niche areas, commercializing and developing products in categories that includ
semisolids and solutions. We believe Boca's commercial footprint and R&D pipeline are a strong comp
- On November 5, 2013, Endo announced that it had entered into a definitive agreement to acquire Paladi
Endo's strategic transformation to a leading global specialty healthcare company and create a platform f
America and internationally.

Pipeline Developments

Aveed™. Aveed™ is a novel, long-acting injectable testosterone preparation for the treatment of male h
hypogonadism is an increasingly recognized medical condition characterized by a reduced or absent sec
the testes. Reduced testosterone levels can lead to health problems and significantly impair quality of lif
hypogonadism include decreased sexual desire, erectile dysfunction, muscle loss and weakness, depress
of osteoporosis. If approved, Aveed™ would be the first long-acting injectable testosterone preparation
the growing market for testosterone replacement therapies. The U.S. rights to Aveed™ were acquired fr
Germany, in July 2005. Although not yet approved in the U.S., Aveed™ is approved in and currently m
number of other countries. In May 2010, a new patent covering Aveed™ was issued by the U.S. Patent

The patent’s expiration date is March 14, 2027.

On December 2, 2009, we received a Complete Response letter from the FDA regarding Aveed™. In 20
Company met with the FDA to discuss the existing clinical data provided to the FDA as well as the pote

Table of Contents

November 2012, as a follow up to our 2011 meeting with the FDA, the Company submitted a complete
conducting an extensive review of all clinical study and post-marketing data. The FDA held an advisory
April 2013, and Endo submitted new data to FDA in August 2013. A new PDUFA date was set for Febr
BEMA® Buprenorphine. In January 2012, the Company signed a worldwide license and development ag
Sciences International, Inc. (BioDelivery) for the exclusive rights to develop and commercialize BEMA
Buprenorphine is a transmucosal form of buprenorphine, a partial mu-opiate receptor agonist, which inc
mucoadhesive (BEMA®) technology. In January 2014, the Company achieved positive top-line results f
efficacy study of BEMA buprenorphine in opioid- naive subjects for the treatment of moderate to severe
requiring around-the-clock opioid therapy. The second Phase III clinical study of BEMA Buprenorphine
patient group is ongoing with results anticipated in mid-2014.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

To understand our financial statements, it is important to understand our critical accounting estimates. T
financial statements in conformity with accounting principles generally accepted in the U.S. requires us
assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets
of the financial statements and the reported amounts of revenues and expenses during the reporting perio
and assumptions are required in the determination of revenue recognition and sales deductions for estim
sales incentives and allowances, certain royalties, distribution service fees, returns and allowances. Sign
assumptions are also required when determining the fair value of financial instruments, the valuation of
taxes, contingencies and stock-based compensation. Some of these judgments can be subjective and con
actual results may differ from these estimates. For any given individual estimate or assumption made by
other estimates or assumptions that are reasonable. Although we believe that our estimates and assumpti
are based upon information available at the time the estimates and assumptions were made. Actual resul
from our estimates.

We consider an accounting estimate to be critical if: (1) the accounting estimate requires us to make assu
that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimate
to occur from period to period, or use of different estimates that we reasonably could have used in the cu
a material impact on our financial condition results of operations or cash flows. Our most critical accoun
described below:

Revenue recognition

Pharmaceutical Products

Our net pharmaceutical product sales consist of revenues from sales of our pharmaceutical products, les
chargebacks, rebates, sales incentives and allowances, certain royalties, distribution service fees, returns
fees for services. We recognize revenue for product sales when title and risk of loss has passed to the cu
upon delivery to the customer, when estimated provisions for chargebacks, rebates, sales incentives and
royalties, distribution service fees, returns and allowances are reasonably determinable, and when collec
assured. Revenue from the launch of a new or significantly unique product, for which we are unable to d
historical data on which to base estimates of returns and allowances due to the uniqueness of the therape
technology as compared to other products in our portfolio and in the industry, may be deferred until such
be determined and all of the conditions above are met and when the product has achieved market accept
based on dispensed prescription data and other information obtained during the period following launch.

Decisions made by wholesaler customers and large retail chain customers regarding the levels of invento
amount of product they purchase from us) can materially affect the level of our sales in any particular pe
correlate to the number of prescriptions written for our products based on external third-party data. We b
buying of product, particularly in anticipation of possible price increases, has been the historic practice o
wholesalers. In recent years, our wholesaler customers, as well as others in the industry, began modifyin
from arrangements where they derive profits from price arbitrage, to arrangements where they charge a
Accordingly, we have entered into DSAs with four of our significant wholesaler customers. These agree
branded products only, obligate the wholesalers to provide us with specific services, including the provi
demand information and current inventory levels for our branded products held at their warehouse locati

these DSAs, the wholesalers have agreed to manage the variability of their purchases and inventory leve
based on product demand.

Under the DSAs, we receive information from our four wholesaler customers about the levels of invento
branded products as of December 31, 2013. Based on this information, which we have not independentl
total branded inventory held at these wholesalers is within normal levels. In addition, we also evaluate n

Table of Contents

products primarily through the analysis of wholesaler and other third party sell-through and market rese
internally-generated information.

Devices

As a result of our acquisition of AMS, we sell products in this market through a direct sales force. A por
generated from consigned inventory or from inventory with field representatives. For these products, rev
time the product has been used or implanted. For all other transactions, we recognize revenue when title
loss transfer to our customers providing there are no remaining performance obligations required from u
customer acceptance. In cases where we utilize distributors or ship product directly to the end user, we r
shipment provided all revenue recognition criteria have been met. We record estimated sales returns, dis
reduction of net sales in the period the related revenue is recognized.

We provide incentives to customers, including volume based rebates. Customers are not required to pro
would allow us to reasonably estimate the fair value of the benefit received and we do not receive an ide
exchange for the consideration. Accordingly, the incentives are recorded as a reduction of revenue.

Our AMS customers have rights of return for the occasional ordering or shipping error. We maintain an
returns and reduce reported revenue for expected returns from shipments during each reporting period. T
historical and current trends in product returns.

Services

Our fees for the urology and pathology services performed by our HealthTronics segment are recorded w
performed and are based on contracted rates. Management fees from our HealthTronics, Inc. limited par
monthly when earned. The assets of this business segment and related liabilities are classified as held fo
Balance Sheets for all periods presented. The operating results of this business segment are reported as I
net of tax in the Consolidated Statements of Operations for all periods presented.

Other

Product royalties received from third party collaboration partners and licensees of our products and pate
revenues. Royalties are recognized as earned in accordance with the contract terms when royalties from
reasonably estimated and collectability is reasonably assured. If royalties cannot be reasonably estimate
royalty amount is not reasonably assured, royalties are recognized as revenue when the cash is received.

Table of Contents

Sales deductions

When we recognize revenue from the sale of our products, we simultaneously record an adjustment to re chargebacks, rebates, sales incentives and allowances, certain royalties, DSA fees, returns and allowanc described in greater detail below, are estimated based on historical experience, estimated future trends, e inventory levels, current contract sales terms with our wholesale and indirect customers and other comp assumptions we used to calculate these adjustments do not appropriately reflect future activity, our finar operations and cash flows could be materially impacted. The following table presents the activity and en product sales provisions for the three years ended December 31 (in thousands):

	Returns and Allowances	Rebates	Chargebacks	Oth Dec
Balance at January 1, 2011	$65,021	$203,225	$87,820	$15
Additions related to acquisitions	3,594	194	—	—
Current year provision	52,027	842,674	801,543	85,
Prior year provision	3,697	2,312	—	—
Payments or credits	(34,264)	(739,494)	(772,542)	(79
Balance at December 31, 2011	$90,075	$308,911	$116,821	$21
Current year provision	39,909	872,709	716,982	87,4
Prior year provision	(15,556)	(9,163)	(100)	(70
Payments or credits	(28,613)	(844,531)	(772,401)	(90
Balance at December 31, 2012	$85,815	$327,926	$61,302	$17
Current year provision	71,868	1,038,064	775,109	50,3
Prior year provision	(5,072)	(11,152)	—	—
Payments or credits	(46,234)	(1,017,873)	(718,397)	(55
Balance at December 31, 2013	$106,377	$336,965	$118,014	$12

Returns and Allowances

Our provision for returns and allowances consists of our estimates of future product returns, pricing adju errors. Consistent with industry practice, we maintain a return policy that allows our customers to return specified period of time both prior and subsequent to the product's expiration date. Our return policy all credit for expired products within six months prior to expiration and within one year after expiration. Th consider in estimating our potential product returns include:

- the shelf life or expiration date of each product;
- historical levels of expired product returns;
- external data with respect to inventory levels in the wholesale distribution channel;
- external data with respect to prescription demand for our products; and
- estimated returns liability to be processed by year of sale based on analysis of lot information related to

In determining our estimates for returns and allowances, we are required to make certain assumptions re introduction of new products and the potential of these products to capture market share. In addition, we with respect to the extent and pattern of decline associated with generic competition. To make these asse market data for similar products as analogs for our estimations. We use our best judgment to formulate t on past experience and information available to us at the time. We continually reassess and make the ap estimates and assumptions as new information becomes available to us.

Our estimate for returns and allowances may be impacted by a number of factors, but the principal facto inventory in the distribution channel. When we are aware of an increase in the level of inventory of our channel, we consider the reasons for the increase to determine if the increase may be temporary or other in inventory levels assessed as temporary will not result in an adjustment to our provision for returns and Other-than-temporary increases in inventory levels, however, may be an indication that future product re originally anticipated and, accordingly, we may need to adjust our estimate for returns and allowances. S may be an indication that an increase in inventory levels will be temporary include:

•

recently implemented or announced price increases for our products; and

- new product launches or expanded indications for our existing products.

Table of Contents

Conversely, factors that may be an indication that an increase in inventory levels will be other-than-tem
- declining sales trends based on prescription demand;
- recent regulatory approvals to extend the shelf life of our products, which could result in a period of hig product with the shorter shelf life;
- introduction of new product or generic competition;
- increasing price competition from generic competitors; and
- recent changes to the National Drug Codes (NDCs) of our products, which could result in a period of hi product with the old NDC, as our customers generally permit only one NDC per product for identificati their inventory systems.

Rebates

We establish contracts with wholesalers, chain stores and indirect customers that provide for rebates, sal and other allowances. Some customers receive rebates upon attaining established sales volumes. We est incentives and other allowances based upon the terms of the contracts with our customers, historical exp inventory levels of our customers and estimated future trends. Our rebate programs can generally be cat four types:

- direct rebates;
- indirect rebates;
- managed care rebates; and
- Medicaid and Medicare Part D rebates.

Direct rebates are generally rebates paid to direct purchasing customers based on a percentage applied to purchases from us, including DSA fees paid to wholesalers under our DSA agreements, as described abo rebates paid to indirect customers which have purchased our products from a wholesaler under a contrac We are subject to rebates on sales made under governmental and managed-care pricing programs. In est these types of rebates, we consider relevant statutes with respect to governmental pricing programs and with managed-care providers and group purchasing organizations. Starting in 2011, as a result of the im provisions of the Healthcare Reform Act of 2010, we are required to provide a 50% discount on our bra who fall within the Medicare Part D coverage gap, also referred to as the donut hole. We estimate an acc Medicaid, Medicare Part D and Coverage Gap rebates as a reduction of revenue at the time product sale rebate reserves are estimated based upon the historical utilization levels, historical payment experience, revenues and estimated future trends. Changes in the level of utilization of our products through private and group purchasing organizations will affect the amount of rebates that we owe.

We participate in state government-managed Medicaid programs, as well as certain other qualifying fed programs whereby discounts and rebates are provided to participating government entities. Medicaid reb based upon contractual agreements or legal requirements with public sector (Medicaid) benefit provider of the product by a pharmacy to a benefit plan participant. Medicaid reserves are based on expected pay by patient usage, contract performance, as well as field inventory that will be subject to a Medicaid reba typically billed up to 180 days after the product is shipped, but can be as much as 270 days after the qua is dispensed to the Medicaid participant. As a result, our Medicaid rebate provision includes an estimate end-customer sales that occurred but for which the related claim has not been billed and an estimate for made when inventory in the distribution channel is sold through to plan participants. Our calculation als such as estimates of sales mix, to determine which sales are subject to rebates and the amount of such re adjust the Medicaid rebate provision based on actual claims paid. Due to the delay in billing, adjustment may incorporate revisions of this provision for several periods. Medicaid pricing programs involve parti interpretations of statutes and regulatory guidance, which are complex and thus our estimates could diff We continually update these factors based on new contractual or statutory requirements and significant c may impact the percentage of our products subject to rebates.

Table of Contents

Chargebacks

The provision for chargebacks is one of the most significant and the most complex estimates used in the revenue. We market and sell products directly to wholesalers, distributors, warehousing pharmacy chain purchasing groups. We also market products indirectly to independent pharmacies, non-warehousing ch organizations, and group purchasing organizations, collectively referred to as indirect customers. We en some indirect customers to establish contract pricing for certain products. These indirect customers then wholesaler from which to purchase the products at these contracted prices. Alternatively, we may pre-au offer specified contract pricing to other indirect customers, including government entities. Under either credit to the wholesaler for any difference between the contracted price with the indirect customer and th price. Such credit is called a chargeback. The primary factors we consider in developing and evaluating chargebacks include:

- the average historical chargeback credits;
- estimated future sales trends; and
- an estimate of the inventory held by our wholesalers, based on internal analysis of a wholesaler's histori sales.

Other sales deductions

We offer our customers 2.0% prompt pay cash discounts. Provisions for prompt pay discounts are estim time of sale. We estimate provisions for cash discounts based on contractual sales terms with customers invoices and historical payment experience. Estimated cash discounts have historically been predictable the limited number of assumptions involved, the consistency of historical experience and the fact that w amounts within thirty to sixty days.

Shelf-stock adjustments are credits issued to our customers to reflect decreases in the selling prices of ou are customary in the industry and are intended to reduce a customer's inventory cost to better reflect cur determination to grant a shelf-stock credit to a customer following a price decrease is at our discretion ra required. The primary factors we consider when deciding whether to record a reserve for a shelf-stock a

- the estimated number of competing products being launched as well as the expected launch date, on market intelligence;
- the estimated decline in the market price of our product, which we determine based on historical experie and
- the estimated levels of inventory held by our customers at the time of the anticipated decrease in market determine based upon historical experience and customer input.

Valuation of long-lived assets

Long-lived assets, including property, plant and equipment, licenses, developed technology, tradenames for impairment whenever events or changes in circumstances indicate the carrying amount of the asset m Recoverability of assets that will continue to be used in our operations is measured by comparing the ca to the forecasted undiscounted future cash flows related to the asset. In the event the carrying value of th undiscounted future cash flows and the carrying value is not considered recoverable, impairment exists. measured as the excess of the asset's carrying value over its fair value, generally based on a discounted independent appraisals or preliminary offers from prospective buyers. An impairment loss would be rec Consolidated Statements of Operations in the period that the impairment occurs. As a result of the signif intangibles, any recognized impairment loss could have a material adverse impact on our financial posit operations.

Events giving rise to impairment are an inherent risk in the pharmaceutical industry and cannot be predi consider in deciding when to perform an impairment review include significant under-performance of a expectations, significant negative industry or economic trends and significant changes or planned chang Our reviews of long-lived assets during the three years ended December 31, 2013 resulted in certain ass which are described above under the caption "RESULTS OF OPERATIONS".

The cost of licenses are either expensed immediately or, if capitalized, are stated at cost, less accumulate amortized using the straight-line method over their estimated useful lives ranging from 1 to 15 years, wi

useful life of approximately 8 years. We determine amortization periods for licenses based on our assess
impacting estimated useful lives and cash flows of the acquired rights. Such factors include the expected
product, the strength of the intellectual property protection of the product and various other competitive
regulatory issues, and contractual terms. Significant changes to any of these factors may result in a redu

Table of Contents

the license and an acceleration of related amortization expense, which could cause our operating income
income per share to decrease. The value of these licenses is subject to continuing scientific, medical and
Acquired customer relationships are recorded at fair value upon acquisition and are amortized using esti
from 13 to 17 years, with a weighted average useful life of approximately 16 years. We determine amor
customer relationships based on our assessment of various factors impacting estimated useful lives and
acquired assets. Such factors include the strength of the customer relationships, contractual terms and ou
future relations with our customers. Significant changes to any of these factors may result in a reduction
asset and an acceleration of related amortization expense, which could cause our operating income, net i
share to decrease.
Acquired tradenames are recorded at fair value upon acquisition and, if deemed to have definite lives, ar
estimated useful lives ranging from 15 to 30 years, with a weighted average useful life of approximately
amortization periods for tradenames based on our assessment of various factors impacting estimated use
from the acquired assets. Such factors include the strength of the tradename and our plans regarding the
tradename. Significant changes to any of these factors may result in a reduction in the useful life of the a
of related amortization expense, which could cause our operating income, net income and net income pe
Acquired developed technology is recorded at fair value upon acquisition and amortized using estimated
3 to 20 years, with a weighted average useful life of approximately 16 years. We determine amortization
technology based on our assessment of various factors impacting estimated useful lives and cash flows o
Such factors include the strength of the intellectual property protection of the product and various other
regulatory issues, and contractual terms. Significant changes to any of these factors may result in a redu
the asset and an acceleration of related amortization expense, which could cause our operating income,
per share to decrease. The value of these assets is subject to continuing scientific, medical and marketpla
Goodwill and indefinite-lived intangible assets
Endo tests goodwill and indefinite-lived intangible assets for impairment annually, or more frequently w
changes in circumstances indicate that the asset might be impaired. Our annual assessment has historica
January 1st. However, during the third quarter of 2012, we changed our annual goodwill and indefinite-l
impairment test date from January 1st to October 1st, which necessitated completing a test as of October
than 12 months elapsed between annual tests. The goodwill test consists of a Step I analysis that require
the respective reporting unit's fair value and carrying amount. A Step II analysis would be required if th
unit is lower than its carrying amount. If the fair value of the reporting unit exceeds its carrying amount,
exist and no further analysis is required. The indefinite-lived intangible asset impairment test consists of
compares the fair value of the intangible asset with its carrying amount. If the carrying amount of an inta
fair value, an impairment loss is recognized in an amount equal to that excess. Although the Company h
segments, Endo Pharmaceuticals, Qualitest and AMS, we have determined for our annual goodwill impa
Company has four reporting units; (1) Pain, (2) Generics, (3) Urology, Endocrinology and Oncology (U
addition, the Company has two reporting units, Urology Services and HealthTronics Information Techno
HealthTronics. In August 2013, the Company sold the Anatomical Pathology Services reporting unit, wi
HealthTronics business. The HealthTronics business and related liabilities are classified as held for sale
Balance Sheets and its operating results are reported as Discontinued operations, net of tax in the Conso
Operations for all periods presented.
In June 2013, the Company's Board of Directors approved certain strategic, operational and organizatio
to take to refocus its operations and enhance shareholder value, including cost reduction initiatives and p
alternatives for its HealthTronics business. During the third quarter of 2013, the Company determined th
HealthTronics business was more-likely-than-not to occur over the next twelve months. Accordingly, w
goodwill impairment analysis of the HealthTronics reporting units' goodwill balances as of September 3
the Urology Services and ITS reporting units were estimated using a number of factors including the fai
by the ongoing sales process and previously prepared discounted cash flow analyses. As a result of this
determined that the net book value of both our Urology Services reporting unit and our HITS reporting u
estimated fair value. The Company prepared a preliminary analysis to estimate the amount of an impairm

September 30, 2013, and determined that an impairment was probable and reasonably estimable. The pr
assessments were performed by the Company taking into consideration a number of factors including th
hypothetical purchase price allocation. As a result of the preliminary analysis, the Company recorded a
goodwill impairment charge of $38.0 million in the Condensed Consolidated Statements of Operations
ended September 30, 2013, representing the difference between the estimated implied fair value of the

Table of Contents

units' goodwill and their respective net book values. The Company finalized the impairment analysis in
when it recorded charges of $118.9 million to write down the book value of the reporting units' assets to
sell.
Additionally, in June 2013, the Company began marketing for sale the anatomical pathology services re
with the planned sale of this reporting unit, we recorded asset impairment charges of $4.2 million during
2013 to write down the book value of this reporting unit's assets to fair value less costs to sell.
As noted above, we completed our annual impairment tests as of October 1, 2013 and October 1, 2012.
conditions, and, in some cases, a lack of comparable market transactions for similar assets, Endo determ
approach using a discounted cash flow model was an appropriate valuation methodology to determine e
value for goodwill impairment testing and each asset's fair value for indefinite-lived intangible asset imp
discounted cash flow models are highly reliant on various assumptions, including estimates of future cas
long-term growth rates), discount rate, and expectations about variations in the amount and timing of ca
probability of achieving the estimated cash flows. These assumptions are based on significant inputs not
and thus represent Level 3 measurements within the fair value hierarchy. Discount rates applied to the e
our October 1, 2013 and October 1, 2012 annual goodwill and indefinite-lived intangible assets impairm
to 14.5% and 9.5% to 17.5%, respectively, depending on the overall risk associated with the particular a
factors. We believe the discount rates and other inputs and assumptions are consistent with those that a
use.
In order to assess the reasonableness of the calculated fair values of our reporting units, we also compare
units' fair values to Endo's market capitalization and calculate an implied control premium (the excess su
fair values over the market capitalization). The Company evaluates the control premium by comparing i
recent comparable market transactions, as applicable. If the control premium is not reasonable in light o
transactions, we reevaluate the fair value estimates of the reporting units by adjusting discount rates and
This reevaluation could correlate to lower implied fair values for certain or all of the Company's reporti

The results of our 2013 Step I analyses showed that the fair values of the Pain, UEO and Generics repor
respective carrying amounts. The excess of fair value over carrying amount for the UEO and Generics re
October 1, 2013 was $904.7 million and $1.6 billion, respectively, which was more than 100% of each r
amount. An increase of 50 basis points to our assumed discount rates used in testing either of these repo
changed the results of our Step I analyses.

The Pain reporting unit had a negative book value as of October 1, 2013. Accordingly, we also consider
quantitative factors to determine whether the goodwill associated with this reporting unit was more likel
factors we considered included market dynamics regarding the current product portfolio, the likelihood
and commercial success for certain pipeline products, and the estimated fair value of the Pain reporting
Based on these considerations, the Company concluded it was more likely than not that the goodwill ass
unit was not impaired as of October 1, 2013.

The result of the 2013 Step I analysis for the AMS reporting unit showed that the fair values of that repo
its carrying amount, thus requiring a Step II analysis for the reporting unit. The declines in the fair value
changes for other assets and liabilities in the Step II goodwill impairment test, resulted in an implied fai
the carrying amount of the goodwill for the reporting unit. Accordingly, we recorded combined pre-tax
impairment charges in the Consolidated Statement of Operations totaling $481.0 million in 2013. A 50 b
assumed discount rates utilized would have resulted in an increased goodwill impairment of approximat
AMS reporting unit.
The results of our 2012 Step I analyses showed that the fair values of the Pain, UEO and Generics repor
respective carrying amounts. The excess of fair value over carrying amount for each of these reporting u
ranged from approximately 70% to more than 100% of carrying amount or $355.8 million to $1.5 billio
increase of 50 basis points to our assumed discount rates used in testing any of these reporting units wou

results of our Step I analyses.

The results of the analysis for the Urology Services reporting unit, which held $139.9 million of goodwi showed fair value that exceeded its carrying amount by 8% or $16.4 million. An increase of 50 basis po discount rates used in testing this reporting unit would not have changed the result of our Step I analysis

The result of the 2012 Step I analysis for the AMS reporting unit showed that the fair values of that repo its respective carrying amounts, thus requiring a Step II analysis for the reporting unit. The declines in th fair value changes for other assets and liabilities in the Step II goodwill impairment test, resulted in an i

Table of Contents

goodwill below the carrying amount of the goodwill for the reporting unit. Accordingly, we recorded a p
impairment charge in the Consolidated Statement of Operations totaling $507.5 million in 2012. A 50 ba
assumed discount rates utilized would have resulted in an increased goodwill impairment of approximat
AMS reporting unit.

The results of the 2012 Step 1 analyses for the Anatomical Pathology Services and HITS reporting units
values of those reporting units were lower than their respective carrying amounts, thus requiring a Step
reporting unit. The declines in these fair values, as well as fair value changes for other assets and liabilit
impairment test, resulted in an implied fair value of goodwill below the carrying amount of the goodwil
Accordingly, we recorded combined pre-tax non-cash goodwill impairment charges in the Consolidated
totaling $49.9 million in 2012. A 50 basis point increase in the assumed discount rates utilized would ha
goodwill impairment of approximately $2 million for the HITS reporting unit.

These impairment charges are further described above under the caption "RESULTS OF OPERATIONS
Other than these charges, there were no additional impairments of goodwill recorded as a result of perfo
assessments during the three years ended December 31, 2013.

Our annual review of indefinite-lived intangible assets during the three years ended December 31, 2013
impairment charges, which are described above under the caption "RESULTS OF OPERATIONS".

Other than these charges, there were no additional impairments recorded as a result of performing our an

Acquisition-related in-process research and development

Acquired businesses are accounted for using the acquisition method of accounting, which requires that t
allocated to the net assets acquired at their respective fair values. Any excess of the purchase price over
of the net assets acquired is recorded as goodwill. Amounts allocated to acquired in-process research an
are recorded to the balance sheet at the date of acquisition based on their relative fair values. The judgm
the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset
impact our results of operations.

There are several methods that can be used to determine the fair value of assets acquired and liabilities a
assets, including IPR&D, we typically use the income method. This method starts with our forecast of a
net cash flows. These cash flows are then adjusted to present value by applying an appropriate discount
factors associated with the cash flow streams. Some of the more significant estimates and assumptions i
method or other methods include: the amount and timing of projected future cash flows; the amount and
to develop the IPR&D into commercially viable products; the discount rate selected to measure the risks
cash flows; and the assessment of the asset’s life cycle and the competitive trends impacting the asset, in
any technical, legal, regulatory, or economic barriers to entry, as well as expected changes in standards
addressed by the asset.

Determining the useful life of an intangible asset also requires judgment, as different types of intangible
useful lives. Acquired IPR&D is designated as an indefinite-lived intangible asset until the associated re
activities are completed or abandoned.

Income taxes

Provisions for income taxes are calculated on reported pre-tax income based on current tax laws, statuto
tax incentives and planning opportunities in various jurisdictions in which we operate. Such provisions
currently receivable or payable because certain items of income and expense are recognized in different
reporting purposes than for income tax purposes. We recognize deferred taxes by the asset and liability
income taxes. Under the asset and liability method, deferred income taxes are recognized for differences
statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in wh
expected to reverse. Significant judgment is required in determining income tax provisions and evaluati
allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit w
factors used to assess the likelihood of realization are the Company’s forecast of future taxable income a
strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted
applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in
Company’s effective tax rate on future earnings.

76

Table of Contents

At December 31, 2013, we had $583.8 million of gross deferred tax assets, which included federal and s
carryforwards (NOLs) of approximately $76.9 million, research and development credit carryforwards o
impairment losses that are capital in nature of $9.1 million, alternative minimum tax and foreign tax cre
temporary differences of approximately $481.3 million. At December 31, 2013, our NOLs and research
carryforwards were related to multiple tax jurisdictions, including federal and various state jurisdictions
between 2014 and 2034. We evaluate the potential realization of our deferred tax benefits on a jurisdicti
Our analysis of the realization considers the probability of generating taxable income or other sources o
the applicable income tax authoritative guidance, which could be utilized to support the assets over the p
period in each jurisdiction. Where we have determined under the more likely than not standard that we c
better-than-50% probability of realization, we establish a valuation allowance against that portion of the
our analysis and judgment indicates a less-than-50% probability of realization. Based on our forecasted
these jurisdictions, we believe we will generate sufficient future taxable income to realize a significant p
assets associated with our NOLs and research and development credit carryforwards. However, the Com
future capital gains that would be required to obtain the tax benefit of our impairment capital losses. Acc
asset is offset by a valuation allowance of $9.1 million at December 31, 2013. In addition, due to our his
state jurisdictions and the absence of sources of income, we have established an $8.4 million valuation a
NOL and credit carryforwards. Finally, we have established a $0.4 million valuation allowance against c
On a periodic basis, we evaluate the realizability of our deferred tax assets and liabilities and will adjust
changing facts and circumstances, including but not limited to future projections of taxable income, tax
relevant tax authorities, tax planning strategies and the progress of ongoing tax audits. Settlement of fili
challenged by tax authorities could impact the income tax position in the year of resolution.

Contingencies

The Company is subject to various patent, product liability, government investigations and other legal p
course of business. Legal fees and other expenses related to litigation are expensed as incurred and inclu
and administrative expenses. Contingent accruals are recorded in the Consolidated Statements of Operat
determines that a loss related to a litigation matter is both probable and reasonably estimable. Due to the
proceedings and other contingencies are inherently unpredictable, our assessments involve significant ju
events.

RESULTS OF OPERATIONS

The Company reported a Net loss attributable to Endo Health Solutions Inc. for the year ended Decembe
million or $6.05 per diluted share on total revenues of $2.6 billion compared with a Net loss attributable
Inc. of $740.3 million or $6.40 per diluted share on total revenues of $2.8 billion for the year ended Dec

Consolidated Results Review

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Revenues. Revenues in 2013 decreased 7% to $2.6 billion from $2.8 billion in 2012. This decrease in re
attributable to decreases at our Endo Pharmaceuticals and AMS segments, partially offset by revenue gr
segment.

Table of Contents

The following table displays our revenues by category and as a percentage of total revenues for the year
31(dollars in thousands):

	2013	
	$	%
Lidoderm®	$602,998	23
Opana® ER	227,878	9
Voltaren® Gel	170,841	7
Percocet®	105,814	4
Fortesta® Gel	65,860	3
Frova®	60,927	2
Supprelin® LA	58,334	2
Other brands	101,363	4
Total Endo Pharmaceuticals*	$1,394,015	53
Qualitest	730,666	28
AMS	492,226	19
Total revenues*	$2,616,907	100

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*Percentages may not add due to rounding.

Lidoderm®. Net sales of Lidoderm® in 2013 decreased 36% to $603.0 million from $947.7 million in 20
negatively impacted by the September 16, 2013 launch of Actavis's lidocaine patch 5%, a generic versio
the launch of Actavis's generic, 2013 net sales were negatively impacted by our obligation under the Wa
Agreement to supply Lidoderm® at zero cost to Watson's wholesaler affiliate from January to August of
Commitments and Contingencies of the Consolidated Financial Statements included in Part IV, Item 15
Financial Statement Schedules" for further discussion of the Watson Settlement Agreement. Although th
has successfully contracted with certain Managed Care providers and government agencies, we do expe
Lidoderm® to continue to be impacted due to generic competition, resulting in additional decreases in L
Opana® ER. Net Sales of Opana® ER in 2013 decreased 24% to $227.9 million from $299.3 million in 2
2012, after our first quarter supply disruption associated with the shutdown of Novartis's Lincoln, Nebra
facility, we transitioned to our formulation of Opana® ER that is designed to be crush-resistant. While w
commercial efforts, which include direct and indirect sales efforts, coupon programs, education and pro
customer channels, have contributed positively to the uptake of our crush-resistant formulation, revenue
not returned to historical pre-transition levels. 2012 revenues included the favorable effects of wholesale
transition to the crush-resistant formulation of Opana® ER, which did not reoccur during the comparable
addition, Impax and Actavis launched generic versions of the non-crush-resistant formulation Opana® E
September 12, 2013, respectively, negatively impacting revenues.

In late 2012, two patents covering Opana® ER were issued to our subsidiary Endo Pharmaceuticals Inc.
2012, EPI filed a Complaint against Actavis in U.S. District Court for the Southern District of New Yor
based on its ANDA for a non-crush-resistant generic version of Opana® ER. Between May 22 and June
suits in the U.S. District Court for the Southern District of New York against the following applicants fo
Opana® ER: Par Pharmaceuticals, Teva Pharmaceuticals, Mallinckrodt LLC, Sandoz Inc., Roxane Labo
July 2013, Actavis and Roxane were granted FDA approval to market all strengths of their respective no
formulations of Opana® ER. On August 1, 2013, EPI dismissed its suit against Teva Pharmaceuticals ba
to EPI that it does not, at this time, intend to pursue an ANDA for non-crush-resistant Opana® ER. On A
motions for preliminary injunctions against Actavis and Roxane requesting the court enjoin Actavis and
additional Opana® ER generics pending the outcome of the patent case. On September 12, 2013, the cou
motions for preliminary injunction. On that day, Actavis launched its generic version of non-crush-resis
30 and 40 mg tablets. EPI has appealed the denial of a preliminary injunction. A hearing on the appeal w
No decision has issued. If these lawsuits are unsuccessful and we are unable to defend our non-crush-res

Opana® ER from one or more additional generic competitors, our revenues could decline further to the e
manufacturers obtain FDA approval for, and are able to launch, their respective formulations of non-cru
Voltaren® Gel. Net Sales of Voltaren® Gel in 2013 increased 45% to $170.8 million from $117.6 millio
short-term Voltaren® Gel supply constraints resulting from the temporary shutdown of Novartis's Linco
manufacturing facility in early 2012, there were no sales of Voltaren® Gel during the three months ende
April 2012, production and sale

Table of Contents

of Voltaren® Gel resumed, resulting in relatively higher revenues for the year ended December 31, 2013 ended December 31, 2012, as the 2013 amount included a full period's revenues as compared to a partia ended December 31, 2012. Subject to FDA approval, we believe one or more competing products could market during the second quarter of 2014, negatively impacting future sales of Voltaren® Gel.

Percocet®. Net sales of Percocet® in 2013 increased 2% to $105.8 million from $103.4 million in 2012. primarily attributable to price increases, partially offset by reduced volumes.

Fortesta® Gel. Net sales of Fortesta® Gel in 2013 increased 115% to $65.9 million from $30.6 million in primarily attributable to increased volumes resulting from improved formulary access to this product, pa decreases.

Frova®. Net sales of Frova® in 2013 decreased 1% to $60.9 million from $61.3 million in 2012. This de attributable to reduced volumes, partially offset by price increases.

Supprelin® LA. Net sales of Supprelin® LA in 2013 increased 2% to $58.3 million from $57.4 million in primarily attributable to increased volume.

Other brands. Net sales of EPI's other branded products in 2013 increased 67% to $101.4 million from $ increase was primarily attributable to the increase in royalty income from Actavis, under the terms of th Agreement, based on Actavis's gross profit generated on sales of its generic version of Lidoderm®, whic September 16, 2013. This increase was partially offset by decreased sales of Valstar® and Vantas®, Refe Commitments and Contingencies of the Consolidated Financial Statements included in Part IV, Item 15 Financial Statement Schedules" for further discussion of the Watson Settlement Agreement.

A discussion of revenues by reportable segment is included below under the caption "Business Segment Gross Margin, Costs and Expenses. The following table sets forth costs and expenses for the years ende thousands):

	2013	
	$	% of Revenue
Cost of revenues	$1,039,516	40
Selling, general and administrative	849,339	32
Research and development	142,472	5
Patent litigation settlement, net	—	—
Litigation-related and other contingencies	484,242	19
Asset impairment charges	519,011	20
Acquisition-related and integration items	7,952	—
Total costs and expenses*	$3,042,532	116

*Percentages may not add due to rounding.

Cost of Revenues and Gross Margin. Cost of revenues in 2013 decreased 8% to $1.0 billion from $1.1 b decrease during the year was primarily attributable to the inclusion, during the year ended December 31 charge related to our Impax Settlement Agreement which did not reoccur during the year ended Decemb contributing to this decrease was a reduction in cost of revenues at Endo Pharmaceuticals due to decreas and the related decrease in Lidoderm® related royalty payments to Teikoku. These decreases were partia in cost of revenues at Qualitest due to increased demand for certain existing products and new products half of 2012 and first quarter of 2013. Gross margins in 2013 of 60% approximated gross margins of 60 to the previously described charge related to the Impax Settlement Agreement, partially offset by growth pharmaceutical product sales and a decline in higher margin branded pharmaceutical sales.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in 2013 dec million from $864.3 million in 2012. This decrease was primarily attributable to cost savings resulting f reduction initiatives including, among others, the June 2013 restructuring which were partially offset by restructuring charges recorded as part of these initiatives. The Company anticipates there will be additio

expenses of approximately $3.7 million, primarily attributable to certain facility exit costs and employee benefit-related costs which will be incurred throughout 2014.

Table of Contents

Research and Development Expenses. Research and development expenses in 2013 decreased 35% to $
million in 2012. This decrease was primarily driven by a decline in expenses related to milestones in the
addition, R&D expenses decreased company-wide as we focused our efforts on key products in develop
There was $11.4 million in expense related to upfront and milestone payments in 2013, compared to $5
included the initiation of the BEMA® Buprenorphine development program. In January 2012, the Comp
license and development agreement (the BioDelivery Agreement) with BioDelivery Sciences Internatio
the exclusive rights to develop and commercialize BEMA® Buprenorphine. The Company made an upfr
BioDelivery for $30.0 million and incurred $15.0 million of additional costs related to the achievement
milestones during the first quarter of 2012, which were recorded as Research and development expenses
We invest in research and development because we believe it is important to our long-term competitiver
revenues, R&D expense was approximately 5% in 2013 and 8% in 2012. The variation in R&D expense
is primarily due to upfront and milestone payments to third party collaborative partners included in R&I
million or less than one percent of revenue in 2013 compared to $57.9 million or 2% of revenue in 2012
and milestone payments, total research and development expenses include the costs of discovery researc
development, early- and late-clinical development and drug formulation, as well as clinical trials, medic
products, other payments under third-party collaborations and contracts and other costs. Research and de
includes enterprise-wide costs which support our overall research and development infrastructure. These
which primarily relate to our Endo Pharmaceuticals segment, are not allocated by product or to specific
Unallocated enterprise-wide R&D costs were $40.6 million in 2013 and $52.9 million in 2012.
As part of the Company's broader strategic, operational and organizational steps announced in June 201
refocused on progressing its late-stage pipeline and maximizing value on near-term opportunities. The C
R&D programs include projects in a diversified set of therapeutics areas, including pain management, u
CNS disorders, and immunosuppression, oncology, women’s health and hypertension markets, among o
We manage our pharmaceutical R&D programs on a portfolio basis, investing resources in each stage of
focus on late-stage development. These stages include: (1) early-stage projects consisting of assets in bo
programs; (2) middle-stage projects consisting of assets in Phase II programs, and (3) late-stage projects
Phases III programs, assets in which an NDA is currently pending approval, or on-market assets in post
Phase IV programs and post marketing regulatory commitments.
We consider our branded R&D programs in Phase III, or late-stage development, to be our significant R
could potentially have an impact on our near-term revenue and earnings. As of December 31, 2013, our
pharmaceutical programs, excluding on-market assets, include Aveed™ and BEMA® Buprenorphine.
The Company’s pharmaceutical research and development efforts are also focused on the goal of develo
diversified portfolio of innovative and clinically differentiated generic products across a wide range of t
generally focus on selective generics that have one or more barriers to market entry, such as complex fo
legal challenges or difficulty in raw material sourcing. We believe products with these characteristics wi
competition and therefore provide longer product life cycles and higher profitability than commodity ge
years ended December 31, 2013 and 2012, the Company’s direct R&D expense related to generics was $
million, respectively.
FDA approval of an ANDA is required before a generic equivalent of an existing or reference-listed dru
December 31, 2013, we have approximately 46 ANDAs under active FDA review in multiple therapeuti
final FDA approval of ANDA applications depends on a variety of factors, including whether the applic
patents for the drug and whether the manufacturer of the reference listed drug is entitled to one or more
periods, during which the FDA is prohibited from approving generic products. In certain circumstances,
period can extend beyond the life of a patent, and thus block ANDAs from being approved on the patent
We are also committed to developing new products and improving our current products in our medical d
physicians and patients with better clinical outcomes through less invasive and more efficiently delivere
R&D activities are conducted in our Minnesota and California facilities, although we also work with ph
hospitals, and universities around the world. Many of the ideas for new and improved products come fro
leading physicians who also work with us in evaluating new concepts and in conducting clinical trials to

approvals. We conduct applied research in areas that we think will likely lead to product commercializa
research is often done at a technology platform level such that the science can be utilized to develop a nu
products. The development process for any new product can range from months to several years, primar
regulatory pathway required for approval.

Table of Contents

Our product development engineers work closely with their marketing partners to identify important nee
gynecology, urogynecology and colorectal markets. The team then analyzes the opportunities to optimiz
development portfolio. Our product development teams continue to improve our current product lines ar
to increase our market share and also expand the markets we serve. In addition, we believe our clinical d
market expansion for our therapies and demonstrates our technology leadership position.
The following table presents the composition of our total R&D expense for the two years ended Decemb
pharmaceuticals R&D portfolio, the number of projects by stage of development as of December 31, 20

	Research and Development Expense (in thousands)		Number of Projects at Decem		
	2013	2012	Preclinical and Phase I	Phase II	
Early-stage	$16,898	$18,903	-		
Middle-stage	12,036	5,595		-	
Late-stage	12,527	53,510			2
Sub-Total(2)	$41,461	$78,008			
Qualitest portfolio(2)	15,530	29,057			
AMS portfolio(2)	44,917	59,207			
Enterprise-wide unallocated R&D costs	40,564	52,867			
Total R&D expense	$142,472	$219,139			

(1) Includes projects for which an NDA has been filed with the FDA.
(2) Excludes all costs not allocated to specific products and R&D projects.
These amounts are not necessarily indicative of our future R&D spend or our future R&D focus. Over ti
among categories is unpredictable. We continually evaluate each product under development in an effor
efficiently to projects we believe to be in the best interests of the Company based on, among other facto
such products in preclinical and/or clinical trials, our expectations regarding the potential future regulato
and our view of the potential commercial viability of the product in light of market conditions.
R&D expenses, excluding upfront and milestone payments, are expected to continue to decrease as we p
the near-term while preserving our capability to drive long-term organic growth. We are refocusing bran
capabilities and late-stage development programs, emphasizing the AMS footprint while preserving dev
select late-stage assets and further investing in Qualitest to strengthen generic capabilities in attractive m
execute on our strategy of being a specialty healthcare company that includes branded and generic presc
medical devices, the composition of research and development expense may change reflecting our focus
products and platforms.
Patent litigation settlement, net. Amounts related to Patent litigation settlement, net in 2012 totaled $85.
no comparable amounts in 2013. This amount relates to the initial establishment of and subsequent chan
liability related to the Watson Settlement Agreement, as described in more detail in Note 14. Commitme
the Consolidated Financial Statements included in Part IV, Item 15. of this report "Exhibits, Financial S
Litigation-Related and Other Contingencies. Charges for Litigation-related and other contingencies in 20
compared to $316.4 million in 2012. These amounts relate to charges associated with certain of the lega
contingent matters that are described in more detail in Note 14. Commitments and Contingencies of the
Statements included in Part IV, Item 15. of this report "Exhibits, Financial Statement Schedules".
Asset Impairment Charges. Asset impairment charges in 2013 totaled $519.0 million compared to $715.
amounts incurred during 2013 related primarily to a goodwill impairment charge of $481.0 million, repr
between the implied fair value of the AMS reporting units' goodwill and the carrying amount, and an im
million to impair certain AMS IPR&D assets, representing the difference between the fair values and the
assets. In addition, the Company recorded $17.0 million of asset impairment charges during 2013 relate
Qualitest IPR&D assets.

The amounts incurred during 2012 related primarily to a goodwill impairment charge of $507.5 million, difference between the implied fair value of the AMS reporting units' goodwill and the carrying amount million to impair the AMS reporting units' women's health developed technology intangible asset. Addit charges for the year ended December 31, 2012 related to writing down our Sanctura XR® and AMS IPR

Table of Contents

These impairment charges are further discussed in Note 7. Fair Value Measurements and Note 10. Good
of the Consolidated Financial Statements included in Part IV, Item 15. of this report "Exhibits, Financia
Acquisition-Related and Integration Items. Acquisition-related and integration items, net totaled $8.0 m
compared to $19.4 million in expense in 2012. This decrease is primarily due to lower integration costs
Interest Expense, net. The components of interest expense, net for the years ended December 31 and are

	2013
Interest expense	$174,
Interest income	(1,327
Interest expense, net	$173,

Interest expense during 2013 totaled $174.9 million compared to $183.2 million in 2012. The decrease f
primarily due to a decrease in our average total indebtedness from $3.3 billion over the year ended Dece
billion over the year ended December 31, 2013 and due to a lower Term Loan A interest rate.
Loss on Extinguishment of Debt. Loss on extinguishment of debt was $11.3 million in 2013 compared t
March 26, 2013, we made a prepayment of $100.0 million on our Term Loan B Facility. Approximately
remaining unamortized financing costs was written off in connection with this prepayment. Also, in Ma
restated our existing 2011 Credit Agreement. Upon the closing of 2013 Credit Agreement, related debt i
million and previously deferred debt issuance costs of $8.6 million associated with the 2011 Credit Agre
expense.
In February 2012, we made a prepayment of $205.0 million on our Term Loan B Facility. Approximatel
remaining unamortized financing costs associated with this facility was written off in connection with th
prepayment.
Other (Income) Expense, Net. Other (income) expense, net was $51.0 million of income in 2013 compa
income in 2012. Approximately $50.4 million of income was recognized and included in Other (income
related to the Watson Settlement Agreement. For a complete description of the accounting for the Watso
see Note 14. Commitments and Contingencies of the Consolidated Financial Statements included in Par
report "Exhibits, Financial Statement Schedules".
Income Tax. During 2013, we recognized income tax benefit of $24.1 million compared to $36.4 millio
The effective income tax rate was 4.3% in 2013 compared to 5.0% in 2012. The fluctuation in the effec
attributable to a larger impact of our goodwill impairment charge in 2013 compared to 2012 and an incr
Health Care Reform Fee in 2013 as compared to 2012. These decreases to the effective tax rate were mo
non-deductible litigation-related and other contingent matters in 2012 that are not in the comparable 201
2013 and 2012 Research and Development Credits, as the credit was not renewed in 2012 but was reena
income in 2013 from our Irish manufacturing business as compared to a loss in 2012, and a lower state e
as compared to 2012 due to changes in our business operations.
Discontinued Operations, Net of Tax. As a result of the Company's decision to sell its HealthTronics bu
results of this business are reported as Discontinued operations, net of tax in the Consolidated Statement
periods presented. The results of our discontinued operations totaled $96.9 million of expense, net of tax
to $6.0 million of income, net of tax, during 2012.
The decrease in discontinued operations, net of tax, was mainly related to an increase in asset impairmen
fair value of the HealthTronics reporting unit goodwill and assets. In the fourth quarter of 2013, the Com
impairment charges of $118.9 million to write down the book value of the reporting units' assets to fair v
to sell. In the third quarter of 2013, the Company recorded an estimated goodwill impairment charge of
representing the difference between the estimated implied fair value of the HealthTronics reporting units
carrying amount. In the second quarter of 2013, the Company recorded an impairment charge of $4.2 m
and equipment, accounts receivable and other intangibles to write down the book value of the anatomica
business to fair value less estimated costs to sell. In the fourth quarter of 2012, the Company recorded a
charge of $49.9 million, representing the difference between the implied fair value of the HealthTronics
and the carrying amount. Refer to Note 3. Discontinued Operations of the Consolidated Financial Staten
Item 15. of this report "Exhibits, Financial Statement Schedules" for further discussion.

82

Table of Contents

Net Income Attributable to Noncontrolling Interests. HealthTronics, Inc. owns interests in various partn
liability corporations (LLCs) where HealthTronics, Inc., as the general partner or managing member, ex
Accordingly, we consolidate various entities where HealthTronics, Inc. does not own 100% of the entity
accounting consolidation principles. Net income attributable to noncontrolling interests relates to the po
these partnerships and LLCs not attributable, directly or indirectly, to our ownership interests. Net incor
noncontrolling interests totaled $52.9 million in 2013 and $52.3 million in 2012.

2014 Outlook. We estimate that our 2014 total revenues will be between $2.5 billion and $2.6 billion. T
our expectation of growth for company revenues, exclusive of a decrease in revenues for Lidoderm® tha
the product's branded exclusivity which occurred in September 2013.

In addition, the revenue outlook includes the acquisition of Boca Pharmacal, LLC and Paladin Labs Inc.
percentage of total revenues is expected to decrease when compared to 2013 primarily as a result of the
lower margin generic pharmaceutical product sales and decline in higher margin branded pharmaceutica
Implementation of a lean operating model is expected to lead to a year-over-year decrease in operating e
announced a series of cost reduction initiatives in June 2013 as part of the implementation of the new op
included: a reduction of worldwide headcount, streamlining of general and administrative expenses, opti
spend and refocusing research and development efforts onto lower-risk projects and higher-return invest
pharmaceuticals. The Company also intends to seek growth both internally and through acquisitions. Th
that the Company will achieve these results.

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

Revenues. Revenues in 2012 increased 12% to $2.8 billion from $2.5 billion in 2011. This increase in re
revenue growth from our Endo Pharmaceuticals and Qualitest, as well as the timing of our acquisition o
quarter of 2011, from which we derived a full year's revenue during 2012, compared to less than seven m
The following table displays our revenues by category and as a percentage of total revenues for the year
31(dollars in thousands):

	2012		201
	$	%	$
Lidoderm®	$947,680	34	$82
Opana® ER	299,287	11	384
Voltaren® Gel	117,563	4	142
Percocet®	103,406	4	104
Frova®	61,341	2	58,
Fortesta® Gel	30,589	1	14,
Supprelin® LA	57,416	2	50,
Other brands	60,702	2	77,
Total Endo Pharmaceuticals*	$1,677,984	60	$1,
Qualitest	633,265	22	566
AMS	504,487	18	300
Total revenues*	$2,815,736	100	$2,

*Percentages may not add due to rounding.

Lidoderm®. Net sales of Lidoderm® in 2012 increased 15% to $947.7 million from $825.2 million in 20
pay Hind royalties based on net sales of Lidoderm® until this obligation expired on November 23, 2011
recorded as a reduction to net sales due to the nature of the license agreement and the characteristics of t
Hind in Lidoderm®. Due to the expiration of the Hind royalty, net sales were $77.9 million higher durin
compared to 2011. Beyond this change for the Hind royalty, Lidoderm® had solid performance this year
2011, and continues to generate strong cash flow that we can use to invest in our business to continue to
revenue base.

Opana® ER. Net Sales of Opana® ER in 2012 decreased 22% to $299.3 million from $384.3 million in 2
2012, after our first quarter supply disruption associated with the shutdown of Novartis's Lincoln, Nebra
facility, we transitioned to our formulation of Opana® ER, designed to be crush-resistant. While we beli
commercial efforts, which include direct and indirect sales efforts, coupon programs, education and pro
customer channels, have

Table of Contents

contributed positively to the uptake of our crush-resistant formulation, revenues since the transition have pre-transition levels. The decrease during 2012 compared to 2011, was driven by a combination of the re with our previously discussed transition efforts as well as the direct impact of the first quarter 2012 supp caused some patients to switch to other pain relief products.

Voltaren® Gel. Net Sales of Voltaren® Gel in 2012 decreased 18% to $117.6 million from $142.7 millio short-term Voltaren® Gel supply constraints resulting from the shutdown of Novartis's Lincoln, Nebrask there were no sales of Voltaren® Gel during the three months ended March 31, 2012, which negatively i full-year basis, resulting in a sales decrease from 2012 to 2011. This decline was partially offset by the e efforts to return stock of Voltaren® Gel to normal levels during the second quarter of 2012.

Percocet®. Net sales of Percocet® in 2012 decreased 1% to $103.4 million from $104.6 million in 2011. primarily attributable to reduced volumes, partially offset by price increases.

Frova®. Net sales of Frova® in 2012 increased 5% to $61.3 million from $58.2 million in 2011. The incr attributable to price increases, partially offset by reduced volumes.

Supprelin® LA. Net sales of Supprelin® LA in 2012 increased 15% to $57.4 million from $50.1 million driven by increases to both price and volume, resulting primarily from an increase in new patient starts a continued care patients.

Other brands. Net sales of our other branded products in 2012 decreased 22% to $60.7 million from $77 decrease was primarily driven by sales growth of Valstar® and Fortesta® Gel, partially offset by decreas demand continues to shift to Opana® ER.

A discussion of revenues by reportable segment is included below under the caption "Business Segment Gross Margin, Costs and Expenses. The following table sets forth costs and expenses for the years ende thousands):

	2012		201
	$	% of Revenues	$
Cost of revenues	$1,135,681	40	$94
Selling, general and administrative	864,339	31	783
Research and development	219,139	8	179
Patent litigation settlement, net	85,123	3	—
Litigation-related and other contingencies	316,425	11	—
Asset impairment charges	715,551	25	116
Acquisition-related and integration items	19,413	1	32,
Total costs and expenses*	$3,355,671	119	$2,

*Percentages may not add due to rounding.

Cost of Revenues and Gross Margin. Cost of revenues in 2012 increased 20% to $1.1 billion from $948 increase was primarily driven by increased revenues and our June 2011 acquisition of AMS, which cont $162.9 million to our Cost of revenues in 2012, compared to $124.2 million in 2011. Cost of revenues w 2012 charge of $102.0 million related to the 2010 Impax Settlement Agreement. In addition, gross profi 60% in 2012 from 62% in 2011. This decrease in gross profit was primarily due to changes in the mix o corresponding margins.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in 2012 inc million from $783.9 million in 2011. This increase was primarily attributable to the timing of our acquis inclusion, during 2012, of $272.6 million of a full year of AMS expense, compared to $153.1 million in than seven months of AMS Selling, general and administrative expense. Also contributing to this increa expenses of $9.0 million related to separation benefits incurred in connection with continued efforts to e operations. These increases were partially offset by a decrease in Endo Pharmaceuticals sales, advertisi expenses of approximately $22.0 million, incentive compensation of approximately $10.0 million and o

approximately $5.0 million.

Research and Development Expenses. Research and development expenses in 2012 increased 22% to $2 million in 2011. This increase is primarily due to $57.9 million in expense related to upfront and milesto which included the initiation of the BEMA® Buprenorphine development program, compared to $19.1 m addition,

Table of Contents

expenses increased $29.4 million as a result of the addition of AMS's research and development portfoli
acquisition of AMS Due to the timing of our AMS acquisition, our AMS segment incurred Research and
during the entire twelve month period ended December 31, 2012, as compared to a partial period's exper
increases were partially offset by a decrease in expenses of approximately $21.0 million related to our b
we focused our efforts on key products in development.

We invest in research and development because we believe it is important to our long-term competitiver
revenues, R&D expense was approximately 8% in 2012 and 7% 2011. The variation in R&D expense as
primarily due to upfront and milestone payments to third party collaborative partners included in R&D e
million or 2% of revenue and $19.1 million or 1% of revenue in 2012 and 2011, respectively. In additio
payments, total research and development expenses include the costs of discovery research, preclinical d
late-clinical development and drug formulation, as well as clinical trials, medical support of marketed pr
under third-party collaborations and contracts and other costs. Research and development spending also
costs which support our overall research and development infrastructure. These enterprise-wide costs, w
our Endo Pharmaceuticals segment, are not allocated by product or to specific R&D projects. Unallocate
costs were $52.9 million and $61.1 million in 2012 and 2011, respectively.

We manage our pharmaceutical R&D programs on a portfolio basis, investing resources in each stage of
focus on late-stage development. These stages include: (1) early-stage projects consisting of assets in bo
programs; (2) middle-stage projects consisting of assets in Phase II programs, and (3) late-stage projects
Phases III programs, assets in which an NDA is currently pending approval, or on-market assets in post
Phase IV programs and post marketing regulatory commitments.

We consider our branded R&D programs in Phase III, or late-stage development, to be our significant R
could potentially have an impact on our near-term revenue and earnings. As of December 31, 2012, our
pharmaceutical programs, excluding on-market assets, included Aveed™ and BEMA® Buprenorphine.

The Company's pharmaceutical research and development efforts are also focused on the goal of develo
diversified portfolio of innovative and clinically differentiated generic products across a wide range of t
generally focus on selective generics that have one or more barriers to market entry, such as complex fo
legal challenges or difficulty in raw material sourcing. We believe products with these characteristics wi
competition and therefore provide longer product life cycles and higher profitability than commodity ge
years ended December 31, 2012 and 2011, the Company's direct R&D expense related to generics was $
million, respectively.

FDA approval of an ANDA is required before a generic equivalent of an existing or reference-listed dru
December 31, 2012, we had approximately 40 ANDAs under active FDA review in multiple therapeutic
FDA approval of ANDA applications depends on a variety of factors, including whether the applicant cl
patents for the drug and whether the manufacturer of the reference listed drug is entitled to one or more
periods, during which the FDA is prohibited from approving generic products. In certain circumstances,
period can extend beyond the life of a patent and thus block ANDAs from being approved on the patent

We are also committed to developing new products and improving our current products in our medical d
physicians and patients with better clinical outcomes through less invasive and more efficiently delivere
R&D activities are conducted in our Minnesota and California facilities, although we also work with phy
hospitals and universities around the world. Many of the ideas for new and improved products come fro
leading physicians who also work with us in evaluating new concepts and in conducting clinical trials to
approvals. We conduct applied research in areas that we think will likely lead to product commercializa
research is often done at a technology platform level such that the science can be utilized to develop a nu
products. The development process for any new product can range from months to several years, primar
regulatory pathway required for approval.

Our product development engineers work closely with their marketing partners to identify important nee
gynecology, urogynecology and colorectal markets. The team then analyzes the opportunities to optimiz
development portfolio. Our product development teams continue to improve our current product lines an
to increase our market share and also expand the markets we serve. In addition, we believe our clinical d

market expansion for our therapies and demonstrates our technology leadership position.

Table of Contents

The following table presents the composition of our total R&D expense as of December 31 and for our l
R&D portfolio, the number of projects by stage of development as of December 31, 2012:

	Research and Development Expense (in thousands)		Number of Projects at Decem		
	2012	2011	Preclinical and Phase I	Phase II	
Early-stage	$18,903	$26,638	13		
Middle-stage	5,595	11,697		2	
Late-stage	53,510	21,447			2
Sub-Total(2)	$78,008	$59,782			
Qualitest portfolio(2)	29,057	29,121			
AMS portfolio(2)	59,207	29,850			
Enterprise-wide unallocated R&D costs	52,867	61,085			
Total R&D expense	$219,139	$179,838			

(1) Includes projects for which an NDA has been filed with the FDA.
(2) Excludes all costs not allocated to specific products and R&D projects.

These amounts are not necessarily indicative of our future R&D spend or our future R&D focus. Over ti
among categories is unpredictable. We continually evaluate each product under development in an effor
efficiently to projects we believe to be in the best interests of the Company based on, among other facto
such products in preclinical and/or clinical trials, our expectations regarding the potential future regulato
and our view of the potential commercial viability of the product in light of market conditions.

Patent Litigation Settlement, net. On May 28, 2012, Endo Pharmaceuticals Inc. (EPI) entered into a Sett
Agreement (the Watson Settlement Agreement) among EPI and Teikoku, on the one hand, and Watson,
Watson Settlement Agreement settled all ongoing patent litigation among the parties relating to Watson
Lidoderm®. Under the terms of the Watson Settlement Agreement, the parties dismissed their respective
without prejudice. As part of the settlement, Watson agreed not to challenge the validity or enforceabilit
patents relating to Lidoderm® with respect to Watson's generic version of Lidoderm®. Watson also agree
version of Lidoderm® until it received FDA approval and, in any event, no sooner than September 15, 2
specific circumstances (such date being the Start Date). Endo and Teikoku agreed to grant Watson a lice
generic Lidoderm® upon the Start Date in the U.S. The license to Watson is exclusive as to Endo's laun
version of Lidoderm® until the earlier of 1) the introduction of a generic version of Lidoderm® by a com
or 2) seven and a half months after Watson launches its generic version of Lidoderm®. Endo will receiv
equal to 25% of the gross profit generated on Watson's sales of its generic version of Lidoderm® during
exclusivity.

Additionally, the Watson Settlement Agreement provides that Endo and Teikoku will provide, at no cos
affiliate branded Lidoderm® product for Watson's wholesaler affiliate's distribution, subject to certain te
that Watson received FDA approval of its generic version of Lidoderm® in August 2012, Endo and Teik
Lidoderm® of value totaling $12.0 million each month ($96.0 million in total for 2013) (valued at the th
acquisition cost) beginning on January 1, 2013 through August 1, 2013. The obligation of Endo and Tei
branded product at no cost terminates immediately upon the launch of a third party's generic version of
including its territories, possessions and the Commonwealth of Puerto Rico (the Territory).

Endo will be responsible for the payment of all gross to net adjustments arising from Watson's sale of th
product.

In contemplation of the Watson Settlement Agreement, Teikoku has agreed to provide a rebate to Endo
branded Lidoderm® product that is required to be provided to Watson's wholesaler affiliate pursuant to S
of the Watson Settlement Agreement.

We have concluded that the Watson Settlement Agreement is a multiple-element arrangement and durin
2012 recognized a liability and corresponding charge of $131.4 million in Patent litigation settlement, n

Statements of Operations representing the initial estimated fair value of the settlement component. Fair
component was estimated using the probability adjusted expected value of branded Lidoderm® product
at the anticipated wholesaler acquisition cost (WAC) expected to be in place at the time of shipment, les
Watson's selling costs. The resultant probability-weighted values were then discounted using a discount
We believe that the level and timing of branded Lidoderm® product to be shipped, discount rate, and pr
model appropriately reflect market participant assumptions. Because the liability is recorded at fair valu
charge

Table of Contents

recognized in 2012 is comprised of several elements, including our cost of product to be shipped, estima deductions to be paid by the Company and the estimated product profit margin. We believe this is the m fair value as these components combined represent the value accruing to Watson. As a result of using a the charge will be greater than the actual cost to the Company. As such, relief of the liability in subsequ shipments of branded Lidoderm® product will result in income, which we expect to record as a compon the Company's Consolidated Statements of Operations. We intend to reclassify the portion of the settlen gross-to-net component into our gross-to-net reserves as product is shipped to Watson, the effect of whi portion of the income that will be recognized into Other income, net in the Company's Consolidated Sta the settlement liability is relieved. The rebate arrangement with Teikoku will also be accounted for pros purchased from Teikoku will be recorded into inventory at the discounted purchase price and relieved as Watson. The benefit associated with this rebate will be recorded as a component of Other income, net in Consolidated Statements of Operations.

On August 23, 2012, Watson announced it received FDA approval on its ANDA for its lidocaine patch Lidoderm®. The Company anticipates Watson will launch its generic version of Lidoderm® on Septemb the terms of the Watson Settlement Agreement. In light of Watson's anticipated September 2013 launch its obligation to Watson and believes it will not be obligated to provide to Watson’s wholesaler affiliate product beyond September 2013. Accordingly, in the third quarter of 2012, the Company recognized a c respect to its obligation and reduced its liability associated with the Watson Settlement Agreement by $4 million. The corresponding gain of $46.2 million was recorded in Patent litigation settlement, net in the of Operations. Future changes, if any, resulting from revisions to the timing or the amount of the origina recognized as an increase or a decrease in the carrying amount of the litigation settlement liability and th settlement, net during the period of change. Future changes in estimates to the settlement liability could our results of operations.

Litigation-Related and Other Contingencies. Charges for Litigation-related and other contingencies in 2 million. There were no charges for Litigation-related and other contingencies in 2011. The 2012 amount associated with certain of our legal proceedings and other contingent matters as described in more detail and Contingencies of the Consolidated Financial Statements included in Part IV, Item 15. of this report Statement Schedules".

Asset Impairment Charges. Asset impairment charges in 2012 totaled $715.6 million compared to $116. amounts incurred during 2012 related primarily to a goodwill impairment charge of $507.5 million, repr between the implied fair value of the AMS reporting units' goodwill and the carrying amount, and a cha impair the AMS reporting units' women's health developed technology intangible asset. Additional asset the year ended December 31, 2012 related to writing down our Sanctura XR® and AMS IPR&D intangi The amounts incurred during 2011 related primarily to a charge of $71.0 million to write off a Qualitest and a charge of $22.7 million to write off an investment in a privately-held company focused on the dev treatment for certain types of cancer.

These impairment charges are further discussed in Note 10. Goodwill and Other Intangibles of the Cons Statements included in Part IV, Item 15. of this report "Exhibits, Financial Statement Schedules".

Acquisition-Related and Integration Items. Acquisition-related and integration items, net totaled $19.4 m compared to $32.0 million in expense in 2011. The decrease is primarily a result of the nonrecurring tra directly associated with the closing of the AMS acquisition of $25.8 million, partially offset by an unfav value of contingent consideration in 2012, which resulted in a loss of $0.2 million compared to a favora gain of $7.4 million in 2011. The remaining change is a result of integration costs related to our recent a

Interest Expense, net. The components of interest expense, net for the years ended December 31 are as f

	2012
Interest expense	$ 183,2
Interest income	(406
Interest expense, net	$ 182,8

Interest expense during 2012 totaled $183.2 million compared to $148.6 million in 2011. The increase f
primarily attributable to increases in our average total indebtedness resulting from our June 2011 borrov
senior notes and $2.2 billion of term loan indebtedness in connection with our June 2011 acquisition of
Net Loss on Extinguishment of Debt. In February 2012, we made a prepayment of $205.0 million on ou
We made additional prepayments of $33.0 million and $39.7 million in July 2012 and September 2012,

Table of Contents

accordance with the applicable accounting guidance for debt modifications and extinguishments, approx
the remaining unamortized financing costs were written off in connection with our 2012 prepayments. T
in the Consolidated Statements of Operations as a Net loss on extinguishment of debt.
Upon the establishment of our 2011 Credit Facility, financing costs of $56.2 million paid to establish the
well as financing costs of $6.2 million associated with prior credit facilities, were deferred and are being
expense over the life of the 2011 Credit Facility. Approximately $8.5 million of the deferred financing c
credit facilities were also written off at this time in accordance with the applicable accounting guidance
extinguishments and was included in the Consolidated Statements of Operations as a Net loss on extingu
Additionally, in September 2011 and December 2011, we made prepayments of $135.0 million and $12
on our Term Loan B Facility. In accordance with the applicable accounting guidance for debt modificati
approximately $3.4 million of the remaining unamortized financing costs were written off in connection
prepayments and included in the Consolidated Statements of Operations as a Net loss on extinguishmen
Other Income, Net. Other income, net was $0.4 million of expense in 2012 compared to $1.4 million of
Income Tax. In 2012, we recognized $36.4 million of income tax benefit compared to expense of $112.
effective income tax rate was 5.0% in 2012 compared to 36.6% in 2011. The change in the effective tax
charges not deductible for tax purposes in 2012, including our goodwill impairment charge and certain n
litigation-related and other contingent matters.
Discontinued Operations, Net of Tax. As a result of the Company's decision to sell its HealthTronics bu
results of this business are reported as Discontinued operations, net of tax in the Consolidated Statement
periods presented. The results of our discontinued operations totaled $6.0 million of income, net of tax,
$47.7 million of income, net of tax, during 2011.
The decrease in discontinued operations, net of tax, was mainly related to an increase in asset impairmen
fair value of the HealthTronics reporting unit goodwill. In the fourth quarter of 2012, the Company reco
impairment charge of $49.9 million, representing the difference between the implied fair value of the He
units' goodwill and the carrying amount. Refer to Note 3. Discontinued Operations of the Consolidated
included in Part IV, Item 15. of this report "Exhibits, Financial Statement Schedules" for further discuss
Net Income Attributable to Noncontrolling Interests. As a result of our July 2010 acquisition of HealthT
interests in various partnerships and limited liability corporations (LLCs) where we, as the general partn
exercise effective control. Accordingly, we consolidate various entities where we do not own 100% of th
with the accounting consolidation principles. Net income attributable to noncontrolling interests relates
income of these partnerships and LLCs not attributable, directly or indirectly, to our ownership interests
to noncontrolling interest totaled $52.3 million in 2012 and $54.5 million in 2011.
Business Segment Results Review
The Company has three reportable segments: (1) Endo Pharmaceuticals, (2) Qualitest and (3) AMS. The
level at which executive management regularly reviews financial information to assess performance and
resources to be allocated. Each segment derives revenue from the sales or licensing of their respective p
more detail below.
We evaluate segment performance based on each segment’s adjusted income (loss) from continuing ope
a financial measure not determined in accordance with U.S. GAAP, which we define as income (loss) fr
before income tax before certain upfront and milestone payments to partners, acquisition-related and int
reduction and integration-related initiatives, asset impairment charges, amortization of intangible assets
products and customer relationships, inventory step-up recorded as part of our acquisitions, non-cash int
litigation-related and other contingent matters and certain other items that the Company believes do not
performance.
Certain corporate general and administrative expenses are not allocated and are therefore included withi
We calculate consolidated adjusted income from continuing operations before income tax by adding the
reportable segments to Corporate unallocated adjusted loss from continuing operations before income ta
We refer to adjusted income (loss) from continuing operations before income tax in making operating de
believe it provides meaningful supplemental information regarding the Company’s operational performa

believe that this measure facilitates its internal comparisons to its historical operating results and compa
results. The Company believes this measure is useful to investors in allowing for greater transparency re
information used by us in our financial and operational decision-making. In addition, we have historical
financial measures to our investors and believe that the inclusion of comparative numbers provides cons
reporting at this time. Further,

Table of Contents

we believe that adjusted income (loss) from continuing operations before income tax may be useful to in
that certain of our significant stockholders utilize adjusted income (loss) from continuing operations bef
our financial performance. Finally, adjusted income (loss) from continuing operations before income tax
calculation of adjusted diluted net income per share, which is used by the Compensation Committee of t
Directors in assessing the performance and compensation of substantially all of our employees, includin
There are limitations to using financial measures such as adjusted income (loss) from continuing operati
Other companies in our industry may define adjusted income (loss) from continuing operations before in
we do. As a result, it may be difficult to use adjusted income (loss) from continuing operations before in
named adjusted financial measures that other companies may use to compare the performance of those c
performance. Because of these limitations, adjusted income (loss) from continuing operations before inc
considered as a measure of the income generated by our business or discretionary cash available to us to
our business. The Company compensates for these limitations by providing reconciliations of our conso
from continuing operations before income tax to our consolidated (loss) income from continuing operati
which is determined in accordance with U.S. GAAP and included in our Consolidated Statements of Op

Endo Pharmaceuticals

The Endo Pharmaceuticals segment includes a variety of branded prescription products related to treatin
well as our urology, endocrinology and oncology products. The marketed products that are included in t
Lidoderm®, Opana® ER, Voltaren® Gel, Percocet®, Frova®, Fortesta® Gel, Supprelin® LA, Vantas® and

Qualitest

The Qualitest segment is comprised of our legacy Endo non-branded generics portfolio and the portfolio
Pharmaceuticals, which we acquired in 2010. Our Qualitest segment has historically focused on selectiv
that have one or more barriers to market entry, such as complex formulation, regulatory or legal challen
material sourcing. With the addition of Qualitest Pharmaceuticals, the segment’s product offerings now
pain management, urology, CNS disorders, immunosuppression, oncology, women’s health and hyperte
others

AMS

The AMS segment focuses on providing technology solutions to physicians treating men’s and women’s
and operates in men’s health, women’s health and prostate health. AMS distributes devices through its d
independent sales representatives in the U.S., Canada, Australia and Western Europe. Additionally, AM
through foreign independent distributors, primarily in Europe, Asia, and South America, who then sell t
institutions. None of AMS's customers or distributors accounted for 10% or more of our total revenues d
December 31, 2013, 2012 or 2011. Foreign subsidiary sales are predominantly to customers in Canada,
Europe.

Table of Contents

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Revenues. The following table displays our revenue by reportable segment for the years ended Decembe

	2013
Net revenues to external customers:	
Endo Pharmaceuticals	$1,39
Qualitest	730,6
AMS(1)	492,2
Total consolidated net revenues to external customers	$2,61

(1) The following table displays our AMS segment revenue by geography for the years ended December International revenues were not material to any of our other segments for any of the periods presente

	2013
AMS:	
United States	$315,
International	177,1
Total AMS revenues	$492,

Endo Pharmaceuticals. Revenues from our Endo Pharmaceuticals segment in 2013 decreased 17% to $1 in 2012. This decrease was primarily attributable to decreased revenues from Lidoderm® and Opana® E increases from both Voltaren® Gel and Fortesta® Gel. Additionally, royalty income from Actavis based generated on sales of its generic version of Lidoderm® commenced on September 16, 2013.

Qualitest. Net sales of our generic products in 2013 increased 15% to $730.7 million from $633.3 millio was primarily attributable to strong demand for Qualitest's diversified product portfolio, including signi from certain existing products and new products launched in the second half of 2012 and first quarter of ended December 31, 2013, revenues from Qualitest's top 15 products increased 11% to $415.9 million f 2012, primarily attributable to increased volumes.

AMS. Revenues from our AMS segment in 2013 decreased 2% to $492.2 million from $504.5 million i primarily attributable to lower sales in the women's health line, which relates primarily to a reduction in particularly as to pelvic organ prolapse (POP) repair procedures. This reduction in mesh procedural volu to a July 2011 update to the October 2008 Public Health Notification issued by the FDA to further advis community regarding potential complications associated with transvaginal placement of surgical mesh t urinary incontinence (SUI), as well as to the attorney advertising associated with transvaginal mesh litig partially offset by an increase in the Men's Health business due to increased volumes.

Adjusted income (loss) from continuing operations before income tax. The following table displays our from continuing operations before income tax by reportable segment for the years ended December 31 (

	2013
Adjusted income (loss) from continuing operations before income tax:	
Endo Pharmaceuticals	$783,
Qualitest	193,6
AMS	144,7
Corporate unallocated	(319,3
Total consolidated adjusted income from continuing operations before income tax	$802,

Endo Pharmaceuticals. Adjusted income from continuing operations before income tax in 2013 decrease from $906.8 million in 2012. This decrease was primarily attributable to decreased revenues, partially o realized in connection with our June 2013 restructuring and other cost reduction initiatives, particularly marketing expenses.

Qualitest. Adjusted income from continuing operations before income tax in 2013 increased 13% to $19 million in 2012. During the year ended December 31, 2013, revenues increased and operating expenses

Table of Contents

respect to research and development expense. Additionally, margins returned to more normal levels fro
2012 amounts, which benefited from favorable pricing on certain of our generic products resulting from
AMS. Adjusted income from continuing operations before income tax in 2013 increased 21% to $144.8
million in 2012. This increase was primarily attributable to cost reductions realized in connection with c
and other cost reduction initiatives, partially offset by decreased revenues.

Corporate unallocated. Corporate unallocated adjusted loss from continuing operations before income ta
to $319.4 million from $337.2 million in 2012. The decrease during the year ended December 31, 2013
to decreased research and development, general and administrative and other costs, resulting from our Ju
other cost reduction initiatives, as well as the previously discussed decrease in interest expense.

Reconciliation to GAAP. The table below provides reconciliations of our consolidated adjusted income
operations before income tax to our income from continuing operations before income tax, which is dete
with U.S. GAAP for the years ended December 31 (in thousands):

	2013
Total consolidated adjusted income from continuing operations before income tax:	$802,9
Upfront and milestone payments to partners	(29,70
Asset impairment charges	(519,0
Acquisition-related and integration items(1)	(7,952
Separation benefits and other cost reduction initiatives(2)	(100,2
Amortization of intangible assets	(185,3
Inventory step-up	—
Non-cash interest expense	(22,74
Loss on extinguishment of debt	(11,31
Watson litigation settlement income, net	50,400
Accrual for payment to Impax Laboratories Inc. related to sales of Opana® ER	—
Patent litigation settlement items, net	—
Certain litigation-related charges(3)	(537,7
Other income, net	1,048
Total consolidated loss from continuing operations before income tax	$(559

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(1) Acquisition-related and integration-items include costs directly associated with the closing of certain changes in the fair value of contingent consideration and the costs of integration activities related to l period acquisitions.

(2) Separation benefits and other cost reduction initiatives include employee separation costs of $42.4 m million for 2012. Contract termination fees recognized during 2013 totaling $5.8 million are also incl Refer to Note 4. Restructuring of the Consolidated Financial Statements included in Part IV, Item 15 Financial Statement Schedules" for discussion of our material restructuring initiatives. Additionally, other cost reduction initiatives during the year ended December 31, 2013 includes an expense record of our Chadds Ford, Pennsylvania properties in the first quarter of 2013, representing a liability for o under the respective lease agreements of $7.2 million. These expenses were primarily recorded as Se administrative and Research and development expense in our Consolidated Statements of Operations

(3) This amount includes charges for Litigation-related and other contingencies, consisting primarily of liability charges, as well as mesh litigation-related defense costs for the year ended December 31, 20

Table of Contents

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

Revenues. The following table displays our revenue by reportable segment for the years ended Decembe

	201
Net revenues to external customers:	
Endo Pharmaceuticals	$1,
Qualitest	633
AMS(1)	504
Total consolidated net revenues to external customers	$2,

(1) The following table displays our AMS segment revenue by geography for the years ended December International revenues were not material to any of our other segments for any of the periods presente

	201
AMS:	
United States	$33
International	174
Total AMS revenues	$50

Endo Pharmaceuticals. Revenues from our Endo Pharmaceuticals segment in 2012 increased 1% to $1.7 in 2011. This increase was primarily driven by increased revenues from Lidoderm®, partially offset by d Gel and Opana® ER.

Qualitest. Net sales of our generic products in 2012 increased 12% to $633.3 million from $566.9 millio was primarily driven by strong demand for Qualitest's diversified product portfolio and favorable pricing opportunities, which drove gross profit of over 35%. During the year ended December 31, 2012, revenu products increased 28% to $376.1 million in 2012 from $294.9 million in 2011. This increase, which wa increased volumes and pricing upside, was partially offset by reduced revenues from products impacted associated with the previously disclosed shutdown of Novartis Consumer Health's Lincoln, Nebraska ma

AMS. Revenues from our AMS segment in 2012 increased 68% to $504.5 million from $300.3 million attributable to the timing of our acquisition of AMS, which contributed revenue during the full year end compared to less than seven months of revenue during 2011. However, this increase was partially offset in AMS's women's health line, which relates primarily to a reduction in mesh procedural volumes, partic procedures. This reduction in mesh procedural volumes may be in response to a July 2011 update to the Health Notification issued by the FDA to further advise the public and medical community regarding po associated with transvaginal placement of surgical mesh to treat POP and SUI, as well as to the attorney with transvaginal mesh litigation.

Adjusted income (loss) from continuing operations before income tax. The following table displays our from continuing operations before income tax by reportable segment for the years ended December 31 (

	201
Adjusted income (loss) before income tax:	
Endo Pharmaceuticals	$90
Qualitest	171
AMS	119
Corporate unallocated	(33
Total consolidated adjusted income before income tax	$86

Endo Pharmaceuticals. Adjusted income before income tax in 2012 increased 2% to $906.8 million from This increase was primarily driven by increased revenues as described above as well as decreased opera with our ongoing efforts to improve our operating efficiency.

Qualitest. Adjusted income before income tax in 2012 increased 60% to $171.4 million from $107.2 mil increase was primarily driven by the continued revenue growth of our generics business. Additionally, f of market opportunities on certain of our generics products resulted in higher overall margins in our Qua

92

Table of Contents

AMS. Adjusted income before income tax in 2012 increased 45% to $119.9 million from $82.4 million primarily driven by the timing of our June 2011 acquisition of AMS, which contributed a full period's re ended December 31, 2012, compared to less than seven months in 2011.

Corporate unallocated. Corporate unallocated adjusted loss before income tax in 2012 increased 6% to $ million in 2011. This increase was primarily driven by the previously discussed increase in interest expe decreased general and administrative expenses associated with our ongoing efforts to improve our opera

Reconciliation to GAAP. The table below provides reconciliations of our consolidated adjusted income operations before income tax to our consolidated (loss) income from continuing operations before incon determined in accordance with U.S. GAAP for the years ended December 31 (in thousands):

	2012
Total consolidated adjusted income from continuing operations before income tax:	$ 860,9
Upfront and milestone payments to partners	(60,778
Asset impairment charges	(715,55
Acquisition-related and integration items	(19,413
Separation benefits and other cost reduction initiatives	(42,913
Amortization of intangible assets	(220,32
Inventory step-up	(880
Non-cash interest expense	(20,762
Net loss on extinguishment of debt	(7,215
Accrual for payment to Impax related to sales of Opana® ER	(102,00
Patent litigation settlement items, net	(85,123
Litigation-related and other contingencies	(316,42
Other income, net	—
Total consolidated (loss) income from continuing operations before income tax	$ (730,4

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity is cash generated from operations. Our principal liquidity requirements for operations, licenses, milestone payments, capital expenditures and debt service payments. The Comp a sufficient level of working capital, which was approximately $1.2 billion at December 31, 2013 compa December 31, 2012. Working capital includes $770.0 million of restricted cash and cash equivalents wh may not be utilized until the Paladin transaction closes. If the transaction is not consummated before Jul cash and cash equivalents would then be used for general corporate purposes, which may include strateg addition, we have historically had broad access to financial markets that provide liquidity. Cash and cas primarily consisted of bank deposits, time deposits and/or money market accounts, totaled approximatel December 31, 2013 compared to $529.7 million at December 31, 2012.

In 2014, we expect that sales of our subsidiaries' current portfolios of products will allow us to continue flow from operations. We expect cash generated from operations together with our cash, cash equivalen Credit Facility to be sufficient to cover cash needs for working capital and general corporate purposes, i acquisition of Boca, certain contingent liabilities, payment of contractual obligations, principal and inter indebtedness, capital expenditures, common stock repurchases and any regulatory and/or sales mileston

We depend on patents or other forms of intellectual property protection for most of our branded pharma flows and earnings. In recent years, various generic manufacturers have filed ANDAs seeking FDA app of certain of the EPI's key pharmaceutical products, including but not limited to Lidoderm® and both the crush-resistant formulations of Opana® ER. In connection with such filings, these manufacturers have c and/or enforceability of one or more of the underlying patents protecting our products. To the extent the successful in these patent challenges and in obtaining FDA approval of these generic products, the impa may cause a decline in future revenue from the affected products. Such revenue declines could have a m our future liquidity and financial position. However, the extent to which our revenues will be affected in to a number of uncertainties. Our goal is to mitigate the effect of these competitive activities by leveragi

remainder of our portfolio and by acquiring and in-licensing additional products, product rights or techn
Company has recently outlined and implemented strategic, operational and organizational steps to reduc
expenses, explore strategic alternatives for our branded

Table of Contents

pharmaceutical discovery platform, enhance organic growth drivers across business lines through more
accretive acquisitions within a disciplined capital allocation framework and attract, retain and develop ta
organization within the context of a lean operating model.

Beyond 2014, we expect cash generated from operations together with our cash, cash equivalents and un
Facility to continue to be sufficient to cover cash needs for working capital and general corporate purpo
contingent liabilities, payment of contractual obligations, principal and interest payments on our indebte
expenditures, our currently approved common stock repurchase plan and any regulatory and/or sales mi
due. At this time, we cannot accurately predict the effect of certain developments on the rate of sales gro
market acceptance, patent protection and exclusivity of our products, the impact of competition, the effe
marketing efforts and the outcome of our current efforts to develop, receive approval for and successfull
product candidates. Additionally, we may not be successful in implementing, or may face unexpected ch
connection with our announced strategic, operational and organizational changes, including the potentia
corporate development transactions such as the recently announced agreement to acquire Paladin as disc
below. Any of the above could adversely affect our future cash flows. We may need to obtain additional
transactions, to repay our outstanding indebtedness, or for our future operational needs, and we cannot b
be available on terms acceptable to us, or at all. Any issuances of equity securities or convertible securit
effect on the ownership interest of our current shareholders and may adversely impact net income per sh
acquisition may be accretive or dilutive and, by its nature, involves numerous risks and uncertainties.

On November 5, 2013, the Company announced that it had reached a definitive agreement to acquire Pa
transaction valued at approximately $2.7 billion as of February 20, 2014. Pursuant to the acquisition, ea
will be acquired by Endo International, a newly-formed Irish holding company.

Under the terms of the transaction, Paladin shareholders will receive 1.6331 shares of Endo Internationa
cash. Current Endo shareholders will receive one share of Endo International for each share of Endo the
closing of the transaction, Endo shareholders are expected to own approximately 77.4% of Endo Interna
shareholders are expected to own approximately 22.6%.

Paladin is a specialty pharmaceutical company headquartered in Montreal, Canada, focused on acquirin
innovative pharmaceutical products for the Canadian and world markets. Key products serve growing dr
ADHD, pain, urology and allergy. In addition to its Canadian operations, Paladin owns a controlling sta
Mexico and a 61.5% ownership stake in publicly traded Litha Healthcare Group Limited in South Africa
Paladin’s stable and growing cash flows and strong Canadian franchise complement Endo's existing por
diversifies Endo's pharmaceutical product mix and geographic reach. The Company believes the transac
operational and tax synergies and will create a financial platform to facilitate organic growth with broad
strategic activity.

In addition, pursuant to the plan of arrangement, for each Paladin share owned upon closing, shareholde
receive one share of Knight Therapeutics Inc. (Knight Therapeutics), a newly formed Canadian compan
part of the transaction. Knight Therapeutics will hold rights to Impavido and certain related rights.

The cash consideration to be received by Paladin shareholders will be increased if Endo’s volume weigh
during an agreed reference period declines more than 7%. Cash compensation will be provided by Endo
the share price declines more than 7% but less than 20%. If Endo’s share price declines between 20% an
reference period, Endo will provide partial cash compensation to Paladin shareholders. Any decline in E
24% will not be subject to further cash compensation to Paladin shareholders. The maximum amount by
consideration to be received by Paladin shareholders would be increased by this price protection mecha
$233.0 million.

For U.S. federal income tax purposes, the merger is intended to qualify as a non-taxable “reorganization
income tax law, it is uncertain whether U.S. shareholders of Endo will be required to recognize gain or l
exchange. There is risk that U.S. holders on the Endo share exchange because non-recognition treatmen
application of new and complex provisions of U.S. federal income tax law as well as certain facts that ar
that could be affected by actions taken by Endo and other events beyond Endo’s control. More specifica

common stock
will be required to recognize a gain on the Endo share exchange if the U.S. shareholders gain amount ex
International income amount. The U.S. shareholders gain amount has been and will continue to be affec
stock price, trading activity in Endo's common stock, and the tax basis of U.S. holders of Endo commor
As a result, the U.S. shareholders gain amount cannot be known until after the closing of the merger. In
that there has been a substantial increase in Endo's stock price during the period from the signing of the
The Endo International income amount will depend, in part, on the earnings and profits of Endo U.S. In
includes the closing date

Table of Contents

(which Endo expects will be 2014). Such earnings and profits, if any, will depend on overall business co
tax position of Endo U.S. Inc. for such taxable year and will take into account, among other things, taxa
loss as
well as taxable non-operating income and loss (including dispositions outside the ordinary course of bus
items), subject to certain adjustments, and cannot be determined until the end of the year in which the m
Following completion of the transaction, the combined company will be led by Endo's current managem
continue to be led by Paladin' current management team (other than Mr. Goodman) and will maintain it
location in Montreal. The Canadian operations will continue under the Paladin name.
While the Paladin acquisition is primarily equity based, Endo will adjust certain parts of its capital struc
transaction. The Company has entered into a new credit facility with Deutsche Bank AG New York Bra
Canada and certain other lenders, which will replace Endo's existing credit facility upon closing of the t
new credit facility consists of a five-year senior secured term loan "A" facility in an amount up to $1.1 b
secured term loan "B" facility in an amount up to $425.0 million, and a five-year revolving credit facilit
capacity of up to $750.0 million. We expect that the new credit facility will contain an uncommitted exp
permit up to $1.0 billion (or an unlimited amount if the secured leverage ratio, as to be defined in the ne
than or equal to an amount to be agreed to in the new credit facility) of additional revolving or term loan
or more of the lenders under the new credit facility or other lenders after the closing date.
We expect that under the new credit facility, $50.0 million will be available for letters of credit and up t
available for swing line loans on same-day notice, both of which may be increased to up to $75.0 millio
described in the new credit facility. Upon the effectiveness of the new credit facility, the existing credit
and canceled, with all indebtedness under the existing credit facility repaid and all liens terminated and
obligations under the new credit facility are expected to be guaranteed by all of Endo's direct and indire
restricted subsidiaries and secured by substantially all of the borrowers' assets and those of the guaranto
Upon closing of the transaction, a change in control would occur under the terms of our existing senior s
(the Credit Facilities). If for any reason the committed financing is not available, and Endo is unable to
Facilities prior to the closing of the transaction, the change in control under the Credit Facilities would b
default, which would permit the lenders to cause all amounts outstanding with respect to that debt to be
immediately and terminate all commitments to extend further credit. An acceleration of the debt under t
repaid, could result in an event of default under our other debt agreements, including the Existing Notes
On December 2, 2013, following the completion of consent solicitations, Endo, certain guarantors party
Bank, National Association, as trustee, entered into supplemental indentures to the 2019, 2020 and 2022
providing, among other things, that the Paladin transaction will not constitute a change of control under
The transaction is currently expected to close on February 28, 2014, subject to certain conditions and ap
regulatory approvals in the United States, Canada and South Africa, the approval of both companies' sha
the Superior Court of Quebec, the registration and listing of Endo International shares and customary cl
Shareholders representing approximately 34% of Paladin outstanding shares have agreed to vote in favo
Paladin announced on February 24, 2014 that an overwhelming majority voted to approve the transactio
have the right to terminate this agreement if Endo's volume weighted average share price declines more
reference period. Shares of Endo International are expected to trade on the NASDAQ and Toronto Stock
Borrowings. On March 26, 2013, we entered into an amendment and restatement agreement, pursuant to
restated our existing credit agreement to extend its term and modify its covenants to provide us with gre
operating flexibility. The amended and restated agreement (the 2013 Credit Agreement) extends the mat
million Revolving Credit Facility and our Term Loan A Facility which, at the time of the amendment ar
remaining principal balance of $1.4 billion, to March 15, 2018. The 2013 Credit Agreement provides the
flexibility under certain of its affirmative and negative covenants, including, without limitation, the desi
subsidiaries, capital expenditures, asset sales, indebtedness and restricted payments. Under the 2013 Cre
Company is required to maintain a leverage ratio (as the definition of such ratio has been modified in the
of no greater than 3.75 to 1.00, which provides the Company with greater financial and operating flexibi
agreement. The 2013 Credit Agreement continues to require the Company to maintain a minimum intere

to 1.00.

The 2013 Credit Agreement keeps in place the Company's Term Loan B Facility which matures on Jun
of the amendment and restatement, had a remaining principal balance of $60.6 million. The 2013 Credit
additional revolving or term loan commitments up to $500.0 million (or an unlimited amount in certain
or more of the existing lenders or other lenders with the consent of the Administrative Agent without the
any of the existing lenders under our credit facility.

Table of Contents

The obligations of the Company under our credit facility continue to be guaranteed by certain of the Co subsidiaries (the Subsidiary Guarantors) and continue to be secured by substantially all of the assets of t Subsidiary Guarantors, subject to certain exceptions. The 2013 Credit Agreement contains affirmative a the Company believes are usual and customary for a senior secured credit agreement. The negative cove other things, limitations on capital expenditures, asset sales, mergers and acquisitions, indebtedness, lie and transactions with the Company's affiliates.

As set forth in the 2013 Credit Agreement, borrowings under our credit facility will continue to bear int a rate calculated based on the type of borrowing and the Company's leverage ratio, as defined in the 201 the Term Loan A Facility and Revolving Credit Facility, the Company may elect to pay interest based o Inter-Bank Offer Rate (LIBOR) plus between 1.75% and 2.50% or an Alternate Base Rate (as defined i Agreement) plus between 0.75% and 1.50%. For the Term Loan B Facility, the Company may elect to p adjusted LIBOR plus 3.00% or an Alternate Base Rate plus 2.00%. The Company will pay a commitme 50 basis points, payable quarterly, on the average daily unused amount of the Revolving Credit Facility.

At December 31, 2013, the Company's indebtedness also includes senior notes with aggregate principal billion. These notes mature between 2019 and 2022, subject to earlier repurchase or redemption in acco the respective indentures. Interest rates on these notes range from 5.75% to 7.25%. These notes are seni the Company and are guaranteed on a senior unsecured basis by certain of the Company's domestic sub

On December 19, 2013, we issued $700.0 million in aggregate principal amount of 5.75% Senior Notes Notes) at an issue price of par. The notes have not been registered under the Securities Act of 1933, as a Act, or the securities laws of any other jurisdiction, and we have no intention to register the notes in the required to, nor do we intend to, offer to exchange the notes for a new issue of substantially identical no Securities Act or otherwise register the notes for resale under the Securities Act. The notes may be offer that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction the notes in the United States only to "qualified institutional buyers" (as defined in Rule 144A under the the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. The Ne unsecured obligations of the Company and are guaranteed on a senior unsecured basis by certain of the subsidiaries. Interest on the New 2022 Notes is payable semiannually in arrears on January 15 and July on July 15, 2014. The New 2022 Notes will mature on January 15, 2022, subject to earlier repurchase or with the terms of the Indenture incorporated by reference herein.

At December 31, 2013, the Company's indebtedness also includes $379.5 million in aggregate principal Convertible Senior Subordinated Notes due April 15, 2015 (the Convertible Notes), which became conv holders beginning October 1, 2013. The conversion right was triggered on September 17, 2013, when th Company's common stock on the NASDAQ Stock Exchange exceeded $37.96 (130% of the conversion 20th trading day in the 30 consecutive trading days ending on September 30, 2013. The conversion righ December 31, 2013, and the Convertible Notes remained convertible.

We will be permitted to deliver cash, shares of Endo common stock or a combination of cash and shares any future conversions of the Convertible Notes. It is our current intention to settle the principal amount consideration in cash. As a result of the Convertible Notes becoming convertible, the Company has incl Notes in the current portion of long-term debt on its consolidated balance sheet as of December 31, 201 will remain convertible through March 31, 2014, at which point they will be reassessed based on the co described above. Holders of the Convertible Notes may surrender their notes for conversion after Octob prior to the close of business on the second business day immediately preceding the stated maturity date Company will treat the Convertible Notes as short-term in nature hereafter. There have been no convers filing.

Concurrently with the issuance of the Convertible Notes, we entered into a privately negotiated converti with affiliates of the initial purchasers. Pursuant to the hedge transaction we purchased common stock c reduce the potential dilution to our common stock upon conversion of the Convertible Notes by effectiv conversion price of the Convertible Notes to $40.00 per share, representing a 61.1% conversion premiu our common stock on April 9, 2008 of $24.85 per share. The call options allow us to purchase up to app

shares of our common stock at an initial strike price of $29.20 per share. The call options expire on Apri net-share settled. The cost of the call option was approximately $107.6 million. In addition, we sold war certain of the initial purchasers whereby they have the option to purchase up to approximately 13.0 milli stock at an initial strike price of $40.00 per share. The warrants expire on various dates from July 14, 20 2015 and must be net-share settled. We received approximately $50.4 million in cash proceeds from the The warrant transaction could have a dilutive effect on our net income per share to the extent that the pr exceeds the strike price of the warrants at exercise.

Table of Contents

The Convertible Notes are only included in the dilutive net (loss) income per share calculations using th
during periods in which the average market price of our common stock was above the applicable conver
Convertible Notes, or $29.20 per share and the impact would not be anti-dilutive. In these periods, unde
method, we calculated the number of shares issuable under the terms of these notes based on the averag
during the period, and included that number in the total diluted shares outstanding for the period.

We have entered into convertible note hedge and warrant agreements that, in combination, have the eco
the dilutive impact of the Convertible Notes. However, we separately analyze the impact of the converti
warrant agreements on diluted weighted average shares outstanding. As a result, the purchases of the co
excluded because their impact would be anti-dilutive. The treasury stock method is applied when the wa
with the proceeds from the exercise of the warrant used to repurchase shares based on the average stock
diluted weighted average shares. Until the warrants are in-the-money, they have no impact to the diluted
calculation. The total number of shares that could potentially be included if the warrants were exercised
million at December 31, 2013.

The following table provides the range of shares that would be included in the dilutive net (loss) income
the convertible notes and warrants based on share price sensitivity (in thousands except per share data):

	Three Months Ended March 31, 2013				Three Months Ende	
	-5%	Actual	+5%	+10%	-5%	Actual
Average market price of Endo common stock:	$27.79	$29.25	$30.71	$32.18	$34.15	$35.95
Impact on dilutive shares:						
Convertible notes	—	21	639	1,204	1,884	2,439
Warrants	—	—	—	—	—	—
	—	21 (1)	639	1,204	1,884	2,439

	Three Months Ended September 30, 2013				Three Months Ende	
	-5%	Actual	+5%	+10%	-5%	Actual
Average market price of Endo common stock:	$38.21	$40.22	$42.23	$44.24	$54.21	$57.06
Impact on dilutive shares:						
Convertible Notes	3,065	3,561	4,010	4,418	5,996	6,345
Warrants	—	72	686	1,246	3,408	3,886
	3,065	3,633 (1)	4,696	5,664	9,404	10,231

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(1) Amounts included in total diluted shares outstanding of 113.2 million, 117.2 million and 120.3 millio periods ended March 31, 2013, June 30, 2013 and September 30, 2013 respectively.

(2) Because the Company reported a Net loss attributable to Endo Health Solutions Inc. during the three December 31, 2013, the Convertible Notes and Warrants had no dilutive impact during this period ar dilutive impact given any of the assumed share prices above. Therefore, these amounts are included f only and are not indicative of actual results or results that would have occurred given the assumed sh

(3) Represents, for the three month period ended December 31, 2013, the amounts that would have been shares outstanding of 115.5 million had the Company reported Net income attributable to Endo Heal opposed to a Net loss attributable to Endo Health Solutions Inc.

Share Repurchase Programs. Pursuant to our share repurchase programs, we did not purchase any shares during the year ended December 31, 2013. We purchased approximately 8.3 million shares of our comm ended December 31, 2012 totaling $256.0 million and 0.9 million shares of our common stock during th 31, 2011 totaling $34.7 million.

Table of Contents

Working Capital. The components of our working capital and our current ratio at December 31, 2013 an
below (dollars in thousands):

	Dec 201
Total current assets	$2,
Less: total current liabilities	(1,6
Working capital	$1,
Current ratio	1.7

Working capital increased by $695.9 million from December 31, 2012 to December 31, 2013. This incre
proceeds from the New 2022 Notes, cash from operations and cash from the exercise of stock options, p
reclassification of our convertible notes from non-current to current and the prepayment on the Term Lo
The following table summarizes our Consolidated Statements of Cash Flows and liquidity for the years
(dollars in thousands):

	2013	2012
Net cash flow provided by (used in):		
Operating activities	$298,517	$733
Investing activities	(883,639)	(88,4
Financing activities	579,525	(645
Effect of foreign exchange rate	1,692	431
Net (decrease) increase in cash and cash equivalents	$(3,905)	$296
Less: net (decrease) increase in cash and cash equivalents of discontinued operations	(813)	(2,74
Net (decrease) increase in cash and cash equivalents of continuing operations	$(3,092)	$3,0
Cash and cash equivalents, beginning of period	$529,689	$526
Cash and cash equivalents, end of period	$526,597	$529
Days sales outstanding	45	45

Net cash provided by operating activities. Net cash provided by operating activities was $298.5 million
December 31, 2013 compared to $733.9 million provided by operating activities in 2012 and $702.1 mil
operating activities in 2011. Significant components of our operating cash flows for the years ended Dec
(in thousands):

	2013	2012
Cash Flow Data-Operating Activities:		
Consolidated net (loss) income	$(632,414)	$(68
Depreciation and amortization	255,663	285,3
Stock-based compensation	38,998	59,39
Amortization of debt issuance costs and premium / discount	36,264	36,69
Deferred income taxes	(155,727)	(193
Loss on extinguishment of debt	11,312	7,213
Asset impairment charges	680,198	768,4
Changes in assets and liabilities which provided cash	59,731	454,3
Other, net	4,492	4,167
Net cash provided by operating activities	$298,517	$733

Net cash provided by operating activities represents the cash receipts and cash disbursements from all o
investing activities and financing activities. Operating cash flow is derived by adjusting our Consolidate
non-cash operating items, gains and losses attributed to investing and financing activities and changes in
liabilities resulting from timing differences between the receipts and payments of cash and when the tra
our results of operations. As a result, changes in cash from operating activities reflect, among other thing
collections from customers, payments to suppliers, managed care organizations and government agencie
employees, and tax payments in the ordinary course of business.

98

Table of Contents

The $435.4 million decrease in Net cash provided by operating activities in 2013 compared to 2012 was timing of cash collections and cash payments, including payment of $102.0 million related to the Impax the first annual royalty payment to Teikoku in the amount of $56.0 million and payments to settle pricin million. These decreases were partially offset by an increase in cash due to improved operating perform 2013 restructuring initiatives.

The $31.8 million increase in Net cash provided by operating activities in 2012 compared to 2011 was a cash flow contribution from AMS and working capital initiatives, partially offset by operating performa impacted by the previously disclosed supply disruptions related to the shutdown of Novartis Consumer Nebraska manufacturing facility.

Net cash used in investing activities. Net cash used in investing activities was $883.6 million in 2013 co used in investing activities in 2012. This $795.2 million increase in cash used in investing activities rela increase in restricted cash and cash equivalents of $770.0 million related to the pending close of the Pala establishment of a net $11.5 million escrow settlement fund related to the mesh Master Settlement Agre described in Note 14. Commitments and Contingencies of the Consolidated Financial Statements includ this report "Exhibits, Financial Statement Schedules". Also contributing to this fluctuation is a decrease investments of $18.8 million associated with the 2012 repayment at par value of our remaining auction- in patent acquisition costs and license fees of $6.3 million and a decrease in purchases of property, plant million.

Net cash used in investing activities was $88.5 million in 2012 compared to $2.4 billion used in investin $2.3 billion decrease in cash used relates primarily to net cash paid for acquisitions, which was $3.2 mil $2.4 billion in 2011. The cash spent in 2011 was primarily for our acquisition of AMS

Net cash provided by (used in) financing activities. Net cash provided by financing activities was $579.3 compared to $645.5 million used in financing activities in 2012. Items contributing to this $1.2 billion fl by financing activities include proceeds from the issuance of the New 2022 Notes of $700.0 million, a d payments on term loan indebtedness totaling $210.0 million, a decrease in cash used to repurchase stock increase in cash from the exercise of stock options of $77.8 million. These items were partially offset by for deferred financing fees of $10.5 million and an increase in payments of tax withholding for restricted

Net cash used in financing activities was $645.5 million in 2012 compared to $1.8 billion provided by fi This $2.4 billion fluctuation was primarily attributable to our June 2011 debt restructuring related to our provided net cash of $1.8 billion in 2011, and the subsequent principal repayment activity related to the debt, which used net cash of $362.1 million in 2012. Additionally, in 2012, we completed net repurchas totaling $249.9 million.

Research and Development. Over the past few years, we have incurred significant expenditures related t studies to develop new products and exploring the value of our existing products in treating disorders be approved in their respective labels. We may seek to mitigate the risk in, and expense of, our research an by entering into collaborative arrangements with third parties. However, we intend to retain a portion of these programs and, as a result, we still expect to spend funds on our share of the cost of these programs research, preclinical development, clinical research and manufacturing.

As previously disclosed, we have recently undertaken initiatives to optimize commercial spend and refo development efforts. Accordingly, we expect our research and development costs to decrease in future p expect to continue to incur moderate levels of research and development expenditures as we focus on th advancement of our product pipeline. There can be no assurance that results of any ongoing or future pr related to these projects will be successful, that additional trials will not be required, that any drug or pro will receive FDA approval in a timely manner or at all, or that such drug or product could be successfull accordance with U.S. cGMP, or successfully marketed in a timely manner, or at all, or that we will have develop or commercialize any of our products.

Manufacturing, Supply and Other Service Agreements. Our subsidiaries contract with various third part and service providers to provide raw materials used in our subsidiaries' products and semi-finished and f certain packaging and labeling services. The most significant of these agreements are with Novartis Con

Novartis AG (collectively, Novartis), Teikoku Seiyaku Co., Ltd., Noramco, Inc., Grünenthal GmbH, Sh
Supply Chain Solutions, Inc. If, for any reason, our subsidiaries are unable to obtain sufficient quantities
goods or raw materials or components required for their products needed to conduct their business, it co
adverse effect on our business, financial condition, results of operations and cash flows. For additional d
under manufacturing, supply and other service agreements, see Note 14. Commitments and Contingenci
Financial Statements included in Part IV, Item 15. of this report "Exhibits, Financial Statement Schedule

Table of Contents

License and Collaboration Agreements. Our subsidiaries have agreed to certain contingent payments in collaboration and other agreements. Payments under these agreements generally become due and payabl achievement of certain developmental, regulatory, commercial and/or other milestones. Due to the fact t when these milestones will be achieved, such contingencies have not been recorded in our Consolidated addition, under certain arrangements, we or our subsidiaries may have to make royalty payments based sales of the products in the event regulatory approval for marketing is obtained. From a business perspe payments favorably as they signify that the products are moving successfully through the development p commercialization. For additional discussion of our contingent payments involving our license and colla our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and E on March 1, 2013, and Note 11. License and Collaboration Agreements and Note 14. Commitments and Consolidated Financial Statements included in Part IV, Item 15. of this report "Exhibits, Financial State

Acquisitions. As part of our business strategy, we plan to consider and, as appropriate, make acquisition products, product rights or technologies. Our cash reserves and other liquid assets may be inadequate to acquisitions and it may be necessary for us to issue stock or raise substantial additional funds in the futu transactions. In addition, as a result of our acquisition efforts, we are likely to experience significant cha merger and related expenses (whether or not our efforts are successful) that may include transaction cos restructuring activities.

Legal Proceedings. We are subject to various patent, product liability, government investigations and ot the ordinary course of business. Contingent accruals are recorded when we determine that a loss related both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies a unpredictable, our assessments involve significant judgments regarding future events. For additional dis proceedings, see Note 14. Commitments and Contingencies of the Consolidated Financial Statements in of this report "Exhibits, Financial Statement Schedules".

Contractual Obligations. The following table lists our enforceable and legally binding noncancelable ob December 31, 2013.

	Payment Due by Period (in thousands)					
Contractual Obligations	Total	2014	2015	2016	2017	201
Long-term debt obligations (1)	$4,902,338	$620,228	$266,755	$298,849	$364,988	$1,
Capital lease obligations (2)	69,484	5,752	5,846	5,977	6,112	6,2
Operating lease obligations (3)	37,287	13,891	9,561	6,741	3,916	1,5
Minimum Voltaren® royalty obligations due to Novartis (4)	45,000	30,000	15,000	—	—	—
Minimum purchase commitments to Teikoku (5)	18,000	18,000	—	—	—	—
Minimum advertising and promotion spend (6)	1,542	1,542	—	—	—	—
Other obligations and commitments (7)	39,145	9,545	4,800	6,800	4,000	4,0
Total (8)	$5,112,796	$698,958	$301,962	$318,367	$379,016	$1,

(1) Includes minimum cash payments related to principal and interest, including commitment fees, assoc indebtedness. Since future interest rates on our variable rate borrowings are unknown, for purposes o obligations table, amounts scheduled above were calculated using the greater of (i) the respective cor spread corresponding to our current leverage ratios or (ii) the respective contractual interest rate floo

(2) Includes minimum cash payments related to certain fixed assets, primarily related to technology. In a minimum cash payments related to the direct financing arrangement for the new company headquarte Pennsylvania.

(3) Includes minimum cash payments related to our leased automobiles, machinery and equipment and f of our leases for our former headquarters' in Chadds Ford, Pennsylvania, we are required to continue lease payments to the landlord.

Table of Contents

Under the terms of the five-year Voltaren® Gel Agreement, Endo has agreed to pay royalties to Nova of the Licensed Product, subject to certain thresholds all as defined in the Voltaren® Gel Agreement. certain limitations, Endo has agreed to make certain guaranteed minimum annual royalty payments b of the Voltaren® Gel Agreement, which may be reduced under certain circumstances, including Nova

(4) Licensed Product. These guaranteed minimum royalties will be creditable against royalty payments c Agreement year basis such that Endo's obligation with respect to each Voltaren® Gel Agreement year (i) royalties payable based on annual net sales of the Licensed Product or (ii) the guaranteed minimu Agreement year. In December 2013, pursuant to the provisions of this Voltaren® Gel Agreement, the renewed for an additional one year period.

On April 24, 2007, we amended our Supply and Manufacturing Agreement with Teikoku Seiyaku Co USA, Inc. (collectively, Teikoku) dated as of November 23, 1998, pursuant to which Teikoku manuf Lidoderm® (lidocaine patch 5%) (the Product) to Endo. This amendment is referred to as the Amend terms of the Amended Agreement, Endo agreed to purchase a minimum number of Lidoderm® patch representing the noncancelable portion of the Amended Agreement. The minimum purchase requirem subsequent to 2012, except that Endo has the right to terminate the Amended Agreement if we fail to

(5) minimum requirement in subsequent years. The supply price of Lidoderm® is adjusted annually base in the Amended Agreement. Since future price changes are unknown, for purposes of this contractua amounts scheduled above represent the minimum patch quantities at the price currently existing unde Agreement. Effective November 1, 2010, the parties amended the Amended Agreement. Pursuant to has agreed to supply additional Product at no cost to Endo in 2014 in the event Endo's firm orders of thresholds in those years. We will update the Teikoku purchase commitments upon future price chan with the Amended Agreement.

(6) Under the terms of the five-year Voltaren® Gel Agreement, Endo has agreed to certain min promotional spending, subject to certain thresholds as defined in the Voltaren® Gel Agreem advertising and promotional spending are determined based on a percentage of net sales of December 31, 2012, Endo and Novartis entered into an amendment to the Voltaren® Gel A the minimum amount of annual advertising and promotional expenses required to be spent commercialization of Voltaren® Gel during each year of the Voltaren® Gel Agreement.

(7) Other obligations and commitments include agreements to purchase third-party assets, products and s Total does not include contractual obligations already included in current liabilities on our Consolida

(8) for current portion of long-term debt, short-term capital lease obligations and short-term royalty oblig purchase obligations, which are discussed below.

For purposes of the table above, obligations for the purchase of goods or services are included only for s purchase orders that are enforceable, legally binding and specify all significant terms including fixed or purchased, fixed, minimum or variable price provisions and the timing of the obligation. Our purchase o current manufacturing needs and are typically fulfilled by our suppliers within a relatively short period. we have open purchase orders that represent authorizations to purchase rather than binding agreements t table above.

As of December 31, 2013, our liability for unrecognized tax benefits amounted to $64.5 million (includi Due to the nature and timing of the ultimate outcome of these uncertain tax positions, we cannot make a estimate of the amount and period of related future payments. Therefore, our liability has been excluded contractual obligations table.

As of December 31, 2013, our product liability accrual amounted to $520.0 million. Due to the inherent ultimate timing and costs of resolving this litigation, we cannot make a reasonably reliable estimate of th related future payments.

Fluctuations. Our quarterly results have fluctuated in the past and may continue to fluctuate. These fluct timing of new product launches, purchasing patterns of our customers, market acceptance of our produc competitive products and pricing, asset impairment charges, restructuring costs, including separation be combination transaction costs, upfront, milestone and certain other payments made or accrued pursuant

and changes in the fair value of financial instruments and contingent assets and liabilities recorded as pa
combination. Further, a substantial portion of our total revenues are through three wholesale drug distrib
our products to pharmacies, hospitals and physicians. Accordingly, we are potentially subject to a conce
respect to our trade receivables.

Growth Opportunities. We continue to evaluate growth opportunities including strategic investments, lic
acquisitions of businesses, product rights or technologies, and strategic alliances and promotional arrang
require significant capital resources. We intend to continue to focus our business development activities
our revenue base through product licensing and company acquisitions, as well as other opportunities to
Through execution of our business strategy we intend to focus on developing new products through both
research and

Table of Contents

development organization with greater scientific and clinical capabilities; expanding the Company's sub
acquiring new products and technologies in existing therapeutic and complementary areas, including int
increasing revenues and earnings through sales and marketing programs for our subsidiaries' innovative
effectively using the Company's and its subsidiaries' resources; and providing additional resources to su
business.

Non-U.S. Operations. Our operations outside of the U.S. were not material during the year ended Decen
fluctuations in foreign currency exchange rates did not have a material effect on our Consolidated Finan
Inflation. We do not believe that inflation had a material adverse effect on our financial statements for th
Off-Balance Sheet Arrangements. We have no off-balance sheet arrangements as defined in Item 303(a)

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in the financial markets, including interest
currency exchange rates.

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our Term Loan Facility, money market funds, and
securities portfolio. Additionally, if we were to utilize amounts under our Revolving Credit Facility, we
interest rate risk. At December 31, 2013, our Term Loan Facility includes floating-rate debt of approxim
on this amount, a 1% rise in interest rates would result in approximately $14.0 million in incremental an
In general, our investments in marketable securities are governed by our investment policy, which has b
Board of Directors. Our investment policy seeks to preserve the value of capital, consistent with maxim
Company's investment, while maintaining adequate liquidity. To achieve this objective, we maintain ou
high credit quality debt securities. Generally, our interest rate risk with respect to these investments is li
which approximate current interest rates. We attempt to mitigate default risk by maintaining our portfoli
diversified, high-quality investment grade securities with limited time to maturity. We constantly monito
and position our portfolio to respond appropriately to a reduction in credit rating of any investment issue
As of December 31, 2013 and 2012, we had no other assets or liabilities with significant interest rate ser

Investment Risk

At December 31, 2013 and 2012, we had publicly traded equity securities totaling $3.0 million and $1.7
included in long-term marketable securities. The fair values of our investments are subject to significant
volatility of the stock market, changes in general economic conditions and changes in the financial cond
invest in. Based on the fair value of the publicly traded equity securities we held at December 31, 2013,
and 50% adverse change in the market prices of these securities would result in a corresponding decline
approximately $0.7 million, $1.2 million and $1.5 million, respectively. Based on the fair value of the p
securities we held at December 31, 2012, an assumed 25%, 40% and 50% adverse change in the market
would result in a corresponding decline in total fair value of approximately $0.4 million, $0.7 million an
respectively. Any decline in value below our original investments will be evaluated to determine if the d
considered temporary or other-than-temporary. An other-than-temporary decline in fair value would be
earnings.

Foreign Currency Risk

Our operations outside of the U.S. are maintained primarily in their local currency. All assets and liabili
subsidiaries, which maintain their financial statements in local currency, are translated to U.S. dollars at
rates. Translation adjustments arising from the use of differing exchange rates are included in accumulat
income in stockholders' equity. Gains and losses on foreign currency transactions and short term inter-c
foreign subsidiaries are included in Other income, net.

The reported results of our foreign operations will be influenced by their translation into U.S. dollars by
against the U.S. dollar. We have entered into various foreign exchange forward contracts to manage a po
foreign exchange rate fluctuations on our forecasted sales to and receivables from certain subsidiaries, d
British pounds, Canadian dollars, Australian dollars, and Swedish krona.

In addition, we purchase Lidoderm® in U.S. dollars from Teikoku Seiyaku Co., Ltd., a Japanese manufa
purchase agreement with Teikoku, there is a price adjustment feature that prevents the cash payment in

outside of a certain pre-defined range in Japanese yen even if the spot rate is outside of that range. In ad
licensing arrangements which could require us to make payments upon certain regulatory and sales mile
euros.

Table of Contents

A 10% change in foreign currency exchange rates would not have a material impact on our financial co
operations or cash flows.

Inflation

We do not believe that inflation has had a significant impact on our revenues or operations.

Item 8. Financial Statements and Supplementary Data

The information required by this item is contained in the financial statements set forth in Item 15 under
Financial Statements" as part of this Annual Report on Form 10-K.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chi
evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13
the Securities Exchange Act of 1934, as of December 31, 2013. Based on that evaluation, the Company'
and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effe
2013.

(b) Management's Report on Internal Control over Financial Reporting

The report of management of the Company regarding internal control over financial reporting is set fort
Report on Form 10-K under the caption "Management's Report on Internal Control Over Financial Repo
herein by reference.

(c) Attestation Report of Independent Registered Public Accounting Firm

The attestation report of the Company's independent registered public accounting firm regarding interna
reporting is set forth in Item 15 of this Annual Report on Form 10-K under the caption "Report of Indep
Accounting Firm" and incorporated herein by reference.

(d) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during 2013 that have
reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors

The information concerning our directors required under this Item is incorporated herein by reference fr
which will be filed with the Securities and Exchange Commission, relating to our 2014 Annual Meeting
Proxy Statement).

Executive Officers

For information concerning Endo's executive officers, see Part I, Item 1. of this report "Business" under
Officers of the Registrant" and our 2014 Proxy Statement.

Code of Ethics

The information concerning our Code of Conduct, which was recently updated in early 2013, is incorpo
from our 2014 Proxy Statement and can be viewed on our website, the internet address for which is http

Audit Committee

The information concerning our Audit Committee is incorporated herein by reference from our 2014 Pro

Table of Contents

Audit Committee Financial Experts

The information concerning our Audit Committee Financial Experts is incorporated herein by reference
Statement.

Item 11. Executive Compensation

The information required under this Item is incorporated herein by reference from our 2014 Proxy State

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockhold

Equity Compensation Plan Information. The following information relates to plans in effect as of Decen
equity securities of Endo may be issued to employees and directors. The Endo Health Solutions Inc. 200
Incentive Plans and the Endo Health Solutions Inc. Assumed Stock Incentive Plan (formerly known as t
Systems Holdings, Inc. 2005 Stock Incentive Plan) provide that stock options may be granted thereunde
consultants.

Plan Category	Column A Number of securities to be issued upon exercise of outstanding options, warrants and rights	Column B Weighted-average exercise price of outstanding options, warrants and rights(1)	C N a is c (e re
Equity compensation plans approved by security holders			
Endo Health Solutions Inc. Assumed Stock Incentive Plan	720,777	$ 28.23	3
Endo Health Solutions Inc. 2000 Stock Incentive Plan	101,307	$ 21.22	–
Endo Health Solutions Inc. 2004 Stock Incentive Plan	617,299	$ 23.64	1
Endo Health Solutions Inc. 2007 Stock Incentive Plan	886,774	$ 21.19	9
Endo Health Solutions Inc. 2010 Stock Incentive Plan	4,179,143	$ 33.62	5

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(1) Excludes shares of restricted stock units outstanding

The other information required under this Item is incorporated herein by reference from our 2014 Proxy

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required under this Item is incorporated herein by reference from our 2014 Proxy State

Item 14. Principal Accounting Fees and Services

Information about the fees for 2013 and 2012 for professional services rendered by our independent reg
firm is incorporated herein by reference from our 2014 Proxy Statement. Our Audit Committee's policy
and permissible non-audit services of our independent registered public accounting firm is incorporated
2014 Proxy Statement.

The information required under this Item is incorporated herein by reference from our 2014 Proxy State

PART IV

Table of Contents

Item 15. Exhibits, Financial Statement Schedules

Documents filed as part of this Annual Report on Form 10-K

1. Consolidated Financial Statements: See accompanying Index to Financial Statements.

2. Consolidated Financial Statement Schedule:

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

	Balance at Beginning of Period	Additions, Costs and Expenses	Deductions, Write-offs
Allowance For Doubtful Accounts:			
Year Ended December 31, 2011	$754	$12,005	$(7,504
Year Ended December 31, 2012	$5,255	$2,817	$(2,539
Year Ended December 31, 2013	$5,533	$1,358	$(1,297

All other financial statement schedules have been omitted because they are not applicable or the require in the Consolidated Financial Statements or notes thereto.

3. Exhibits: The information called for by this Item is incorporated by reference to the Exhibit Index of t

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registra
report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENDO HEALTH SOLUTIONS INC.
(Registrant)

/s/ RAJIV DE SILVA
Name: Rajiv De Silva
Title: President and Chief Executive Officer
Date: February 28, 2014

Table of Contents

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by th
behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title
/S/ RAJIV DE SILVA Rajiv De Silva	Director, President and Chief Executive Officer (Principal Executive Officer)
/S/ SUKETU P. UPADHYAY Suketu P. Upadhyay	Executive Vice President, Chief Financial Officer (Principal Financi Officer)
/S/ DANIEL A. RUDIO Daniel A. Rudio	Vice President, Controller (Principal Accounting Officer)
* Roger H. Kimmel	Chairman and Director
* John J. Delucca	Director
* Nancy J. Hutson, Ph.D.	Director
* Arthur J. Higgins	Director
* Michael Hyatt	Director
* William P. Montague	Director
* David B. Nash, M.D., M.B.A.	Director
* Jill D. Smith	Director
*	Director

	William F. Spengler	
*By:	/S/ CAROLINE B. MANOGUE Caroline B. Manogue	Attorney-in-fact pursuant to a Power of Attorney filed with this Repo Exhibit 24

Table of Contents

INDEX TO FINANCIAL STATEMENTS

Table of Contents

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Endo Health Solutions Inc. is responsible for establishing and maintaining adequate
financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 19
Health Solutions Inc.’s internal control system was designed to provide reasonable assurance to the Con
board of directors regarding the preparation and fair presentation of its published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even the
be effective can provide only reasonable assurance with respect to financial statement preparation and p

Endo Health Solutions Inc.’s management assessed the effectiveness of the Company’s internal control
of December 31, 2013. In making this assessment, it used the criteria set forth by the Committee of Spo
the Treadway Commission (COSO) in Internal Control-Integrated Framework (1992). Based on our asse
of December 31, 2013, the Company’s internal control over financial reporting is effective based on tho

Endo Health Solutions Inc.’s independent registered public accounting firm has issued its report on the e
Company’s internal control over financial reporting as of December 31, 2013. This report appears on pa

/S/ RAJIV DE SILVA
Rajiv De Silva
Director, President and Chief Executive Officer (Principal Executive Officer)

/S/ SUKETU P. UPADHYAY
Suketu P. Upadhyay
Executive Vice President, Chief Financial Officer (Principal Financial Officer)

February 28, 2014

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Endo Health Solutions Inc.
Malvern, Pennsylvania

We have audited the accompanying consolidated balance sheets of Endo Health Solutions Inc. and subsi
of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive (
equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits als
statement schedule listed in the Index at Item 15. These consolidated financial statements and financial s
responsibility of the Company's management. Our responsibility is to express an opinion on the financia
statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversigh
States). Those standards require that we plan and perform the audit to obtain reasonable assurance about
statements are free of material misstatement. An audit includes examining, on a test basis, evidence supp
disclosures in the financial statements. An audit also includes assessing the accounting principles used a
made by management, as well as evaluating the overall financial statement presentation. We believe tha
reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financia
Solutions Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations an
of the three years in the period ended December 31, 2013, in conformity with accounting principles ger
United States of America. Also, in our opinion, such financial statement schedule, when considered in re
consolidated financial statements taken as a whole, presents fairly, in all material respects, the informati

We have also audited, in accordance with the standards of the Public Company Accounting Oversight B
Company's internal control over financial reporting as of December 31, 2013, based on the criteria estab
Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Tr
report dated February 28, 2014 expressed an unqualified opinion on the Company's internal control ove

/S/ DELOITTE & TOUCHE LLP

Philadelphia, Pennsylvania
February 28, 2014

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Endo Health Solutions Inc.
Malvern, Pennsylvania

We have audited the internal control over financial reporting of Endo Health Solutions Inc. and subsidia
December 31, 2013, based on criteria established in Internal Control — Integrated Framework (1992) is
Sponsoring Organizations of the Treadway Commission. The Company's management is responsible fo
internal control over financial reporting and for its assessment of the effectiveness of internal control ov
included in the accompanying Management's Report on Internal Control over Financial Reporting. Our
an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight
States). Those standards require that we plan and perform the audit to obtain reasonable assurance about
control over financial reporting was maintained in all material respects. Our audit included obtaining an
control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating
effectiveness of internal control based on the assessed risk, and performing such other procedures as we
the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision
executive and principal financial officers, or persons performing similar functions, and effected by the c
directors, management, and other personnel to provide reasonable assurance regarding the reliability of
preparation of financial statements for external purposes in accordance with generally accepted accounti
company's internal control over financial reporting includes those policies and procedures that (1) perta
records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the ass
provide reasonable assurance that transactions are recorded as necessary to permit preparation of financi
accordance with generally accepted accounting principles, and that receipts and expenditures of the com
in accordance with authorizations of management and directors of the company; and (3) provide reasona
prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets th
effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility
management override of controls, material misstatements due to error or fraud may not be prevented or
basis. Also, projections of any evaluation of the effectiveness of the internal control over financial repor
subject to the risk that the controls may become inadequate because of changes in conditions, or that the
with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financia
December 31, 2013, based on the criteria established in Internal Control — Integrated Framework (1992
of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight B
consolidated financial statements and financial statement schedule as of and for the year ended Decembe
Company and our report dated February 28, 2014 expressed an unqualified opinion on those consolidate
financial statement schedule.

/S/ DELOITTE & TOUCHE LLP

Philadelphia, Pennsylvania
February 28, 2014

Table of Contents

ENDO HEALTH SOLUTIONS INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012
(In thousands, except share and per share data)

	De 20
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 5
Restricted cash and cash equivalents	77
Accounts receivable, net of allowance of $5,594 and $5,533 at December 31, 2013 and 2012, respectively	72
Inventories, net	37
Prepaid expenses and other current assets	39
Income taxes receivable	—
Deferred income taxes	25
Assets held for sale (NOTE 3)	16
Total current assets	$ 2
MARKETABLE SECURITIES	2,9
PROPERTY, PLANT AND EQUIPMENT, NET	37
GOODWILL	1,3
OTHER INTANGIBLES, NET	1,8
OTHER ASSETS	96
TOTAL ASSETS	$ 6
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	$ 2
Accrued expenses	97
Current portion of long-term debt	41
Acquisition-related contingent consideration	3,8
Income taxes payable	3,0
Liabilities related to assets held for sale (NOTE 3)	31
Total current liabilities	$ 1
DEFERRED INCOME TAXES	31
ACQUISITION-RELATED CONTINGENT CONSIDERATION	86
LONG-TERM DEBT, LESS CURRENT PORTION, NET	3,3
OTHER LIABILITIES	65
COMMITMENTS AND CONTINGENCIES (NOTE 14)	
STOCKHOLDERS' EQUITY:	
Preferred stock, $0.01 par value; 40,000,000 shares authorized; none issued	—
Common stock, $0.01 par value; 350,000,000 shares authorized; 144,413,074 and 140,040,882 shares issued; 115,354,393 and 110,793,855 shares outstanding at December 31, 2013 and December 31, 2012, respectively	1,4
Additional paid-in capital	1,1
Retained earnings	12
Accumulated other comprehensive loss	(4,
Treasury stock, 29,058,681 and 29,247,027 shares at December 31, 2013 and December 31, 2012, respectively	(76
Total Endo Health Solutions Inc. stockholders' equity	$ 5

Noncontrolling interests (NOTE 3)	59
Total stockholders' equity	$ 5
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6

See Notes to Consolidated Financial Statements.

Table of Contents

ENDO HEALTH SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In thousands, except per share data)

	2013	2
REVENUES:		
Net pharmaceutical product sales	$2,061,916	$
Devices revenues	492,226	5
Other revenues	62,765	1
TOTAL REVENUES	$2,616,907	$
COSTS AND EXPENSES:		
Cost of revenues	1,039,516	1
Selling, general and administrative	849,339	8
Research and development	142,472	2
Patent litigation settlement, net	—	8
Litigation-related and other contingencies	484,242	3
Asset impairment charges	519,011	7
Acquisition-related and integration items	7,952	1
OPERATING (LOSS) INCOME FROM CONTINUING OPERATIONS	$(425,625)	$
INTEREST EXPENSE, NET	173,601	1
LOSS ON EXTINGUISHMENT OF DEBT	11,312	7
OTHER (INCOME) EXPENSE, NET	(50,971)	4
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	$(559,567)	$
INCOME TAX	(24,067)	(
(LOSS) INCOME FROM CONTINUING OPERATIONS	(535,500)	(
DISCONTINUED OPERATIONS, NET OF TAX (NOTE 3)	(96,914)	5
CONSOLIDATED NET (LOSS) INCOME	$(632,414)	$
Less: Net income attributable to noncontrolling interests	52,925	5
NET (LOSS) INCOME ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC.	$(685,339)	$
NET (LOSS) INCOME PER SHARE ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC. COMMON STOCKHOLDERS—BASIC:		
Continuing operations	$(4.73)	$
Discontinued operations	$(1.32)	$
Basic	$(6.05)	$
NET (LOSS) INCOME PER SHARE ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC. COMMON STOCKHOLDERS—DILUTED:		
Continuing operations	$(4.73)	$
Discontinued operations	$(1.32)	$
Diluted	$(6.05)	$
WEIGHTED AVERAGE SHARES:		
Basic	113,295	1
Diluted	113,295	1

See Notes to Consolidated Financial Statements.

Table of Contents

ENDO HEALTH SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In thousands)

	2013		2012	
CONSOLIDATED NET (LOSS) INCOME		$(632,414)		$(688,021)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Net unrealized gain (loss) on securities:				
Unrealized gains (losses) arising during the period	$775		$1,403	
Less: reclassification adjustments for losses realized in net (loss) income	—	775	—	1,403
Foreign currency translation gain (loss)		714		2,164
Fair value adjustment on derivatives designated as cash flow hedges:				
Fair value adjustment on derivatives designated as cash flow hedges arising during the period	546		(1,212)	
Less: reclassification adjustments for cash flow hedges settled and included in net (loss) income	(148)	398	279	(933)
OTHER COMPREHENSIVE INCOME (LOSS)		$1,887		$2,634
CONSOLIDATED COMPREHENSIVE (LOSS) INCOME		$(630,527)		$(685,387)
Less: Comprehensive income attributable to noncontrolling interests		52,925		52,316
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC.		$(683,452)		$(737,703)

See Notes to Consolidated Financial Statements.

Table of Contents

ENDO HEALTH SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In thousands, except share data)

	Endo Health Solutions Inc. Shareholders							
	Common Stock					Treasury Stock		T H S I S E
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Number of Shares	Amount	
BALANCE, JANUARY 1, 2011	136,309,917	$1,363	$860,882	$1,364,297	$(1,161)	(20,252,022)	$(483,790)	$
Net income	—	—	—	187,613	—	—	—	1
Other comprehensive loss	—	—	—	—	(8,275)	—	—	(8
Compensation related to stock-based awards	—	—	46,013	—	—	—	—	4
Forfeiture of restricted stock awards	(8,009)	—	—	—	—	—	—	–
Exercise of options	1,274,280	12	28,946	—	—	—	—	2
Tax benefits of stock awards, net	—	—	3,780	—	—	—	—	3
Common stock issued	760,814	8	479	—	—	—	—	4
Treasury stock acquired	—	—	—	—	—	(926,100)	(34,702)	(
Distributions to noncontrolling interests	—	—	—	—	—	—	—	–
Buy-out of noncontrolling interests, net	—	—	—	—	—	—	—	–
Replacement equity issued in connection with the AMS acquisition	—	—	12,220	—	—	—	—	1
Other	—	—	5	—	—	—	—	5
BALANCE, DECEMBER 31, 2011	138,337,002	$1,383	$952,325	$1,551,910	$(9,436)	(21,178,122)	$(518,492)	$

Net (loss) income	—	—	—	(740,337)	—	—	—	(
Other comprehensive income	—	—	—	—	2,634	—	—	2
Compensation related to stock-based awards	—	—	59,395	—	—	—	—	5
Forfeiture of restricted stock awards	(19,624)	—	—	—	—	—	—	–
Exercise of options	853,794	8	19,350	—	—	—	—	1
Tax benefits of stock awards, net	—	—	2,537	—	—	—	—	2
Common stock issued	869,710	9	469	—	—	—	—	4
Treasury stock acquired	—	—	—	—	—	(8,304,330)	(256,000)	(
Issuance of common stock from treasury	—	—	—	—	—	235,425	6,062	6
Distributions to noncontrolling interests	—	—	—	—	—	—	—	–
Buy-out of noncontrolling interests, net	—	—	—	—	—	—	—	–
Other	—	—	1,039	—	—	—	—	1
BALANCE, DECEMBER 31, 2012	140,040,882	$1,400	$1,035,115	$811,573	$(6,802)	(29,247,027)	$(768,430)	$

Table of Contents

	Endo Health Solutions Inc. Shareholders							
	Common Stock					Treasury Stock		To Er H Sc In St Ec
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Number of Shares	Amount	
Net (loss) income	—	—	—	(685,339)	—	—	—	(6
Other comprehensive income	—	—	—	—	1,887	—	—	1,
Compensation related to stock-based awards	—	—	38,998	—	—	—	—	38
Forfeiture of restricted stock awards	(12,191)	—	—	—	—	—	—	—
Exercise of options	3,836,560	39	97,090	—	—	—	—	97
Tax benefits of stock awards, net	—	—	4,265	—	—	—	—	4,
Common stock issued	547,823	5	263	—	—	—	—	26
Tax withholding for restricted shares	—	—	(9,781)	—	—	—	—	(9
Treasury stock acquired	—	—	—	—	—	—	—	—
Issuance of common stock from treasury	—	—	—	—	—	188,346	5,310	5,
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—
Buy-out of noncontrolling interests, net	—	—	—	—	—	—	—	—
Other	—	—	425	—	—	—	—	42
BALANCE, DECEMBER 31, 2013	144,413,074	$1,444	$1,166,375	$126,234	$(4,915)	(29,058,681)	$(763,120)	$5

See Notes to Consolidated Financial Statements.

Table of Contents

ENDO HEALTH SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In thousands)

	2013	2012
OPERATING ACTIVITIES:		
Consolidated net (loss) income	$(632,414)	$(68
Adjustments to reconcile consolidated net (loss) income to Net cash provided by operating activities:		
Depreciation and amortization	255,663	285,3
Stock-based compensation	38,998	59,39
Amortization of debt issuance costs and premium / discount	36,264	36,69
Provision for bad debts	3,495	3,402
Selling, general and administrative expenses paid in shares of common stock	268	478
Deferred income taxes	(155,727)	(193
Net loss on disposal of property, plant and equipment	2,571	50
Change in fair value of acquisition-related contingent consideration	823	237
Loss on extinguishment of debt	11,312	7,215
Asset impairment charges	680,198	768,4
Gain on sale of business	(2,665)	—
Changes in assets and liabilities which (used) provided cash:		
Accounts receivable	(80,195)	40,39
Inventories	(29,286)	(95,4
Prepaid and other assets	(23,600)	18,22
Accounts payable	(159,532)	142,6
Accrued expenses	(167,107)	424,3
Other liabilities	487,625	(809
Income taxes payable/receivable	31,826	(74,9
Net cash provided by operating activities	$298,517	$733
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(96,483)	(99,8
Proceeds from sale of property, plant and equipment	1,857	1,426
Acquisitions, net of cash acquired	(3,645)	(3,17
Proceeds from sale of investments	—	18,80
Purchases of investments	—	—
Other investments	—	—
Patent acquisition costs and license fees	(12,000)	(5,70
Proceeds from sale of business, net	8,150	—
Settlement escrow	(11,518)	—
Increase in restricted cash and cash equivalents	(770,000)	—
Net cash used in investing activities	$(883,639)	$(88

Table of Contents

FINANCING ACTIVITIES:		
Capital lease obligations repayments	(457)	(859
Direct financing arrangement repayments	(3,464)	—
Proceeds from issuance of New 2022 Notes	700,000	—
Proceeds from issuance of 2019 and 2022 Notes	—	—
Proceeds from issuance of Term Loans	—	—
Proceeds from other indebtedness	1,247	—
Principal payments on Term Loans	(152,032)	(362
Payment on AMS Convertible Notes	(773)	(66
Principal payments on other indebtedness	—	(899
Deferred financing fees	(10,475)	—
Payment for contingent consideration	(5,000)	—
Tax benefits of stock awards	12,017	4,949
Payments of tax withholding for restricted shares	(9,781)	—
Exercise of Endo Health Solutions Inc. stock options	97,129	19,3
Purchase of common stock	—	(256
Issuance of common stock from treasury	5,310	6,062
Cash distributions to noncontrolling interests	(52,711)	(53,2
Cash buy-out of noncontrolling interests, net of cash contributions	(1,485)	(2,74
Net cash provided by (used in) financing activities	$579,525	$(64
Effect of foreign exchange rate	1,692	431
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$(3,905)	$296
LESS: NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	(813)	(2,74
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	$(3,092)	$3,0
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	529,689	526,6
CASH AND CASH EQUIVALENTS, END OF PERIOD	$526,597	$529
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	$128,452	$152
Cash paid for income taxes	$70,160	$192
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Purchases of property, plant and equipment financed by capital leases	$497	$1,3
Purchases of property, plant and equipment financed by direct financing arrangement	$—	$57,6
Accrual for purchases of property, plant and equipment	$8,351	$12,6

See Notes to Consolidated Financial Statements.

Table of Contents

ENDO HEALTH SOLUTIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

NOTE 1. DESCRIPTION OF BUSINESS

On May 23, 2012, we changed our name from Endo Pharmaceuticals Holdings Inc. to Endo Health Solu
to herein as "Endo", the "Company", "we", "our" or "us". Endo Health Solutions Inc., together with its s
based, specialty healthcare company focused on branded and generic pharmaceuticals and devices. We a
healthcare professionals and payment providers to deliver a suite of complementary branded and generic
clinical data to meet the needs of patients in areas such as pain management, urology, oncology and end
was incorporated on November 18, 1997 under the laws of the State of Delaware.

On July 2, 2010, we acquired HealthTronics, Inc. a provider of healthcare services and manufacturer of
devices, primarily for the urology community. On September 20, 2010, we acquired Penwest, a drug dev
November 30, 2010, we acquired Qualitest Pharmaceuticals, a privately-held generics company in the U
acquired AMS, a worldwide developer and provider of technology solutions to physicians treating men'
conditions.

The Company previously divested two operating divisions of HealthTronics, its image guided radiation
and it anatomical pathology laboratory business in the third quarter of 2013. On December 28, 2013 the
Directors approved a plan to sell the remainder of the HealthTronics business, in its entirety. On Februa
the sale of HealthTronics.

The assets and liabilities of the HealthTronics business segment are classified as held for sale in the Con
for all periods presented. Depreciation and amortization expense are not recorded on assets held for sale
this business segment are reported as Discontinued operations, net of tax in the Consolidated Statements
periods presented. For additional information, see Note 3. Discontinued Operations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Basis of Presentation—The Company's Consolidated Financial Statements are prepa
accounting principles generally accepted in the U.S. (GAAP). The Consolidated Financial Statements in
wholly owned subsidiaries, after elimination of intercompany accounts and transactions. Certain prior p
reclassified to conform to the current period presentation.

Through our ownership in HealthTronics, we own interests in various partnerships and limited liability c
consolidate our investments in these partnerships or LLCs, where we, as the general partner or managing
effective control, even though our ownership is less than 50%. The related governing agreements provid
and the other parties do not participate in the management of the entity and do not have the substantial a
have reviewed each of the underlying agreements and determined we have effective control. If circumst
determined this control did not exist, these investments would be reflected using the equity method of ac
would change individual line items within our Consolidated Financial Statements it would have no effec
attributable to Endo Health Solutions Inc. and/or total stockholders' equity attributable to Endo Health S

Use of Estimates—The preparation of our Consolidated Financial Statements in conformity with GAAP
estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of con
liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and
reporting period. Significant estimates and assumptions are required in the determination of revenue rec
deductions for estimated chargebacks, rebates, sales incentives and allowances, certain royalties, distribu
and allowances. Significant estimates and assumptions are also required when determining the fair value
instruments, the valuation of long-lived and indefinite-lived assets, income taxes, contingencies and stoc
Some of these judgments can be subjective and complex, and, consequently, actual results may differ fr
estimates often are based on complex judgments, probabilities and assumptions that we believe to be rea
inherently uncertain and unpredictable. For any given individual estimate or assumption made by us, the
estimates or assumptions that are reasonable.

We regularly evaluate our estimates and assumptions using historical experience and other factors, inclu
environment. As future events and their effects cannot be determined with precision, our estimates and a

be incomplete or inaccurate, or unanticipated events and circumstances may occur that might cause us to
and assumptions. Market conditions, such as illiquid credit markets, volatile equity markets, dramatic flu
currency rates and economic downturn, can increase the uncertainty already inherent in our estimates an
our estimates and

Table of Contents

assumptions when facts and circumstances indicate the need for change. Those changes generally will b consolidated financial statements on a prospective basis unless they are required to be treated retrospect accounting standard. It is possible that other professionals, applying reasonable judgment to the same fa could develop and support a range of alternative estimated amounts. We also are subject to other risks a cause actual results to differ from estimated amounts, such as changes in the healthcare environment, co legislation and regulations.

Customer, Product and Supplier Concentration—We primarily sell our products directly to a limited nu chains and through a limited number of wholesale drug distributors who, in turn, supply products to pha governmental agencies and physicians. Total revenues from customers who accounted for 10% or more revenues during the years ended December 31 are as follows:

	2013		2012
Cardinal Health, Inc.	21	%	25
McKesson Corporation	26	%	26
AmerisourceBergen Corporation	15	%	12

Revenues from these customers are included within our Endo Pharmaceuticals and Qualitest segments.

The Company derives a majority of its total revenues from a limited number of products. Products that a of our total revenues during the years ended December 31 were as follows:

	2013		2012
Lidoderm®	23	%	34
Opana® ER	9	%	11

We have agreements with Novartis Consumer Health, Inc., Novartis AG, Teikoku Seiyaku Co., Ltd., No GMBH and Sharp Corporation for the manufacture and supply of a substantial portion of our existing pl Additionally, we utilize UPS Supply Chain Solutions, Inc. for certain customer service support, wareho services, see Note 14. Commitments and Contingencies.

Revenue Recognition—

Pharmaceutical Products

Our net pharmaceutical product sales consist of revenues from sales of our pharmaceutical products, les chargebacks, rebates, sales incentives and allowances, distribution service fees, returns and allowances (reserves). We recognize revenue for product sales when title and risk of loss has passed to the customer, delivery to the customer, when estimated provisions for revenue reserves are reasonably determinable, a reasonably assured. Revenue from the launch of a new or significantly unique product, for which we are requisite historical data on which to base estimates of returns and allowances due to the uniqueness of th delivery technology as compared to other products in our portfolio and in the industry, may be deferred estimate can be determined, all of the conditions above are met and when the product has achieved mark typically based on dispensed prescription data and other information obtained during the period followi

Devices

For inventory on consignment or with field representatives, revenue is recognized at the time the produc implanted. For all other transactions, we recognize revenue when title to the goods and risk of loss trans providing there are no remaining performance obligations required from us or any matters requiring cus where we utilize distributors or ship product directly to the end user, we recognize revenue upon shipme recognition criteria have been met.

Services

Our fees for the urology and pathology services performed by HealthTronics are recorded when the pro are based on contracted rates. Management fees from our HealthTronics, Inc. limited partnerships are re earned. The assets of this business segment and related liabilities are classified as held for sale in the Co for all periods presented. The operating results of this business segment are reported as Discontinued op Consolidated Statements of Operations for all periods presented. For additional information, see Note 3.

Table of Contents

Other

Product royalties received from third party collaboration partners and licensees of our products and pate
revenues. Royalties are recognized as earned in accordance with the contract terms when royalties from
reasonably estimated and collectability is reasonably assured. If royalties cannot be reasonably estimate
royalty amount is not reasonably assured, royalties are recognized as revenue when the cash is received.

Sales Deductions—When we recognize net sales from the sale of our pharmaceutical products, we recor
for estimated revenue reserves. These provisions, are estimated based on historical experience, estimate
customer inventory levels, current contract sales terms with our wholesale and indirect customers and ot
the assumptions we used to calculate these adjustments do not appropriately reflect future activity, our f
of operations and cash flows could be materially impacted.

Research and Development—Expenditures for research and development are expensed as incurred. Prop
that are acquired or constructed for research and development activities and that have alternate future us
depreciated over their estimated useful lives on a straight-line basis. Upfront and milestone payments m
connection with agreements with third parties are generally expensed as incurred up to the point of regu
made to third parties subsequent to regulatory approval are generally capitalized and amortized over the
the related product. Amounts capitalized for such payments are included in Other intangibles, net on the
Sheets.

Cash and Cash Equivalents—The Company considers all highly liquid money market instruments with a
months or less when purchased to be cash equivalents. At December 31, 2013, cash equivalents were de
institutions and consisted of immediately available fund balances. The Company maintains its cash depo
with well-known and stable financial institutions.

Restricted Cash and Cash Equivalents —Cash and cash equivalents that are restricted as to withdrawal o
certain contractual agreements are recorded in Restricted cash and cash equivalents on our Consolidated
December 31, 2013, restricted cash and cash equivalents consists of $700.0 million from the proceeds o
2022 Notes and $70.0 million of additional cash. At December 31, 2013, the proceeds of the issuance of
the additional $70.0 million are restricted and held in escrow and may not be utilized by the Company u
(Paladin) transaction closes. If the transaction is not consummated before July 1, 2014 the restricted cash
would then be used for general corporate purposes, which may include strategic transactions.

Cost of Revenues—Cost of revenues includes all costs directly related to bringing both purchased and m
their final selling destination. It includes purchasing and receiving costs, direct and indirect costs to mar
including direct materials, direct labor, and direct overhead expenses necessary to acquire and convert p
supplies into finished goods. Cost of revenues also includes royalties paid or owed by Endo on certain in
inspection costs, depreciation, amortization of intangible assets, warehousing costs, freight charges, cost
equipment, and other shipping and handling activity.

Concentrations of Credit Risk—Financial instruments that potentially subject the Company to significan
risk consist primarily of cash equivalents, marketable debt securities and accounts receivable. We invest
high-quality, liquid money market instruments maintained by major U.S. banks and financial institution
experienced any losses on our cash equivalents.

We perform ongoing credit evaluations of our customers and generally do not require collateral. We hav
losses from uncollectible accounts. Approximately 66% and 68% of our trade accounts receivable balan
from three customers at December 31, 2013 and 2012, respectively.

We do not expect our current or future credit risk exposures to have a significant impact on our operatio
no assurance that our business will not experience any adverse impact from credit risk in the future.

Inventories—Inventories consist of finished goods held for distribution, raw materials and work-in-proc
stated at the lower of cost or market. Cost is determined by the first-in, first-out method. We write-down
realizable value based on forecasted demand and market conditions, which may differ from actual result

Property, plant and equipment—Property, plant and equipment are stated at cost less accumulated depre
computed over the estimated useful life of the related assets, ranging from 1 to 35 years, on a straight-lin
improvements and capital lease assets are depreciated on a straight-line basis over the shorter of their es

terms of their respective leases. Depreciation is not recorded on assets held for sale.

Lease Accounting—The Company accounts for operating lease transactions by recording rent expense o the expected life of the lease, commencing on the date it gains possession of leased property. The Comp

Table of Contents

improvement allowances and rent holidays received from landlords and the effect of any rent escalation straight-line rent expense over the expected life of the lease.

Capital lease transactions are reflected as a liability at the inception of the lease based on the present val payments or, if lower, the fair value of the property. Assets under capital leases are recorded in Property on the Consolidated Balance Sheets and depreciated in a manner similar to other Property, plant and equ

Certain construction projects may be accounted for as direct financing arrangements, whereby the Comp construction period, the full cost of the asset in Property, plant and equipment, net on the Consolidated corresponding liability is also recorded, net of leasehold improvements paid for by the Company, and is expected lease term through monthly rental payments using an effective interest method. Assets recorde arrangements are depreciated over the lease term.

License Rights—The cost of licenses are either expensed immediately or, if capitalized, are stated at cos amortization and are amortized using the straight-line method over their estimated useful lives ranging f weighted average useful life of approximately 8 years. We determine amortization periods for licenses b various factors impacting estimated useful lives and cash flows of the acquired rights. Such factors inclu date of the product, the strength of the intellectual property protection of the product and various other c and regulatory issues, and contractual terms. Amortization expense is not recorded on assets held for sal

Customer Relationships—Acquired customer relationships are recorded at fair value upon acquisition a estimated useful lives ranging from 13 to 17 years, with a weighted average useful life of approximately amortization periods for customer relationships based on our assessment of various factors impacting es cash flows from the acquired assets. Such factors include the strength of the customer relationships, con plans regarding our future relations with our customers. Significant changes to any of these factors may useful life of the asset and an acceleration of related amortization expense, which could cause our opera and net income per share to decrease. Amortization expense is not recorded on assets held for sale.

Tradenames—Acquired tradenames are recorded at fair value upon acquisition and, if deemed to have d using estimated useful lives ranging from 15 to 30 years, with a weighted average useful life of approxi determine amortization periods for tradenames based on our assessment of various factors impacting est cash flows from the acquired assets. Such factors include the strength of the tradename and our plans re the tradename. Significant changes to any of these factors may result in a reduction in the useful life of t acceleration of related amortization expense, which could cause our operating income, net income and n decrease. Amortization expense is not recorded on assets held for sale.

Developed Technology—Acquired developed technology is recorded at fair value upon acquisition and useful lives ranging from 3 to 20 years, with a weighted average useful life of approximately 16 years. W periods for developed technology based on our assessment of various factors impacting estimated usefu the acquired assets. Such factors include the strength of the intellectual property protection of the produc competitive and regulatory issues, and contractual terms. Significant changes to any of these factors ma the useful life of the asset and an acceleration of related amortization expense, which could cause our op income and net income per share to decrease. Amortization expense is not recorded on assets held for sa assets is subject to continuing scientific, medical and marketplace uncertainty.

Long-Lived Asset Impairment Testing—Long-lived assets, which includes property, plant and equipme intangible assets, are assessed for impairment whenever events or changes in circumstances indicate the asset may not be recoverable. The impairment testing involves comparing the carrying amount of the as undiscounted future cash flows generated by that asset. In the event the carrying amount of the asset exc future cash flows generated by that asset and the carrying amount is not considered recoverable, an impa impairment loss is measured as the excess of the asset's carrying amount over its fair value. An impairm net income in the period that the impairment occurs.

In-Process Research and Development Assets (IPR&D)—The fair value of IPR&D acquired in a busine based on the present value of each research project's projected cash flows using an income approach. Fu predominately based on the net income forecast of each project, consistent with historical pricing, margi similar products. Revenues are estimated based on relevant market size and growth factors, expected inc

project life cycles and the life of each research project's underlying patent. In determining the fair value
expected cash flows are adjusted for the technical and regulatory risk of completion.
IPR&D is initially capitalized and considered indefinite-lived intangible assets subject to impairment re
occur annually on October 1st of each year or more frequently upon the occurrence of certain events, re

Table of Contents

of the fair value of the respective intangible assets. If the fair value of the intangible assets is less than it impairment loss is recognized for the difference. For those assets that reach commercialization, the asse expected useful lives.

Goodwill—Goodwill, which represents the excess of purchase price over the fair value of net assets acq Goodwill is not amortized; rather, it is subject to a periodic assessment for impairment by applying a fai Goodwill is assessed for impairment on an annual basis as of October 1st of each year or more frequentl circumstances indicate that the asset might be impaired. The impairment model permits, and we utilize, determining goodwill impairment. In the first step, we determine the fair value of our reporting units usi analysis. If the net book values of a reporting unit exceeds its fair value, we would then perform the sec test which requires allocation of the reporting unit's fair value to all of its assets and liabilities using the prescribed under authoritative guidance for business combinations. Any residual fair value is being alloc impairment charge is recognized only when the implied fair value of our reporting unit’s goodwill is les

Advertising Costs—Advertising costs are expensed as incurred and included in Selling, general and adm amounted to $38.3 million, $41.8 million and $54.7 million for the years ended December 31, 2013, 201

Income Taxes—Provisions for income taxes are calculated on reported pre-tax income based on current and available tax incentives and planning opportunities in various jurisdictions in which we operate. Suc the amounts currently receivable or payable because certain items of income and expense are recognized for financial reporting purposes than for income tax purposes. We recognize deferred taxes by the asset accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for th differences are expected to reverse. Significant judgment is required in determining income tax provisio positions. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than no be realized. The factors used to assess the likelihood of realization are the Company’s forecast of future available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets increase in the Company’s effective tax rate on future earnings.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax on examination by the taxing authorities, based on the technical merits of the position. The tax benefits statements from such a position are measured based on the largest benefit that has a greater than 50% lik upon ultimate resolution.

Contingencies—The Company is subject to various patent challenges, product liability claims, governm legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation a and included in Selling, general and administrative expenses. Contingent accruals are recorded with a co Litigation-related and other contingencies in the Consolidated Statements of Operations when the Comp is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencie unpredictable, our assessments involve significant judgment regarding future events.

Stock-Based Compensation—The Company accounts for its stock-based compensation plans in accorda Topic 718, Stock Compensation. Accordingly, stock-based compensation for employees and non-emplo at the grant date based on the estimated fair value of the award and is recognized as an expense over the Stock-based compensation expense is reduced for estimated future forfeitures. These estimates are revis actual forfeitures differ from the estimates. Changes in forfeiture estimates impact compensation expens the change in estimate occurs.

Segment Information— The Company operates in three reportable segments. These segments are: (1) E (formerly Branded Pharmaceuticals), (2) Qualitest (formerly Generics) and (3) AMS (formerly Devices) revenues to external customers and adjusted income before income tax for each of our segments is found Results.

Comprehensive Income—Comprehensive income includes all changes in equity during a period except investments by or distributions to a company’s stockholders. Other comprehensive income or loss refers gains and losses that are included in comprehensive income, but excluded from net income as these amo

as an adjustment to stockholders' equity.

Treasury Stock—Treasury stock consists of shares of Endo Health Solutions Inc. that have been issued b
We account for treasury stock purchases under the cost method. In accordance with the cost method, we
of acquiring shares of our stock as treasury stock, which is a contra equity account. When these shares a
average cost method for determining cost. Proceeds in excess of cost are then credited to Additional paid

Table of Contents

Foreign Currency Translation—The financial statements for operations outside the U.S. are maintained currency. All assets and liabilities of our international subsidiaries are translated to U.S. dollars at year-e elements of the statement of operations are translated at average exchange rates in effect during the year arising from the use of differing exchange rates are included in accumulated other comprehensive incom with the exception of inter-company balances not considered permanently invested which are included i balance of cumulative translation adjustments included in accumulated other comprehensive income wa December 31, 2013 and a loss of $5.9 million at December 31, 2012. Gains and losses on foreign curren included in Other (income) expense, net.

Convertible Senior Subordinated Notes—We accounted for the issuance of our 1.75% Convertible Seni April 2015 (the Convertible Notes) in accordance with the guidance regarding the accounting for conver may be settled in cash upon conversion, which among other items, specifies that contracts issued or held (1) indexed to the entities own common stock and (2) classified in stockholders' equity in its statement considered to be derivative financial instruments if the appropriate provisions are met. Accordingly, we Convertible Notes as long-term debt in the accompanying Consolidated Balance Sheets.

Convertible Notes Hedge & Warrants—Concurrent with the issuance of the Convertible Notes we enter common stock call options with affiliates of the initial purchasers. In addition, we sold warrants to affili purchasers. In addition to entering into the convertible note hedge transaction and the warrant transactio privately-negotiated accelerated share repurchase agreement with the same counterparty, as part of our b program described in Note 16. Stockholders' Equity. We accounted for the call options, warrants, and ac agreement in accordance with the guidance regarding the accounting derivative financial instruments ind settled in, a company's own stock. The call options, warrants, and accelerated share repurchase agreeme be accounted for as equity instruments. The cost of the call options and the proceeds related to the sale o included in additional paid-in capital in the accompanying Consolidated Balance Sheets.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Upd Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the the Reporting Date. The amendments in this update provide guidance for the recognition, measurement, obligations resulting from joint and several liability arrangements for which the total amount of the obli reporting date, except for obligations addressed within existing guidance. This guidance requires an enti obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement a any additional amount the reporting entity expects to pay on behalf of its co-obligors. This ASU also req the nature and amount of the obligation as well as other information about those obligations. ASU 2013- retrospective basis for fiscal years and interim periods within those fiscal years beginning after Decembe adoption is permitted. The Company is currently evaluating ASU 2013-04 but does not expect the impac material to the Company's Consolidated Financial Statements.

In July 2013, the FASB issued ASU 2013-11, Presentation of Unrecognized Tax Benefit When a Net Op Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The amendments in this update financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, credit carryforward exists, in order to eliminate the diversity in practice in the presentation of unrecogni instances. This guidance generally requires that an unrecognized tax benefit, or a portion of an unrecogn presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryfo or a tax credit carryforward. However, to the extent a net operating loss carryforward, a similar tax loss, carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settl taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdictio entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecogni presented in the financial statements as a liability and should not be combined with deferred tax assets. T a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist should be made presuming disallowance of the tax position at the reporting date. ASU 2013-11 is effect years, and interim periods within those years, beginning after December 15, 2013. Retrospective applica

Company is currently evaluating ASU 2013-11 but does not expect the impact of adoption to be materia
Consolidated Financial Statements.

NOTE 3. DISCONTINUED OPERATIONS

On December 28, 2013 the Company's Board of Directors approved a plan to sell its HealthTronics busi
entered into a definitive agreement to sell the business on January 9, 2014 to Altaris Capital Partners LL
payment of $85.0 million, subject to cash and other working capital adjustments. In addition, the Compa
additional cash payments of up to $45.0 million based on the future operating performance of HealthTro
consideration of up to $130.0

Table of Contents

million. Additional cash payments, if any will be recorded when earned. The Company also retained inc
deferred tax assets related to net operating loss carryforwards and unrecognized tax benefits which were
million, $28.0 million, and $9.3 million, respectively, at December 31, 2013. The sale was completed on
anticipated pre-tax loss on the sale is approximately $118.9 million, which is the amount of the charge t
write down the book value of the assets to fair value less costs to sell.
The assets of this business segment and related liabilities are classified as held for sale in the Consolidat
periods presented. Depreciation and amortization expense are not recorded on assets held for sale. The c
business segment are reported as Discontinued operations, net of tax in the Consolidated Statements of
presented. Financial results are only related to disposed of or to-be-disposed of businesses.

The following table provides the operating results of Discontinued operations, net of tax for the three ye
(in thousands):

	2013	2012	201
Revenue	$207,194	$211,627	$2
(Loss) income from discontinued operations before income taxes	$(119,690)	$(11,160)	$4
Income taxes	(22,776)	(17,147)	(2,
Discontinued operations, net of tax	$(96,914)	$5,987	$4

In the fourth quarter of 2013, the Company recorded an estimated loss on sale of $118.9 million to write
the reporting units' assets to fair value less estimated costs to sell. In the third quarter of 2013, the Comp
goodwill impairment charge of $38.0 million, representing the difference between the estimated implied
HealthTronics reporting units' goodwill and the carrying amount. In the second quarter of 2013, the Con
estimated loss on sale charge of $4.2 million on property, plant and equipment, accounts receivable and
down the book value of the anatomical pathology services business to fair value less estimated costs to s
Company recognized a pre-tax gain of $2.7 million. In the fourth quarter of 2012, the Company recorde
charge of $49.9 million, representing the difference between the implied fair value of the HealthTronics
and the carrying amount. In 2011, the Company divested its image guided radiation therapy (IGRT) bus
consideration of approximately $13.0 million, resulting in a pre-tax gain of $0.8 million.

The following table provides the components of Assets held for sale and Liabilities related to assets held
31 (in thousands):

	2013	2012
Current assets	$69,131	$86,802
Property, plant and equipment	23,461	26,375
Goodwill and other intangibles, net	58,761	212,466
Other assets	8,904	5,020
Assets held for sale	$160,257	$330,663
Current liabilities	$27,656	$35,408
Long term debt, less current portion, net	3,354	2,916
Other liabilities	561	20,252
Liabilities related to assets held for sale	$31,571	$58,576

Table of Contents

NOTE 4. RESTRUCTURING

June 2013 Restructuring Initiative

On June 4, 2013, the Company's Board of Directors (the Board) approved certain strategic, operational a
for the Company to take to refocus its operations and enhance shareholder value. These actions were the
assessment of the Company's strengths and challenges, its cost structure and execution capabilities, and
opportunities to drive future cash flow and earnings growth. The cost reduction initiatives include a redu
approximately 15% worldwide, streamlining of general and administrative expenses, optimizing comme
research and development efforts.

As a result of the June 2013 restructuring initiative, the Company incurred restructuring expenses of $56
ended December 31, 2013, consisting of $41.4 million of employee severance and other benefit-related
other costs associated with the restructuring, mainly contract termination fees and $2.8 million of asset i
Company anticipates there will be additional pre-tax restructuring expenses of $3.7 million, primarily at
facility exit costs and employee severance and other benefit-related costs which will be incurred through
these restructuring costs, with the exception of the costs related to HealthTronics, are included in Selling
administrative expense in the Consolidated Statements of Operations. The operating results of Healthtro
Discontinued operations, net of tax in the Consolidated Statements of Operations for all periods presente
As of December 31, 2013, the accrual related to the June 2013 restructuring initiative was $12.3 million
million is included in Accrued expenses and approximately $1.4 million is included in Liabilities related
the Consolidated Balance Sheets. There was no such restructuring accrual for these actions as of Decem
this accrual during the year ended December 31, 2013 were as follows, with the exception of non-cash i
were excluded (in thousands):

	Employee Severance and Other Benefit-Related Costs	Oth Res Co
Liability balance as of December 31, 2012	$ —	$—
Expenses	41,435	11,
Cash distributions	(34,056)	(6,0
Other non-cash adjustments	—	(97
Liability balance as of December 31, 2013	$ 7,379	$4,

A summary of expenses related to the June 2013 restructuring initiatives is included below by reportable
year ended December 31, 2013 (in thousands):

	Employee Severance and Other Benefit-Related Costs	Asset Impairment Charges	Oth Res Co
Endo Pharmaceuticals	$ 22,847	$2,849	$8,
Qualitest	262	—	1,1
AMS	6,645	—	2,0
Discontinued operations (NOTE 3)	3,260	—	40
Corporate unallocated	8,421	—	—
Total	$ 41,435	$2,849	$1

Of the $3.7 million of additional pre-tax restructuring expenses the Company expects to incur, $2.1 mill
$1.4 million relates to the AMS segment and $0.2 million relates to the Endo Pharmaceuticals segment.
do not include restructuring expenses as segment performance is evaluated excluding such expenses. Se
Note 6. Segment Results.

Other Restructuring Initiatives

During 2013 and 2012, the Company undertook certain other restructuring initiatives that were individu
Company's Consolidated Financial Statements for any of the periods presented. On an aggregate basis, t
charges related to these initiatives totaling $10.3 million during the year ended December 31, 2013, whi
employee

Table of Contents

severance and other benefit-related costs, accelerated depreciation and asset impairment charges. Additi
incurred lease-exit costs of $7.8 million during the year ended December 31, 2013 upon the cease use da
Pennsylvania and Westbury, New York properties, consisting of our remaining obligations under the res
During the year ended December 31, 2012 the Company recorded $43.6 million related to these initiativ
employee severance and other benefit-related costs. The majority of these costs are included in Selling,
expense in the Consolidated Statements of Operations.

The liability related to these initiatives totaled $16.1 million and $19.2 million at December 31, 2013 an
respectively. The majority of the liability is included in Accrued expenses in the Consolidated Balance S
liability relates primarily to cash payments made during 2013, partially offset by the recognition of the e
preceding paragraph.

NOTE 5. ACQUISITIONS

AMS

On June 17, 2011 (the AMS Acquisition Date), the Company completed its acquisition of all outstandin
of AMS for approximately $2.4 billion in aggregate consideration, including $70.8 million related to exi
compensation awards and certain other amounts, at which time AMS became a wholly-owned, indirect s
Company. AMS's shares were purchased at a price of $30.00 per share.

AMS is a worldwide developer and provider of technology solutions to physicians treating men's and w
conditions. The AMS business and applicable services include:

Men's Health.

AMS supplies surgical solutions for the treatment of male urinary incontinence, the involuntary release
The fully implantable AMS 800® system includes an inflatable urethral cuff to restrict flow through the
pump that allows the patient to discreetly open the cuff when he wishes to urinate. Since 2000, AMS ha
InVance® sling system, a less-invasive procedure for men with moderate incontinence, and in 2007, AM
sling system for the treatment of mild to moderate stress urinary incontinence. AMS also offers the Urol
stent as a less invasive procedure for patients who may not be good surgical candidates, as well as for m
urethral strictures.

AMS also supplies penile implants to treat erectile dysfunction, the inability to achieve or maintain an e
sexual intercourse, with a series of semi-rigid malleable prostheses and a complete range of more natura
prostheses, including the AMS 700® MS. AMS has refined its implants over the years with improvemen
of inflatable prostheses, including the AMS 700 LGX® and the MS Pump®. Another key factor that dist
is the use of the InhibiZone® antibiotic coating, which received FDA approval in July 2009 for AMS's p
InhibiZone® reduces the rate of revision surgery due to surgical infections.

Women's Health.

AMS offers a broad range of systems, led by Monarc® and MiniArc®, to treat female stress urinary inco
results from a weakening of the tissue surrounding the bladder and urethra which can be a result of preg
aging. Monarc® incorporates unique helical needles to place a self-fixating, sub-fascial hammock throug
AMS's MiniArc® Single-Incision Sling for stress incontinence was released in 2007 and requires just on
place a small sling under the urethra, which minimizes tissue disruption and potential for blood loss, the
procedure to be done with less anesthesia on an outpatient basis. In 2010, AMS launched the MiniArc®
designed to enhance the ease and accuracy of placement of the MiniArc device.

AMS also offers solutions for pelvic floor prolapse and other pelvic floor disorders, which may be cause
and childbirth. In 2008, AMS introduced the Elevate® transvaginal pelvic floor repair system, with no e
anatomically designed needle and self-fixating tips, Elevate® allows for safe, simple and precise mesh p
vaginal incision. The posterior system was launched in 2008 and the anterior system was launched in 20

Prostate Health.

AMS's products can be used to relieve restrictions on the normal flow of urine from the bladder caused
generally the result of BPH or bulbar urethral strictures. AMS offers men experiencing a physical obstru
urethra an alternative to a transurethral resection of the prostate (TURP), with the GreenLight™ photov
This laser therapy is designed to reduce the comorbidities associated with TURP. AMS's GreenLight™

Cooled Fiber provide shorter treatment times with similar long-term results compared to other laser syst
laser system offers an optimal laser beam that balances vaporization of tissue with coagulation to prever
enhanced surgical

Table of Contents

control compared to other laser systems. AMS also offers the StoneLight® laser and SureFlex™ fiber op
urinary stones. StoneLight® is a lightweight and portable 15-watt holmium laser that offers the right am
effectively fragment most urinary stones. The SureFlex™ fiber optic line is engineered to deliver more
effectively, even under maximum scope deflection, for high performance holmium laser lithotripsy.
AMS's TherMatrx® product is designed for those men not yet to the point of urethral obstruction, but for
is desired. It is a less-invasive tissue ablation technique that can be performed in a physician's office usi
delivered to the prostate.
The acquisition of AMS strengthens our leading core urology franchise and expands our presence in the
We believe the combination of AMS with Endo's existing platform will provide additional cost-effectiv
urology spectrum.
The operating results of AMS from and including June 18, 2011 are included in the accompanying Cons
Operations. The Consolidated Balance Sheets as of December 31, 2013 and December 31, 2012 reflect t
effective June 18, 2011.
The following table summarizes the fair values of the assets acquired and liabilities assumed at the AMS
thousands):

Cash and cash equivalents	
Commercial paper	
Accounts receivable	
Other receivables	
Inventories	
Prepaid expenses and other current assets	
Income taxes receivable	
Deferred income taxes	
Property, plant and equipment	
Other intangible assets(1)	
Other assets	
Total identifiable assets	
Accounts payable	
Accrued expenses	
Deferred income taxes	
Long-term debt	
Other liabilities	
Total liabilities assumed	
Net identifiable assets acquired	
Goodwill(2)	
Net assets acquired	

(1) Subsequent pre-tax non-cash impairment charges totaling $12.0 million and $135.5 million related to were recorded in 2013 and 2012, respectively.

(2) Subsequent pre-tax non-cash impairment charges of $481.0 million and $507.5 million related to this in the fourth quarter of 2013 and 2012, respectively. These impairment charges are further discussed Other Intangibles.

The above estimated fair values of assets acquired and liabilities assumed are based on the information t
AMS Acquisition Date to estimate the fair value of assets acquired and liabilities assumed. Our measure
are complete.

Table of Contents

The valuation of the intangible assets acquired and related amortization periods are as follows:

	Valua (in mi
Customer Relationships:	
Men's Health	$97
Women's Health	37
Prostate Health	26
Total	$160
Developed Technology:	
Men's Health	$690
Women's Health(1)	150
Prostate Health	161
Total	$1,00
Tradenames:	
AMS	$45
GreenLight	12
Total	$57
In Process Research & Development:	
Oracle(2)	$12
Genesis(3)	14
TOPAS(4)	8
Other(5)	8
Total	$42
Total other intangible assets	$1,26

(1) A subsequent pre-tax non-cash impairment charge of $128.5 million was recorded in the fourth quart
(2) A subsequent pre-tax non-cash impairment charge of $4.0 million was recorded in the fourth quarter
(3) A subsequent pre-tax non-cash impairment charge of $6.0 million was recorded in the fourth quarter
(4) A subsequent pre-tax non-cash impairment charge of $2.0 million was recorded in the fourth quarter
(5) Subsequent pre-tax non-cash impairment charges of $4.0 million and $3.0 million were recorded in t and the second quarter of 2012, respectively. These impairment charges are further discussed in N Other Intangibles.

The fair value of the developed technology, IPR&D and customer relationship assets were estimated usi value income approach. Under this method, an intangible asset's fair value is equal to the present value cash flows (excess earnings) attributable solely to the intangible asset over its remaining useful life. To Company used cash flows discounted at rates considered appropriate given the inherent risks associated The Company believes that the level and timing of cash flows appropriately reflect market participant as of the AMS and GreenLight tradenames were estimated using an income approach, specifically known a method. The relief from royalty method is based on a hypothetical royalty stream that would be received license the AMS or GreenLight tradename. Thus, we derived the hypothetical royalty income from the p and GreenLight products, respectively. Cash flows were assumed to extend through the remaining econo class of intangible asset.

The $1.8 billion of goodwill has been assigned to our AMS segment. The goodwill recognized is attribu and synergistic opportunities across the entire urology spectrum, expected corporate synergies, the asser and other factors. Approximately $16.5 million of goodwill was expected to be deductible for income ta Deferred tax assets of $15.4 million are related primarily to federal net operating loss and credit carryfo subsidiaries. Deferred tax liabilities of $416.7 million are related primarily to the difference between the of identifiable intangible assets.

Table of Contents

The Company recognized $1.1 million, $7.7 million and $28.8 million of AMS acquisition-related and i
expensed during the years ended December 31, 2013, 2012 and 2011 respectively. These costs are inclu
and integration items, net in the accompanying Consolidated Statements of Operations and are comprise
(in thousands):

	2013	2
Bank fees	$—	$
Legal, separation, integration, and other costs	1,124	7
Total	$1,124	$

Transaction costs directly associated with the closing of the acquisition in 2011 and included in the table
million.

The amounts of revenue and net loss of AMS included in the Company’s Consolidated Statements of Op
including June 18, 2011 to December 31, 2011 are as follows (in thousands, except per share data):

Revenue

Net loss attributable to Endo Health Solutions Inc.

Basic and diluted net loss per share

The following supplemental pro forma information presents the financial results as if the acquisition of A
January 1, 2011 for the year ended December 31, 2011. This supplemental pro forma information has be
comparative purposes and does not purport to be indicative of what would have occurred had the acquis
January 1, 2011, nor are they indicative of any future results.

Unaudited pro forma consolidated results (in thousands, except per share data):

Revenue

Net income attributable to Endo Health Solutions Inc.

Basic net income per share

Diluted net income per share

These amounts have been calculated after applying the Company’s accounting policies and adjusting the
factually supportable adjustments that give effect to events that are directly attributable to the AMS Acq
borrowings to finance the acquisition as well as the additional depreciation and amortization that would
assuming the fair value adjustments primarily to property, plant and equipment, inventory, and intangibl
on January 1, 2011, together with the consequential tax effects.

NOTE 6. SEGMENT RESULTS

On December 28, 2013 the Company's Board of Directors approved a plan to sell its HealthTronics busi
Company entered into a definitive agreement to sell the business segment on January 9, 2014. The asset
and related liabilities are classified as held for sale in the Consolidated Balance Sheets for all periods pr
amortization expense are not recorded on assets held for sale. The operating results of this business segm
Discontinued operations, net of tax in the Consolidated Statements of Operations for all periods presente
information, see Note 3. Discontinued Operations.

The three remaining reportable business segments in which the Company now operates are: (1) Endo Ph
(2) Qualitest and (3) AMS. Each segment derives revenue from the sales or licensing of their respective

We evaluate segment performance based on each segment’s adjusted income (loss) from continuing ope
which we define as income (loss) from continuing operations before income tax before certain upfront a
partners, acquisition-related and integration items, cost reduction and integration-related initiatives, asse
amortization of intangible assets related to marketed products and customer relationships, inventory step
our acquisitions, non-cash interest expense, litigation-related and other contingent matters and certain ot
Company believes do not reflect its core operating performance.

Table of Contents

Certain corporate general and administrative expenses are not allocated and are therefore included withi
We calculate consolidated adjusted income from continuing operations before income tax by adding the
reportable segments to Corporate unallocated adjusted loss from continuing operations before income ta
Endo Pharmaceuticals
The Endo Pharmaceuticals segment includes a variety of branded prescription products related to treatin
well as our urology, endocrinology and oncology products. The marketed products that are included in t
Lidoderm®, Opana® ER, Voltaren® Gel, Percocet®, Frova®, Fortesta® Gel, Supprelin® LA, Vantas® and
Qualitest
The Qualitest segment has historically focused on selective generics related to pain that have one or mor
such as complex formulation, regulatory or legal challenges or difficulty in raw material sourcing. The p
segment include products in the pain management, urology, CNS disorders, immunosuppression, oncolo
hypertension markets, among others.
AMS
The AMS segment focuses on providing technology solutions to physicians treating men's and women's
and operates in the following business lines: men's health, women's health, and benign prostatic hyperp
distributes devices through its direct sales force and independent sales representatives in the U.S., Canad
Europe. Additionally, AMS distributes devices through foreign independent distributors, primarily in Eu
America, who then sell the products to medical institutions. None of AMS's customers or distributors ac
of our total revenues during the years ended December 31, 2013, 2012 or 2011. Foreign subsidiary sales
customers in Canada, Australia and Western Europe.
The following represents selected information for the Company's reportable segments for the years ende
thousands):

	2013	2012
Net revenues to external customers:		
Endo Pharmaceuticals	$1,394,015	$1,6
Qualitest	730,666	633,2
AMS(1)	492,226	504,4
Total consolidated net revenues to external customers	$2,616,907	$2,8
Adjusted income (loss) from continuing operations before income tax:		
Endo Pharmaceuticals	$783,927	$906
Qualitest	193,643	171,4
AMS	144,792	119,8
Corporate unallocated	(319,369)	(337
Total consolidated adjusted income from continuing operations before income tax	$802,993	$860

(1) The following table displays our AMS segment revenue by geography for the years ended December
International revenues were not material to any of our other segments for any of the periods presente

	2013	2012
AMS:		
United States	$315,054	$330
International	177,172	174,4
Total AMS revenues	$492,226	$504

Table of Contents

The table below provides reconciliations of our consolidated adjusted income from continuing operation
our consolidated (loss) income from continuing operations before income tax, which is determined in ac
GAAP, for the years ended December 31 (in thousands):

	2013	2012
Total consolidated adjusted income from continuing operations before income tax:	$802,993	$860,95
Upfront and milestone payments to partners	(29,703)	(60,778
Asset impairment charges	(519,011)	(715,551
Acquisition-related and integration items(1)	(7,952)	(19,413
Separation benefits and other cost reduction initiatives(2)	(100,253)	(42,913
Amortization of intangible assets	(185,334)	(220,320
Inventory step-up	—	(880
Non-cash interest expense	(22,742)	(20,762
Loss on extinguishment of debt	(11,312)	(7,215
Watson litigation settlement income, net	50,400	—
Accrual for payment to Impax Laboratories Inc. related to sales of Opana® ER	—	(102,000
Patent litigation settlement items, net	—	(85,123
Certain litigation-related charges(3)	(537,701)	(316,425
Other income, net	1,048	—
Total consolidated (loss) income from continuing operations before income tax	$(559,567)	$(730,42

_____

(1) Acquisition-related and integration-items include costs directly associated with the closing of certain changes in the fair value of contingent consideration and the costs of integration activities related to l period acquisitions.

(2) Separation benefits and other cost reduction initiatives include employee separation costs of $42.4 m for the years ended December 31, 2013 and 2012, respectively. Contract termination fees of $5.8 mil December 31, 2013 are also included in this amount. Refer to Note 4. Restructuring for discussion of initiatives. Additionally, Separation benefits and other cost reduction initiatives during the year ende includes an expense recorded upon the cease use date of our Chadds Ford, Pennsylvania properties in representing a liability for our remaining obligations under the respective lease agreements of $7.2 m were primarily recorded as Selling, general and administrative and Research and development expen Statements of Operations.

(3) This amount includes charges for Litigation-related and other contingencies, consisting primarily of liability charges, as well as mesh litigation-related defense costs for the year ended December 31, 20

Table of Contents

The following represents additional selected financial information for our reportable segments for the th
31 (in thousands):

	2013	2012
Depreciation expense:		
Endo Pharmaceuticals	$19,828	$15,
Qualitest	13,354	12,3
AMS	10,215	10,6
Corporate unallocated	8,354	5,03
Total depreciation expense	$51,751	$43,

	2013	2012
Amortization expense:		
Endo Pharmaceuticals	$80,223	$105
Qualitest	43,924	41,5
AMS	61,788	73,4
Total amortization expense	$185,935	$220

Interest income and expense are considered corporate items and are not allocated to our segments. Asse
accounted for at the segment level and consequently is not reviewed or included within our internal ma
Therefore, the Company has not disclosed asset information for each reportable segment.

NOTE 7. FAIR VALUE MEASUREMENTS

Financial Instruments

The financial instruments recorded in our Consolidated Balance Sheets include cash and cash equivalen
equivalents, accounts receivable, marketable securities, equity and cost method investments, accounts p
expenses, acquisition-related contingent consideration, debt obligations, and derivative instruments. Inc
equivalents and restricted cash and cash equivalents are money market funds representing a type of mut
invest in low-risk securities (for example, U.S. government bonds, U.S. Treasury Bills and commercial
funds are structured to maintain the fund's net asset value at $1.00 per unit, which assists in providing a
demand by the holder. Money market funds pay dividends that generally reflect short-term interest rates
yield fluctuates. Due to their short-term maturity, the carrying amounts of non-restricted and restricted c
(including money market funds), accounts receivable, accounts payable and accrued expenses approxim

Table of Contents

The following table presents the carrying amounts and estimated fair values of our other financial instru
2013 and December 31, 2012 (in thousands):

	December 31, 2013		D
	Carrying Amount	Fair Value	C A
Long-term assets:			
Equity securities	$2,979	$2,979	$
Equity and cost method investments	15,654	N/A	1
	$18,633		$
Current liabilities:			
Acquisition-related contingent consideration—short-term	$3,878	$3,878	$
Current portion of 1.75% Convertible Senior Subordinated Notes Due 2015, net	345,421	372,481	-
Current portion of Term Loan A Facility Due 2018	69,375	69,375	1
3.25% AMS Convertible Notes due 2036	22	22	7
4.00% AMS Convertible Notes due 2041	111	111	1
Derivative instruments	—	—	6
Minimum Voltaren® Gel royalties due to Novartis—short-term	28,935	28,935	3
Other	9,000	9,000	1
	$456,742	$483,802	$
Long-term liabilities:			
Acquisition-related contingent consideration—long-term	$869	$869	$
1.75% Convertible Senior Subordinated Notes Due 2015, less current portion, net	—	—	3
Term Loan A Facility Due 2018, less current portion	1,266,094	1,265,970	1
Term Loan B Facility Due 2018	60,550	60,686	1
7.00% Senior Notes Due 2019	500,000	536,563	5
7.00% Senior Notes Due 2020, net	397,200	430,500	3
7.25% Senior Notes Due 2022	400,000	431,750	4
5.75% Senior Notes Due 2022	700,000	703,500	-
Minimum Voltaren® Gel royalties due to Novartis—long-term	7,392	7,392	1
Other	8,443	8,443	5
	$3,340,548	$3,445,673	$

Fair value guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in mea
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 price liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corr 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 t or liabilities.

Derivative instruments are measured at fair value on a recurring basis using significant observable input represent Level 2 measurements within the fair value hierarchy.

Equity securities consist of investments in the stock of publicly traded companies, the values of which a market prices and thus represent Level 1 measurements within the fair value hierarchy, as defined below held to support current operations and are therefore classified as non-current assets. Equity securities are securities in the Consolidated Balance Sheets.

The fair value of the equity method and cost method investments is not readily available nor have we es these investments and disclosure is not required. The Company is not aware of any identified events or c

that

Table of Contents

would have a significant adverse effect on the carrying value of any of our equity or cost method investm
Consolidated Balance Sheets at December 31, 2013 and December 31, 2012.
Acquisition-related contingent consideration is measured at fair value on a recurring basis using unobser
instruments represent Level 3 measurements within the fair value hierarchy. See Recurring Fair Value M
additional information on the fair value methodology used for the acquisition-related contingent conside
The fair value of our 1.75% Convertible Senior Subordinated Notes (Convertible Notes) is based on an i
incorporates certain inputs and assumptions, including scheduled coupon and principal payments, the co
in the Convertible Notes, the put feature inherent in the Convertible Notes, and stock price volatility ass
volatility of the Company's common stock and other factors. These fair value measurements are based o
observable in the market and thus represent Level 3 measurements within the fair value hierarchy.
The fair values of the Term Loan Facilities and 2019, 2020, and 2022 Notes were based on market quote
proximate to the valuation date. The Company had previously used an income approach to value these d
the valuation methodology was subsequently transitioned to a market-based approach given the volume
transactions and quoted prices for these debt instruments. Based on this valuation methodology, we dete
instruments represent Level 2 measurements within the fair value hierarchy.
The fair values of the Minimum Voltaren® Gel royalties due to Novartis were determined using an incon
value technique) taking into consideration the level and timing of expected cash flows and an assumed d
assumptions are based on significant inputs not observable in the market and thus represent Level 3 mea
value hierarchy. The liability is currently being accreted up to the expected minimum payments, less pay
believe the carrying amount of this minimum royalty guarantee at December 31, 2013 and December 31
reasonable approximation of the price that would be paid to transfer the liability in an orderly transactio
participants at the measurement date. Accordingly, the carrying value approximates fair value as of Dec
December 31, 2012.
Recurring Fair Value Measurements
The Company's financial assets and liabilities measured at fair value on a recurring basis at December 3
2012 were as follows (in thousands):

	Fair Value Measurements at Reporting Date u		
December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signifi Unobs Inputs
Assets:			
Money market funds	$843,390	$—	$ —
Equity securities	2,979	—	—
Total	$846,369	$—	$ —
Liabilities:			
Acquisition-related contingent consideration—short-term	$—	$—	$ 3,878
Acquisition-related contingent consideration—long-term	—	—	869
Total	$—	$—	$ 4,747

Table of Contents

December 31, 2012	Fair Value Measurements at Reporting Date u Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signifi Unobs Inputs
Assets:			
Money market funds	$58,331	$—	$ —
Equity securities	1,746	—	—
Total	$60,077	$—	$ —
Liabilities:			
Derivative instruments	$—	$602	$ —
Acquisition-related contingent consideration—short-term	—	—	6,195
Acquisition-related contingent consideration—long-term	—	—	2,729
Total	$—	$602	$ 8,924

At December 31, 2013, money market funds include $700.0 million from the proceeds of the issuance o
$70.0 million of capitalization by Endo Health Solutions Inc. This cash is restricted until the Paladin tra
Company has determined to terminate or abandon the transaction.

Acquisition-Related Contingent Consideration

On November 30, 2010 (the Qualitest Pharmaceuticals Acquisition Date), the Company acquired Gener
Parent), Inc. (doing business as Qualitest Pharmaceuticals), which was party to an asset purchase agreen
Pharmaceutical Industries Ltd (Teva) (the Teva Agreement). Pursuant to this agreement, Qualitest Pharm
certain pipeline generic products from Teva and could be obligated to pay consideration to Teva upon th
future regulatory milestones (the Teva Contingent Consideration).

The current range of the undiscounted amounts the Company could be obligated to pay in future periods
Agreement is between zero and $7.5 million after giving effect to the first quarter 2013 payment. The C
the Teva Contingent Consideration in the same manner as if it had entered into that arrangement with re
Qualitest Pharmaceuticals. Accordingly, the fair value was estimated based on a probability-weighted di
(income approach). The resultant probability-weighted cash flows were then discounted using a discoun
300 basis points. Using this valuation technique, the fair value of the contractual obligation to pay the T
Consideration was determined to be approximately $4.7 million at December 31, 2013 and $8.9 million
The decrease in the balance primarily relates to a first quarter 2013 payment of $5.0 million related to th
regulatory milestones. The remaining fluctuation resulted from changes in the fair value of the liability,
changes to the present value assumptions associated with our valuation model.

Fair Value Measurements Using Significant Unobservable Inputs

The following table presents changes to the Company's financial liabilities measured at fair value on a r
significant unobservable inputs (Level 3) for the year ended December 31, 2013 (in thousands):

Liabilities:
January 1, 2013
Amounts (acquired) sold / (issued) settled, net
Transfers in and/or (out) of Level 3
Changes in fair value recorded in earnings
December 31, 2013

Table of Contents

The following table presents changes to the Company's financial assets and liabilities measured at fair v
using significant unobservable inputs (Level 3) for the year ended December 31, 2012 (in thousands):

Assets:
January 1, 2012
Securities sold or redeemed
Transfers in and/or (out) of Level 3
Changes in fair value recorded in earnings
Unrealized gains included in Other comprehensive income (loss), net
December 31, 2012

Liabilities:
January 1, 2012
Amounts (acquired) sold / (issued) settled, net
Transfers in and/or (out) of Level 3
Changes in fair value recorded in earnings
December 31, 2012

Auction-Rate Securities

In June 2012, our remaining auction-rate securities were called at par and we received proceeds of $18.8
sold, these auction-rate securities had been classified as available-for-sale securities and had therefore b
value, with changes in value being recorded as part of Other comprehensive (loss) income, net. Due to t
proceeds equal to par, the auction-rate securities were adjusted to their fair value of $18.8 million, with
Other comprehensive income (loss), net. The previously recognized cumulative unrealized holding loss
securities of $1.5 million was reversed in its entirety. As a result, no gain or loss was realized.

The following is a summary of available-for-sale securities held by the Company at December 31, 2013
(in thousands):

	Available-for-sale		
	Amortized Cost	Gross Unrealized Gains	Gross Unrea (Losse
December 31, 2013			
Money market funds	$843,390	$—	$—
Total included in cash and cash equivalents	$73,390	$—	$—
Total included in restricted cash and cash equivalents	$770,000		
Equity securities	$1,766	$1,213	$—
Long-term available-for-sale securities	$1,766	$1,213	$—
Total available-for-sale securities	$75,156	$1,213	$—

Table of Contents

	Available-for-sale		
	Amortized Cost	Gross Unrealized Gains	Gross Unrea (Losse
December 31, 2012			
Money market funds	$58,331	$—	$—
Total included in cash and cash equivalents	$58,331	$—	$—
Equity securities	$1,766	$—	$(20
Long-term available-for-sale securities	$1,766	$—	$(20
Total available-for-sale securities	$60,097	$—	$(20

At December 31, 2013 and December 31, 2012, our equity securities consisted of investments in the sto companies. As of December 31, 2013, one investment had been in an unrealized loss position for less th had been in an unrealized loss position for more than twelve months. As of December 31, 2012, one inv unrealized loss position for less than twelve months and one had been in an unrealized loss position for The Company does not believe the remaining unrealized losses are other-than-temporary at December 3 2012 primarily because the Company has both the ability and intent to hold these investments for a peri be sufficient to recover such losses.

Table of Contents

Nonrecurring Fair Value Measurements

The Company's financial assets measured at fair value on a nonrecurring basis during the year ended De follows (in thousands):

	Fair Value Measurements at Measureme using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signif Unobs Inputs (Level
Assets:			
AMS goodwill	$—	$—	$806,
AMS IPR&D intangible assets	—	—	14,000
Qualitest IPR&D intangible assets	—	—	—
Epicept intangible asset	—	—	—
Property, plant and equipment (See Note 9)	—	—	—
Total	$—	$—	$820,
Liabilities:			
Minimum Voltaren® Gel royalties due to Novartis	$—	$—	$21,4

The Company's financial assets measured at fair value on a nonrecurring basis during the year ended De follows (in thousands):

	Fair Value Measurements at Measurement Date us		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserval Inputs (Level 3)
Assets:			
Supprelin® Asia and Europe intangible assets	—	—	—
Vantas® Asia and Latin America intangible assets	—	—	—
Valstar® Europe intangible asset	—	—	—
Sanctura® Asia intangible asset	—	—	—
Sanctura XR® intangible asset	—	—	5,000
AMS developed technology intangible assets	—	—	—
AMS IPR&D intangible assets	—	—	9,000
Goodwill	—	—	1,287,572
Property, plant and equipment (See Note 9)	—	—	—
Total	$—	$—	$1,301,572
Liabilities:			
Patent litigation settlement liability(1) (See Note 14)	—	—	131,361
Minimum Voltaren® Gel royalties due to Novartis	—	—	21,346
Total	$—	$—	$152,707

(1) As a result of a subsequent change in estimate with respect to this obligation, the Company reduced i the Watson Settlement Agreement by $46.2 million to $85.1 million during the third quarter of 2012.

See Note 10. Goodwill and Other Intangibles for a discussion of goodwill and intangible asset impairme

The nonrecurring fair value measurements described above were based on significant inputs not observa
represent Level 3 measurements within the fair value hierarchy.

Table of Contents

NOTE 8. INVENTORIES

Inventories are comprised of the following at December 31 (in thousands):

	2013
Raw materials	$101,790
Work-in-process	51,100
Finished goods	221,549
Total	$374,439

Inventory amounts in the table above are shown net of obsolescence. Our reserve for obsolescence is no
Consolidated Balance Sheets and therefore has not been separately disclosed.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following for the years ended December 31 (in thousa

	2013
Land and buildings	$221,
Machinery and equipment	99,492
Leasehold improvements	28,50
Computer equipment and software	88,368
Assets under capital lease	5,012
Furniture and fixtures	9,930
Assets under construction	69,49
Property, plant and equipment, gross	522,3
Less accumulated depreciation	(150,2
Property, plant and equipment, net	$372,

Depreciation expense, including expense related to assets under capital lease, was $51.8 million, $43.6 r
for the year ended December 31, 2013, 2012 and 2011, respectively.

During the years ended December 31, 2013 and 2012, the Company recorded impairment charges totali
million, respectively, to completely write off certain miscellaneous property, plant and equipment amou
recoverable. These charges were related to our ongoing efforts to improve our operating efficiency and t
locations, including our generics research and development operations and our corporate headquarters. T
in the Asset impairment charges line item in our Consolidated Statement of Operations.

On October 28, 2011, our subsidiary Endo Pharmaceuticals Inc. entered into a lease agreement with RT
Delaware limited partnership, for a new Company headquarters to consist of approximately 300,000 squ
located in Malvern, Pennsylvania.

This lease is accounted for as a direct financing arrangement whereby the Company recorded, over the c
full cost of the asset of $91.1 million in Property, plant and equipment, net. The lease asset was included
and buildings in the table above at December 31, 2013 and December 31, 2012. The building and leaseh
being depreciated over the initial lease term of 12 years. See Note 14. Commitments and Contingencies
lease agreement.

Table of Contents

NOTE 10. GOODWILL AND OTHER INTANGIBLES

Goodwill

Changes in the carrying amount of our goodwill for the year ended December 31, 2013 were as follows:

	Carrying Amount		
	Endo Pharmaceuticals	Qualitest	AMS
Balance as of December 31, 2012:			
Goodwill	$290,793	$275,201	$1,79
Accumulated impairment losses	—	—	(507,5
	$290,793	$275,201	$1,28
Effect of currency translation	—	—	266
Goodwill impairment charges	—	—	(481,0
Balance as of December 31, 2013:			
Goodwill	290,793	275,201	1,795,
Accumulated impairment losses	—	—	(988,5
	$290,793	$275,201	$806,

Other Intangible Assets

The following is a summary of other intangible held by the Company at December 31, 2013 and Decem
(in thousands):

	Dec 201
Indefinite-lived intangibles:	
In-process research and development	$73
Total indefinite-lived intangibles	$73
Definite-lived intangibles:	
Licenses (weighted average life of 8 years)	$63
Less accumulated amortization	(40
Licenses, net	$22
Customer relationships (weighted average life of 16 years)	158
Less accumulated amortization	(25
Customer relationships, net	$13
Tradenames (weighted average life of 24 years)	77,(
Less accumulated amortization	(9,9
Tradenames, net	$67
Developed technology (weighted average life of 16 years)	1,71
Less accumulated amortization	(35
Developed technology, net	$1,
Total definite-lived intangibles, net (weighted average life of 15 years)	$1,
Other intangibles, net	$1,

As of December 31, 2013, the weighted average amortization period for our definite-lived intangible ass
approximately 15 years.

Table of Contents

Amortization expense for the years ended December 31, 2013, 2012 and 2011 totaled $185.9 million, $2
million, respectively. Estimated amortization of intangibles for the five years subsequent to December 3
thousands):

2014
2015
2016
2017
2018

Changes in the gross carrying amount of our other intangible assets for the year ended December 31, 20
thousands):

December 31, 2012
Patents acquired
Asset impairment charges
Effect of currency translation
Voltaren® Gel license extension
December 31, 2013

Impairments

We assess goodwill and other indefinite-lived intangible assets for impairment annually, or more freque
changes in circumstances indicate that the asset may be impaired.

The assets of our HealthTronics business and related liabilities are classified as held for sale in the Cons
and its operating results are reported as Discontinued operations, net of tax in the Consolidated Stateme
periods presented. Refer to Note 3. Discontinued Operations for further discussion.

During the third quarter of 2012, we changed our annual goodwill impairment test date from January 1 t
in the annual date for impairment testing required a test as of October 1, 2012 so that no more than 12 m
annual tests. We completed this test and the new date did not have an effect on delaying, accelerating or
charge. The selection of October 1 as the annual testing date for the impairment of goodwill is preferabl
the annual impairment test with the completion of our planning and budgeting process, which will allow
business plans that result from the budget process to estimate the fair value of our reporting units and do
basis. The selection of October 1 as the annual testing date will also move the testing outside of our ann
reporting process when our resources are more constrained. During the third quarter of 2012, we also ch
indefinite-lived intangible asset test date to October 1.

Due to significant judgments and estimates that are utilized in an impairment analysis, it was difficult to
without the use of hindsight, the assumptions that would have been used as of each October 1 for period
As such, we prospectively applied the changes in the annual goodwill and indefinite-lived intangible ass
dates beginning on October 1, 2012.

Based upon market conditions, and, in some cases, a lack of comparable market transactions for similar
that an income approach using a discounted cash flow model was an appropriate valuation methodology
impairment tests. Our discounted cash flow models are highly reliant on various assumptions, including
flows (including long-term growth rates), discount rates, and expectations about variations in the amoun
and the probability of achieving the estimated cash flows. These assumptions are based on significant in

market and thus represent Level 3 measurements within the fair value hierarchy. Discount rates applied
flows for our October 1, 2013 and October 1, 2012 annual goodwill and indefinite-lived intangible asset
from 9.5% to 14.5% and 9.5% to 10.0%, respectively, depending on the overall risk associated with the
market factors. We believe the discount rates and other inputs and assumptions are consistent with those
would use.

Table of Contents

In order to assess the reasonableness of the calculated fair values of our reporting units, we also compare
units' fair values to the market value of our total invested capital, calculated as the sum of our observed
our outstanding interest bearing debt as of the test date. The analysis will result in an implied control pre
the reporting unit's fair values over total invested capital) or an implied control discount (the excess sum
over the sum of the reporting unit's fair values. The Company evaluates the implied control premium or
to control premiums or discounts of recent comparable market transactions, as applicable. If the control
not reasonable in light of comparable recent transactions, or recent movements in the Company's share p
fair value estimates of the reporting units by adjusting discount rates and/or other assumptions. This re-e
to different implied fair values for certain or all of the Company's reporting units.

The results of our 2013 Step I analyses showed that the fair values of the Pain, UEO and Generics repor
respective carrying amounts. The excess of fair value over carrying amount for the UEO and Generics re
October 1, 2013 was $904.7 million and $1.6 billion, respectively, which was more than 100% of each r
amount. An increase of 50 basis points to our assumed discount rates used in testing either of these repo
changed the results of our Step I analyses.

The Pain reporting unit had a negative book value as of October 1, 2013. Accordingly, we also consider
quantitative factors to determine whether the goodwill associated with this reporting unit was more likel
factors we considered included market dynamics regarding the current product portfolio, the likelihood
and commercial success for certain pipeline products, and the estimated fair value of the Pain reporting
Based on these considerations, the Company concluded it was more likely than not that the goodwill ass
unit was not impaired as of October 1, 2013.

The result of the 2013 Step I analysis for the AMS reporting unit showed that the fair values of that repo
its carrying amount, thus requiring a Step II analysis for the reporting unit. The declines in the fair value
changes for other assets and liabilities in the Step II goodwill impairment test, resulted in an implied fai
the carrying amount of the goodwill for the reporting unit. Accordingly, we recorded combined pre-tax
impairment charges in the Consolidated Statement of Operations totaling $481.0 million in 2013.
The results of our 2012 Step I analyses showed that the fair values of the Pain, UEO and Generics repor
respective carrying amounts. The excess of fair value over carrying amount for each of these reporting u
ranged from approximately 70% to more than 100% of carrying amount or $355.8 million to $1.5 billio
The result of the 2012 Step I analysis for the AMS reporting unit showed that the fair values of the repo
its respective carrying amount, thus requiring a Step II analysis for the reporting unit. The decline in the
reporting unit, as well as fair value changes for other assets and liabilities in the Step II goodwill impair
implied fair value of goodwill below the carrying amount of the goodwill for the reporting unit. Accordi
pre-tax non-cash goodwill impairment charge in the Consolidated Statement of Operations totaling $507
A summary of intangible asset impairment charges for the years ended December 31, 2013 and 2012 is
reportable segment.
Endo Pharmaceuticals Segment
As part of the 2013 year-end financial close and reporting process, the Company concluded that an imp
required to evaluate the recoverability of the definite-lived intangible asset associated with the worldwi
of Epicept Corp. well as exclusive, worldwide commercialization rights to EpiCept’s LidoPAIN® BP pr
this assessment, we recorded a pre-tax non-cash impairment charges of $1.5 million, representing the re
of this asset.
As part of the 2012 year-end financial close and reporting process, the Company concluded that impairm
required to evaluate the recoverability of certain definite-lived intangible assets associated with our Sup
franchises in certain non-U.S. markets. After performing these assessments, we recorded pre-tax non-ca
$2.0 million and $3.7 million, respectively, representing the remaining carrying amounts of these assets

The Company also reviewed its in-process research and development indefinite-lived intangible assets i
annual impairment testing. As a result of market and potential regulatory changes in certain non-U.S. m
our European Valstar® asset and our Asian Sanctura® asset were not recoverable. In the fourth quarter o
pre-tax non-cash impairment charges of $2.0 million, and $8.0 million, respectively, representing the ca
assets.

Pursuant to the Sanctura XR® Amended and Restated License, Commercialization and Supply Agreeme
Inc. (Allergan), the Company's Endo Pharmaceuticals Solutions Inc. (EPSI) subsidiary receives royaltie

Table of Contents

Sanctura XR® made by Allergan. Following a lengthy patent litigation which began in 2009, the court u
covering Allergan's Sanctura XR® (trospium chloride) extended-release capsules were invalid in June 20
quarter 2012 financial close and reporting process, the Company concluded that an impairment assessm
evaluate the recoverability of the indefinite-lived intangible asset. The Company assessed the recoverab
determined the fair value of the Sanctura XR® intangible asset to be $21.6 million at March 31, 2012. A
recorded a pre-tax non-cash impairment charge of $40.0 million in March 2012, representing the differe
amount of the intangible asset and its estimated fair value at March 31, 2012.

In October 2012, Watson announced that it had received FDA approval for its generic version of Sanctu
intended to begin shipping its product immediately. As a result, the Company reevaluated the recoverab
determined that an impairment existed. The fair value of the Sanctura XR® intangible asset was determi
million at September 30, 2012. Accordingly, the Company recorded an additional pre-tax non-cash impa
million in September 2012. The remaining net book value was amortized in its entirety by December 31
with the expected rate of erosion due to generic competition.

In early 2012, the Company terminated Penwest's A0001 development program after conducting an in-d
Company's research and development activities, including an analysis of research and development prio
resources for current and future projects and the commercial potential for the product. Accordingly, duri
2011 we recorded a pre-tax, non-cash impairment charge of $1.6 million to write off this intangible asse

AMS Segment

As a result of the 2013 Step II analysis, we also determined that the carrying amounts of certain AMS IP
were impaired. This determination was based primarily on lower than initially expected revenue and pro
sustained period of time and downward revisions to management's short-term and long-term forecasts. A
pre-tax non-cash impairment charges of $12.0 million to impair the IPR&D assets, representing the diffe
values and the carrying amounts.

As a result of the 2012 Step II analysis, we also determined that the carrying amounts of the women's he
intangible asset and one of the AMS IPR&D intangible assets were impaired. This determination was ba
than initially expected revenue and profitability levels over a sustained period of time and downward rev
short-term and long-term forecasts for the AMS women's health product line. Accordingly, we recorded
impairment charge of $128.5 million to impair the women's health developed technology intangible asse
recorded a pre-tax non-cash impairment charge of $4.0 million to impair the IPR&D asset, representing
fair value and the carrying amount.

During the second quarter of 2012, as a result of market and potential regulatory changes affecting the c
U.S. for one of the AMS IPR&D assets, the Company determined that the asset's carrying amount was n
Accordingly, in the second quarter of 2012, we recorded a pre-tax non-cash impairment charge of $3.0 m
difference between the fair value and the carrying amount.

Qualitest Segment

As part of our annual definite-lived intangible asset impairment review process, the Company determine
certain Qualitest IPR&D assets was less than the carrying amount. Accordingly, in the fourth quarter of
pre-tax non-cash impairment charge of $17.0 million representing the full carrying amount of the assets.
There were no other intangible asset impairment charges for any of our segments for the years ended De
2012.

NOTE 11. LICENSE AND COLLABORATION AGREEMENTS

Commercial Products

Novartis AG and Novartis Consumer Health, Inc.

On March 4, 2008, our subsidiary Endo Pharmaceuticals Inc. (EPI) entered into a License and Supply A
Gel Agreement) with and among Novartis AG and Novartis Consumer Health, Inc. (Novartis) to obtain
marketing rights for the prescription medicine Voltaren® Gel (Voltaren® Gel or the Licensed Product). V
regulatory approval in October 2007 from the U.S. Food and Drug Administration (FDA), becoming the
treatment for use in treating pain associated with osteoarthritis and the first new product approved in the
since 2001. Voltaren® Gel was granted marketing exclusivity in the U.S. as a prescription medicine unti

Table of Contents

Under the terms of the Voltaren® Gel Agreement, which had an initial term of five years, EPI made an u
$85.0 million. EPI agreed to pay royalties to Novartis on annual Net Sales of the Licensed Product, subj
defined in the Voltaren® Gel Agreement. In addition, EPI agreed to make certain guaranteed minimum a
$30.0 million per year payable in the 4th and 5th year of the Voltaren® Gel Agreement, which could be
circumstances, including Novartis's failure to supply the Licensed Product, subject to certain limitations
generic to the Licensed Product in the U.S. These guaranteed minimum royalties were creditable against
annual basis such that EPI's obligation with respect to each year is to pay the greater of (i) royalties paya
sales of the Licensed Product or (ii) the guaranteed minimum royalty for such Voltaren® Gel Agreemen
eligible to receive a one-time milestone payment of $25.0 million if annual net sales of Voltaren® Gel ex
the U.S. To date, annual net sales have not exceeded this threshold and, therefore, this milestone payme
The $85.0 million upfront payment and the present value of the guaranteed minimum royalties was initia
intangible asset in the amount of $129.0 million, representing the fair value of the exclusive license to m
the initial contract term. We amortized this intangible asset into Cost of revenues over an estimated five
Novartis's failure to supply Voltaren® Gel during the first quarter of 2012 resulting from the shutdown o
manufacturing facility, EPI was not obligated to make any first quarter 2012 royalty payment, including
minimum royalty. Accordingly, during the first quarter of 2012, we recorded a reduction to the associate
in the intangible asset. Voltaren® Gel royalties incurred during the years ended December 31, 2013, 201
million, $21.6 million and $17.7 million, respectively, representing either a percentage of actual net sale
minimum royalties pursuant to the Voltaren® Gel Agreement..

EPI is solely responsible to commercialize the Licensed Product during the term of the Voltaren® Gel A
each year during the term of the Voltaren® Gel Agreement, subject to certain limitations, EPI is required
amount of annual advertising and promotional expenses (A&P Expenditures) on the commercialization
which may be reduced under certain circumstances including Novartis's failure to supply the Licensed P
required to perform a minimum number of face-to-face one-on-one discussions with physicians and othe
(Details) for the purpose of promoting the Licensed Product within its approved indication during each y
Agreement, which may be reduced under certain circumstances including Novartis's failure to supply th
Further, during the term of the Voltaren® Gel Agreement, EPI will share in the costs of certain clinical s
activities initiated at the request of the FDA or as considered appropriate by Novartis and EPI. On Dece
Novartis entered into an amendment to the Voltaren® Gel Agreement (the Voltaren® Gel Amendment) w
minimum number of Details required to be conducted by EPI and the minimum amount of annual adver
expenses required to be spent by EPI on the commercialization of Voltaren® Gel during each remaining
Agreement.

During the fourth Voltaren® Gel Agreement Year beginning on July 1, 2011 and extending through June
spend 13% of prior year sales or approximately $16.0 million on A&P Expenditures. During the fifth Ve
Year beginning on July 1, 2012 and extending through June 30, 2013, EPI agreed to spend approximatel
Expenditures. During the first renewal term year beginning on July 1, 2013 and extending through June
spend approximately $5.9 million on A&P Expenditures. In subsequent Agreement Years, the minimum
forth in the Voltaren® Gel Agreement are determined based on a percentage of net sales of Voltaren® Ge
under certain circumstances, including Novartis's failure to supply Voltaren® Gel.

Amounts incurred for such A&P Expenditures were $8.1 million, $9.4 million and $18.7 million for the
December 31, 2013, 2012 and 2011 respectively.

During the term of the Voltaren® Gel Agreement, EPI has agreed to purchase all of its requirements for
Novartis. The price was fixed for the first year and subject to annual changes based upon changes in the
raw materials. The Voltaren® Gel Amendment reduced the supply price of Voltaren® Gel otherwise pay
Novartis has the exclusive right, at its sole discretion, to effect a switch of the Licensed Product from a p
over-the-counter (OTC) product in the U.S. (an OTC Switch) by filing an amendment or supplement to
Drug Application or taking any other action necessary or advisable in connection therewith to effect the
thereafter to commercialize such OTC product. Notwithstanding the foregoing, Novartis shall not launch
product prior to a time specified in the Voltaren® Gel Agreement, and Novartis shall not take any action

the prescription product status for the Licensed Product prior to such time. Novartis is obligated to notif
to the FDA in respect of an OTC equivalent product. In the event that Novartis gains approval of an OT
results in the Licensed Product being declassified as a prescription product, then Novartis will make cer
EPI on net sales of such OTC equivalent product in the U.S. by Novartis, its affiliates and their respectiv
sublicensees as set forth in the Voltaren® Gel Agreement. As a condition to the payment of any and all s
the Licensed Product in the U.S. must have exceeded a certain threshold prior to the launch of the OTC
Novartis or its affiliates.

Table of Contents

The initial term of the Voltaren® Gel Agreement expired on June 30, 2013. In December 2012, pursuant
Voltaren® Gel Agreement which had provided EPI with an option to extend the term of the agreement fo
terms, the term was renewed for an additional one-year period. As a result, we capitalized, as an intangi
representing the present value of the guaranteed minimum royalties we expected to pay to Novartis AG
The subsequent term of the Voltaren® Gel Agreement will expire on June 30, 2014. In December 2013,
of the Voltaren® Gel Agreement which had provided EPI with an option to extend the term of the agreem
the term was renewed for an additional one-year period. As a result, we capitalized, as an intangible ass
representing the present value of the guaranteed minimum royalties we expected to pay to Novartis AG
The Voltaren® Gel Agreement will remain in place unless either (i) EPI provides written notice of non-r
at least six months prior to the expiration of the first renewal term or any renewal term thereafter, (ii) No
notice of non-renewal to the other party at least six months prior to the expiration of the second renewal
thereafter, or (iii) the Voltaren® Gel Agreement is otherwise terminated in accordance with its terms. Up
obligated to make certain guaranteed minimum annual royalty payments of $30.0 million per year durin
one-year renewal term, subject to certain limitations including the launch of a generic to the Licensed Pr
guaranteed minimum annual royalty payments may be reduced under certain circumstances, including N
the Licensed Product. These guaranteed minimum royalties will be creditable against royalty payments
that EPI's obligation with respect to each year is to pay the greater of (i) royalties payable based on annu
Licensed Product or (ii) the guaranteed minimum royalty for such Voltaren® Gel Agreement year.
Among other standard and customary termination rights granted under the Voltaren® Gel Agreement, th
Agreement can be terminated by either party upon reasonable written notice and if either party has comm
that has not been remedied within 90 days from the giving of written notice. EPI may terminate the Volt
written notice upon the occurrence of several events, including the launch in the U.S. of a generic to the
Novartis may terminate the Voltaren® Gel Agreement upon reasonable written notice (1) if EPI fails to
the minimum Details in a certain six-month period under the Voltaren® Gel Agreement; or (2) on or afte
an OTC equivalent product by Novartis, its affiliates or any third party that does not result in the declass
Product as a prescription product, following which net sales in a six-month period under the Voltaren®
than a certain defined dollar amount.
Hind Healthcare Inc.
In November 1998, Endo entered into a license agreement (the Hind License Agreement) with Hind, for
right to develop, use, market, promote and sell Lidoderm® in the U.S. Under the terms of the Hind Licen
Hind approximately $10.0 million based upon the achievement of certain milestones and capitalized this
asset representing the fair value of these exclusive rights. In addition, we were required to pay Hind non
on net sales of Lidoderm® until this obligation expired on November 23, 2011 pursuant to the terms of t
Agreement. Royalties were recorded as a reduction to net sales due to the nature of the license agreemen
the license involvement by Hind in Lidoderm®. The royalty rate was 10% of net sales including a minin
$0.5 million per year. There were no royalties recorded for the years ended 2013 and 2012. During the y
2011, we recorded $77.9 million in royalties to Hind, which we recorded as a reduction to net sales.
Vernalis Development Limited
In July 2004, we entered into a License Agreement with Vernalis Development Limited (Vernalis) unde
license, exclusively to us, rights to market frovatriptan succinate (Frova®) in North America (the Vernal
Frova® was launched June 2002 in the U.S. and indicated for the acute treatment of migraine headaches
of the Vernalis License Agreement, we paid Vernalis an upfront fee of $30.0 million and annual $15.0 m
2005 and 2006. We capitalized the $30.0 million up-front payment and the present value of the two $15
payments. We are amortizing this intangible asset into Cost of revenues on a straight-line basis over its e
years.
In addition, Vernalis could receive milestone payments for the achievement of defined annual net sales t
milestone payments increase based on increasing net sales targets ranging from a milestone of $10.0 mil
net sales to a milestone of $75.0 million on $1.2 billion in net sales. These sales milestones could total u
of the defined net sales targets are achieved. Beginning on January 1, 2007, we began paying royalties to

sales of Frova®. The term of the license agreement is for the shorter of the time (i) that there are valid cl
patents covering Frova® or there is market exclusivity granted by a regulatory authority, whichever is lo
on which a generic version of Frova® is first offered, but in no event longer than 20 years. We can termi
under certain circumstances, including upon one years' written notice. In July 2007, Vernalis and Endo
(Amendment No. 3) to the License Agreement dated July 14, 2004. Under Amendment No. 3, Vernalis
license to Endo to make, have made, use, commercialize and have commercialized Frova® in Canada, u
Trademark.

Table of Contents

In February 2008, we entered into Amendment No. 4 to the Vernalis License Agreement (Amendment N amending certain specific terms and conditions of the License Agreement, Amendment No. 4 sets forth sales threshold such that no royalties will be due on annual U.S. net sales of Frova® less than $85.0 mill amendment, royalties were payable by us to Vernalis on all net sales of Frova® in the U.S. Now, once th sales amount is reached, royalty payments will be due only on the portion of annual net sales that exceed threshold. To date, annual net sales have not exceeded the $85.0 million threshold and, therefore, no roy On August 15, 2011, the parties amended the Vernalis License Agreement (Amendment No. 5). Pursuan Vernalis assigned to the Company certain patents which were previously exclusively licensed by the Co did not alter the financial arrangement between the parties.

The Population Council

The Company markets certain of its products utilizing the hydrogel polymer technology pursuant to an a Indevus (now, Endo Pharmaceuticals Solutions Inc.) and The Population Council. Unless earlier termina event of a material breach by the other party, the term of the agreement is the shorter of 25 years from C date on which The Population Council receives approximately $40.0 million in payments from the Com made payments of $12.6 million to the Population Council. The Company is required to pay to The Pop net sales of Vantas® and any polymer implant containing a luteinizing hormone-releasing hormone (LH obligated to pay royalties to The Population Council ranging from 0.5% of net sales to 4% of net sales u addition, we are obligated to pay the Population Council 30% of certain profits and payments received i Company from the licensing of Vantas® or any other polymer implant containing an LHRH analog and

Strakan International Limited

In August 2009, we entered into a License and Supply Agreement with Strakan International Limited, a Group plc. (ProStrakan), which was subsequently acquired by Kyowa Hakko Kirin Co. Ltd., for the exc commercialize Fortesta® Gel in the U.S. (the ProStrakan Agreement). Fortesta® Gel is a patented 2% tes for testosterone replacement therapy in male hypogonadism. A metered dose delivery system permits ac increase the ability to individualize patient treatment. Under the terms of the ProStrakan Agreement, En up-front cash payment of $10.0 million, which was recorded as Research and development expense.

The Company received FDA approval for Fortesta® Gel in December 2010, which triggered a one-time ProStrakan for $12.5 million. The approval milestone was recorded as an intangible asset and is being a revenues on a straight-line basis over its estimated useful life. An additional milestone payment of $7.5 during the second quarter of 2011 pursuant to the terms of the ProStrakan Agreement, at which time it w revenues. ProStrakan could potentially receive up to approximately $167.5 million in additional paymer achievement of future commercial milestones related to Fortesta® Gel.

ProStrakan will exclusively supply Fortesta® Gel to Endo at a supply price based on a percentage of ann minimum floor price as defined in the ProStrakan Agreement. Endo may terminate the ProStrakan Agre prior written notice at no cost to the Company.

Grünenthal GMBH

In December 2007, we entered into a License, Development and Supply Agreement (the Grünenthal Ag for the exclusive clinical development and commercialization rights in Canada and the U.S. for an oral f which is designed to be crush-resistant. Under the terms of the Grünenthal Agreement, we paid approxi successful completion of a clinical milestone in 2010, which was recorded as Research and developmen 2011, the FDA approved a formulation of Opana® ER designed to be crush-resistant, which is called Op In the fourth quarter of 2011, the Company capitalized a one-time approval milestone to Grünenthal for amortizing this intangible asset into Cost of revenues over its estimated useful life. We made an addition million in August 2012 related to a commercial milestone which was recorded as Cost of revenues. In th the Company recorded an additional $10.4 million as Cost of Revenues related to a commercial milesto the commercial milestone charge of $10.4 million was included in Accrued expenses in the Company's Sheet. Additional amounts of approximately 43.3 million euros (approximately $59.6 million at Decemb due upon achievement of additional future predetermined regulatory and commercial milestones. Endo to Grünenthal based on net sales of any such product or products commercialized under this agreement,

of Opana® ER approved by the FDA in December 2011.
Effective December 19, 2012, EPI and Grünenthal amended the Grünenthal Agreement whereby EPI be
planning of packaging of finished product and certain other routine packaging quality obligations and G
reimburse

Table of Contents

EPI for the third-party costs incurred related to packaging as well as pay EPI a periodic packaging fee. T
changed certain of the terms with respect to the floor price required to be paid by EPI in consideration fo
Grünenthal. On February 18, 2014, EPI and Grünenthal amended the Grünenthal Agreement to define th
parties for certain additional clinical work to be performed for Opana ER.

Products in Development

Impax Laboratories, Inc.

In June 2010, the Company entered into a Development and Co-Promotion Agreement (the Impax Deve
Impax Laboratories, Inc. (Impax), whereby the Company was granted a royalty-free license for the co-e
co-promote a next generation Parkinson's disease product. Under the terms of the Impax Development A
Impax an upfront payment of $10.0 million in 2010, which was recorded as Research and development
could be obligated to pay up to approximately $30.0 million in additional payments linked to the achiev
regulatory, and commercial milestones related to the development product. Prior to the completion of Ph
only terminate the Impax Development Agreement upon a material breach.

BayerSchering

In July 2005, Indevus (now, Endo Pharmaceuticals Solutions Inc. or EPSI) licensed exclusive U.S. right
Germany, now BayerSchering Pharma AG (BayerSchering) to market a long-acting injectable testosteron
treatment of male hypogonadism that we refer to as Aveed™ (the BayerSchering Agreement). EPSI is r
development and commercialization of Aveed™ in the U.S. BayerSchering is responsible for manufactu
with finished product. As part of the BayerSchering Agreement, Indevus agreed to pay to BayerScherin
up-front, regulatory milestone, and commercialization milestone payments, including a $5.0 million pay
by the FDA to market Aveed™. Indevus also agreed to pay to BayerSchering 25% of net sales of Aveed
of finished product and royalties. The BayerSchering Agreement expires ten years from the first comme
In October 2006, Indevus entered into a supply agreement with BayerSchering pursuant to which Bayer
manufacture and supply Indevus with all of its requirements for Aveed™ for a supply price based on ne
supply price is applied against the 25% of net sales owed to BayerSchering pursuant to the BayerScheri
BayerSchering Agreement expires 10 years after the first commercial sale of Aveed™. Either party may
BayerSchering Agreement in the event of a material breach by the other party.

Hydron Technologies, Inc.

In November 1989, GP Strategies Corporation (GP Strategies), then known as National Patent Developm
into an agreement (the Hydron Agreement) with Dento-Med Industries, Inc., now known as Hydron Tec
2000, Valera Pharmaceuticals, Inc. (Valera, now a wholly-owned, indirect subsidiary of the Company k
Pharmaceuticals Valera Inc.) entered into a contribution agreement with GP Strategies, pursuant to whic
assets of GP Strategies' drug delivery business, including all intellectual property, and all of GP Strateg
Agreement, and certain other agreements with The Population Council and Shire US, Inc.

Pursuant to the Hydron Agreement, the Company has the exclusive right to manufacture, sell and distrib
or medical device and certain other products made with the hydrogel polymer technology. Hydron Tech
exclusive, worldwide license to manufacture, market or use products composed of, or produced with the
polymer technology in certain consumer and oral health fields. Neither party is prohibited from manufac
or transferring the rights to any new non-prescription drug product containing the hydrogel polymer tech
exceptions, for limited exclusivity periods. Subject to certain conditions and exceptions, the Company is
certain types of polymer to Hydron Technologies and Hydron Technologies is obligated to purchase suc
Company. Under the Hydron Agreement, the Company also had the title to the Hydron® trademark. Rec
decided to stop using the Hydron® trademark and transferred the title to such trademark to Hydron Tech
Hydron Agreement. This agreement continues indefinitely, unless terminated earlier by the parties. Each
up to 5% to the other party on certain products under certain conditions.

BioDelivery Sciences International, Inc.

In January 2012, EPI signed a worldwide license and development agreement (the BioDelivery Agreem
Sciences International, Inc. (BioDelivery) for the exclusive rights to develop and commercialize BEMA
Buprenorphine is a transmucosal form of buprenorphine, a partial mu-opiate receptor agonist, which inc

mucoadhesive (BEMA®) technology. BEMA® Buprenorphine is currently in Phase III trials for the trea severe chronic pain. EPI made an upfront payment to BioDelivery for $30.0 million, which was expense development in the first quarter of 2012. During the first quarter of 2012, $15.0 million of additional co the achievement of certain regulatory milestones and were recorded as Research and development exper in the second quarter of

Table of Contents

2012. In the future, EPI could be obligated to pay royalties based on net sales of BEMA® Buprenorphin regulatory milestone payments of up to approximately $135.0 million. Pursuant to its rights under the te Agreement, BioDelivery elected in November 2013 to have a portion of the BEMA® development costs paid by EPI. Any such amounts paid by EPI shall be credited against future milestone payments, as defi Agreement. EPI may terminate the BioDelivery Agreement at any time upon six months' written notice. the BioDelivery Agreement shall expire, on a country-by-country basis, upon the later to occur of 10 ye commercial sale in a particular country or the date on which the last valid claim of the applicable BioDe particular country has expired or been invalidated or found unenforceable.

Orion Corporation

Pursuant to the terms of the January 2011 Discovery, Development and Commercialization Agreement between EPI and Orion Corporation (Orion), EPI provided the required six-month notice to Orion in Se elected to discontinue its participation in the joint development of ODM-201, Orion's Anti-Androgen pr castration-resistant prostate cancer. After receipt of EPI's notice, Orion notified EPI of its election, pursu Orion Agreement, to continue the ODM-201 program on its own. The Company is obligated to fund app over the contractual six-month transition period for ODM-201 with no continuing obligation thereafter. recorded a $4.0 million charge in the during 2013, which is included in the Research and development l Statements of Operations. On October 22, 2013, the parties mutually agreed to terminate the Orion Agre other than ODM-201 and to return such terminated programs to the respective contributing parties.

Other

We have entered into certain other collaboration and discovery agreements with third parties for the dev management and other products. These agreements require us to share in the development costs of such marketing rights to us for such products.

We have also licensed from universities and other similar firms, rights to certain technologies or intellec the field of pain management. We are generally required to make upfront payments as well as other pay completion of regulatory or sales milestones. In addition, these agreements generally require us to pay r products arising from these agreements. These agreements generally permit Endo to terminate the agree continuing obligation.

NOTE 12. ACCRUED EXPENSES

Accrued expenses are comprised of the following for each of the years ended December 31, (in thousan

	2013
Chargebacks	$118,(
Returns and allowances	106,3
Rebates	336,9(
Other sales deductions	12,89
Accruals for litigation-related and other contingencies	211,0(
Other	194,6
Total	$979,(

Table of Contents

NOTE 13. DEBT

The following is a summary of the Company's total indebtedness at December 31 (in thousands):

	Dec 201
1.75% Convertible Senior Subordinated Notes due 2015	$37
Unamortized discount on 1.75% Convertible Senior Subordinated Notes due 2015	(34
1.75% Convertible Senior Subordinated Notes due 2015, net	$34
7.00% Senior Notes due 2019	$50
7.00% Senior Notes due 2020	400
Unamortized initial purchaser’s discount	(2,8
7.00% Senior Notes due 2020, net	$39
7.25% Senior Notes due 2022	$40
5.75% Senior Notes due 2022	700
3.25% AMS Convertible Notes due 2036	22
4.00% AMS Convertible Notes due 2041	111
Term Loan A Facility Due 2018	1,3
Term Loan B Facility Due 2018	60,3
Total long-term debt, net	$3,
Less current portion, net	$41
Total long-term debt, less current portion, net	$3,

Credit Facility

On March 26, 2013, we made a prepayment of $100.0 million on our Term Loan B Facility. In accordan accounting guidance for debt modifications and extinguishments, approximately $2.2 million of the rem financing costs was written off in connection with this prepayment and included in the Consolidated Sta Loss on extinguishment of debt.

On March 26, 2013, we entered into an amendment and restatement agreement, pursuant to which we ar existing credit agreement to extend its term by approximately two years and modify its covenants to pro financial and operating flexibility. The amended and restated agreement (the 2013 Credit Agreement) ex of our $500.0 million Revolving Credit Facility and our Term Loan A Facility which, at the time of the restatement, had a remaining principal balance of $1.4 billion, to March 15, 2018. The 2013 Credit Agre Company with greater flexibility under certain of its affirmative and negative covenants, including, with designation of unrestricted subsidiaries, capital expenditures, asset sales, indebtedness and restricted pay Credit Agreement, the Company is required to maintain a leverage ratio (as the definition of such ratio h 2013 Credit Agreement) of no greater than 3.75 to 1.00, which provides the Company with greater finan flexibility than the prior credit agreement. The 2013 Credit Agreement continues to require the Compan interest coverage ratio of 3.50 to 1.00.

The 2013 Credit Agreement keeps in place the Company’s Term Loan B Facility which matures on Jun of the amendment and restatement, had a remaining principal balance of $60.6 million. The 2013 Credit additional revolving or term loan commitments up to $500.0 million (or an unlimited amount in certain or more of the existing lenders or other lenders with the consent of the Administrative Agent without the any of the existing lenders under our credit facility.

The obligations of the Company under our credit facility continue to be guaranteed by certain of the Co subsidiaries (the Subsidiary Guarantors) and continue to be secured by substantially all of the assets of t Subsidiary Guarantors, subject to certain exceptions. The 2013 Credit Agreement contains affirmative a the Company believes are usual and customary for a senior secured credit agreement. The negative cove other things, limitations on capital expenditures, asset sales, mergers and acquisitions, indebtedness, lien and transactions with the Company’s affiliates.

As set forth in the 2013 Credit Agreement, borrowings under our credit facility will continue to bear int a rate calculated based on the type of borrowing and the Company’s leverage ratio, as defined in the 201

Table of Contents

the Term Loan A Facility and Revolving Credit Facility, the Company may elect to pay interest based o
Inter-Bank Offer Rate (LIBOR) plus between 1.75% and 2.50% or an Alternate Base Rate (as defined in
Agreement) plus between 0.75% and 1.50%. For the Term Loan B Facility, the Company may elect to p
adjusted LIBOR plus 3.00% or an Alternate Base Rate plus 2.00%. The Company will pay a commitme
50 basis points, payable quarterly, on the average daily unused amount of the Revolving Credit Facility.
In connection with the 2013 Credit Agreement, we incurred new debt issuance costs of approximately $
of which was deferred and will be amortized over the term of the 2013 Credit Agreement. The remainin
previously deferred debt issuance costs of $8.6 million associated with the 2011 Credit Agreement were
the amendment and restatement of the 2013 Credit Agreement. These expenses were included in the Co
Operations as a Loss on extinguishment of debt.
In February 2012, we made a prepayment of $205.0 million on our Term Loan B Facility. We made add
$33.0 million and $39.7 million in July 2012 and September 2012, respectively. In accordance with the
guidance for debt modifications and extinguishments, approximately $7.2 million of the remaining unam
was written off in connection with our 2012 prepayments. This amount was included in the Consolidate
Operations as a Loss on extinguishment of debt.
During the years ended December 31, 2013, 2012 and 2011, we recognized $40.9 million, $57.8 million
respectively, of interest expense related to our Credit Facilities.
7.00% Senior Notes Due 2019
On June 8, 2011, we issued $500.0 million in aggregate principal amount of 7.00% Notes due 2019 (the
price of par. The 2019 Notes were issued in a private offering for resale to qualified institutional buyers
under the Securities Act of 1933, as amended. The 2019 Notes are senior unsecured obligations of the C
guaranteed on a senior unsecured basis by certain of the Company's domestic subsidiaries. Interest on th
semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2012. The 201
July 15, 2019, subject to earlier repurchase or redemption in accordance with the terms of the 2019 Note
by reference herein. We received proceeds of approximately $485.9 million from the issuance, net of ce
including $9.9 million of costs paid to investment bankers that also helped structure the AMS acquisitio
On or after July 15, 2015, the Company may on any one or more occasions redeem all or a part of the 20
redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpa
interest, if any, if redeemed during the twelve-month period beginning on July 15 of the years indicated

Payment Dates (between indicated dates)	
From July 15, 2015 to and including July 14, 2016	
From July 15, 2016 to and including July 14, 2017	
From July 15, 2017 and thereafter	

In addition, at any time prior to July 15, 2015, Endo may on any one or more occasions redeem all or a p
specified redemption price set forth in the 2019 Senior Notes Indenture, plus accrued and unpaid interes
any.
At any time prior to July 15, 2014, the Company may redeem up to 35% of the aggregate principal amou
specified redemption price set forth in the 2019 Notes Indenture, plus accrued and unpaid interest and ad
with the net cash proceeds of an equity offering subject to certain provisions. If the Company experience
control events, it must offer to repurchase the 2019 Notes at 101% of their principal amount, plus accrue
additional interest, if any.
The 2019 Notes Indenture contains covenants that, among other things, restrict the Company's ability an
restricted subsidiaries to incur certain additional indebtedness and issue preferred stock, make restricted
assets, agree to any restrictions on the ability of restricted subsidiaries to make payments to the Compan
merge, consolidate, or sell substantially all of the Company's assets, or enter into certain transactions wi
covenants are subject to a number of important exceptions and qualifications, including the fall away or
these covenants upon the 2019 Notes receiving investment grade credit ratings.

Table of Contents

On December 2, 2013, following the completion of a consent solicitation, Endo, certain guarantors party
Bank, National Association, as trustee, entered into a supplemental indenture to the 2019 Notes Indentu
things, that the Paladin transaction will not constitute a change of control under the 2019 Notes Indentu
During the years ended December 31, 2013, 2012 and 2011, we recognized $36.5 million, $36.4 million
respectively, of interest expense related to our 2019 Notes.

7.00% Senior Notes Due 2020

In November 2010, we issued $400.0 million in aggregate principal amount of 7.00% Senior Notes due
an issue price of 99.105%. The 2020 Notes were issued in a private offering for resale to qualified instit
Rule 144A under the Securities Act of 1933, as amended. The 2020 Notes are senior unsecured obligati
are guaranteed on a senior unsecured basis by certain of the Company's domestic subsidiaries. Interest o
payable semiannually in arrears on June 15 and December 15 of each year, beginning on June 15, 2011.
mature on December 15, 2020, subject to earlier repurchase or redemption in accordance with the terms
Indenture incorporated by reference herein. We received proceeds of approximately $386.6 million from
initial purchaser's discount and certain other costs of the offering.

On or after December 15, 2015, the Company may on any one or more occasions redeem all or a part of
redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpa
interest, if any, if redeemed during the twelve-month period beginning on December 15 of the years ind

Payment Dates (between indicated dates)

From December 15, 2015 to and including December 14, 2016
From December 15, 2016 to and including December 14, 2017
From December 15, 2017 to and including December 14, 2018
From December 15, 2018 and thereafter

In addition, at any time prior to December 15, 2013, the Company may redeem up to 35% of the aggreg
2020 Notes at a specified redemption price set forth in the 2020 Notes Indenture, plus accrued and unpa
interest, if any, with the net cash proceeds of an equity offering subject to certain provisions. If the Com
change of control events, it must offer to repurchase the 2020 Notes at 101% of their principal amount,
interest and additional interest, if any.

The 2020 Notes Indenture contains covenants that, among other things, restrict the Company's ability a
restricted subsidiaries to incur certain additional indebtedness and issue preferred stock, make restricted
assets, agree to any restrictions on the ability of restricted subsidiaries to make payments to the Compan
merge, consolidate, or sell substantially all of the Company's assets, or enter into certain transactions wi
covenants are subject to a number of important exceptions and qualifications, including the fall away or
these covenants upon the 2020 Notes receiving investment grade credit ratings.

On December 2, 2013, following the completion of a consent solicitation, Endo, certain guarantors party
Bank, National Association, as trustee, entered into a supplemental indenture to the 2020 Notes Indentu
things, that the Paladin transaction will not constitute a change of control under the 2020 Notes Indentu
During the years ended December 31, 2013, 2012 and 2011, we recognized $29.1 million, $29.0 million
respectively, of interest expense related to our 2020 Notes.

7.25% Senior Notes Due 2022

On June 8, 2011, we issued $400.0 million in aggregate principal amount of 7.25% Senior Notes due 20
issue price of par. The 2022 Notes were issued in a private offering for resale to qualified institutional b
144A under the Securities Act of 1933, as amended. The 2022 Notes are senior unsecured obligations o
guaranteed on a senior unsecured basis by certain of the Company's domestic subsidiaries. Interest on th
semiannually in arrears on January 15 and July 15 of each year, beginning on January 15, 2012. The 202
January 15, 2022, subject to earlier repurchase or redemption in accordance with the terms of the 2022 N
incorporated by reference herein. We received proceeds of approximately $388.7 million from the issua
the offering, including $7.9 million of costs paid to investment bankers that also helped structure the AM

Table of Contents

On or after July 15, 2016, the Company may on any one or more occasions redeem all or a part of the 20
redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpa
interest, if any, if redeemed during the twelve-month period beginning on July 15 of the years indicated

Payment Dates (between indicated dates)

From July 15, 2016 to and including July 14, 2017
From July 15, 2017 to and including July 14, 2018
From July 15, 2018 to and including July 14, 2019
From July 15, 2019 and thereafter

In addition, at any time prior to July 15, 2016, Endo may on any one or more occasions redeem all or a p
specified redemption price set forth in the 2022 Notes Indenture, plus accrued and unpaid interest and ad
At any time prior to July 15, 2014, the Company may redeem up to 35% of the aggregate principal amou
specified redemption price set forth in the 2022 Notes Indenture, plus accrued and unpaid interest and ad
with the net cash proceeds of an equity offering subject to certain provisions. If the Company experience
control events, it must offer to repurchase the 2022 Notes at 101% of their principal amount, plus accrue
additional interest, if any.

The 2022 Notes Indenture contains covenants that, among other things, restrict the Company's ability an
restricted subsidiaries to incur certain additional indebtedness and issue preferred stock, make restricted
assets, agree to any restrictions on the ability of restricted subsidiaries to make payments to the Compan
merge, consolidate, or sell substantially all of the Company's assets, or enter into certain transactions wi
covenants are subject to a number of important exceptions and qualifications, including the fall away or
these covenants upon the 2022 Notes receiving investment grade credit ratings.

On December 2, 2013, following the completion of a consent solicitation, Endo, certain guarantors party
Bank, National Association, as trustee, entered into a supplemental indenture to the 2022 Notes Indentur
things, that the Paladin transaction will not constitute a change of control under the 2022 Notes Indentur

During the years ended December 31, 2013, 2012 and 2011, we recognized $29.8 million, $29.8 million
respectively, of interest expense related to our 2022 Notes.

2011 Exchange Offer

On October 14, 2011, the Company filed a Form S-4 Registration Statement with the Securities and Exc
October 31, 2011, it filed a prospectus pursuant to Rule 424(b)(3). Pursuant to both filings, the Company
2019 Notes, 2020 Notes and 2022 Notes for a like principal amount of new notes having identical terms
under the Securities Act of 1933, as amended. On November 30, 2011, all of the 2019 Notes, 2020 Note
been properly tendered in the exchange offer and not withdrawn.

5.75% Senior Notes Due 2022

On December 19, 2013, we issued $700.0 million in aggregate principal amount of 5.75% Senior Notes
Notes) at an issue price of par. The notes have not been registered under the Securities Act of 1933, as a
Act, or the securities laws of any other jurisdiction, and we have no intention to register the notes in the
required to, nor do we intend to, offer to exchange the notes for a new issue of substantially identical no
Securities Act or otherwise register the notes for resale under the Securities Act. The notes may be offer
that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction
the notes in the United States only to "qualified institutional buyers" (as defined in Rule 144A under the
the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. The Ne
unsecured obligations of the Company and are guaranteed on a senior unsecured basis by certain of the
subsidiaries. Interest on the New 2022 Notes is payable semiannually in arrears on January 15 and July
on July 15, 2014. The New 2022 Notes will mature on January 15, 2022, subject to earlier repurchase or
with the terms of the Indenture incorporated by reference herein. We received proceeds of $700.0 millio
associated with this offering, including costs related to investment bankers, of $12.8 million were deferr
Prepaid expenses and other current assets on our Consolidated Balance Sheets.

At December 31, 2013, the proceeds of the issuance of the New 2022 Notes are restricted and held in es
utilized by the Company until the Paladin transaction closes. If the transaction is not consummated befo
restricted cash would then be used for general corporate purposes, which may include strategic transacti

Table of Contents

On or after January 15, 2017, the Company may on any one or more occasions redeem all or a part of th
redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpa
interest, if any, if redeemed during the twelve-month period beginning on January 15 of the years indica

Payment Dates (between indicated dates)

From January 15, 2017 to and including January 14, 2018
From January 15, 2018 to and including January 14, 2019
From January 15, 2019 to and including January 14, 2020
From January 15, 2020 and thereafter
At any time prior to January 15, 2017 the Company may redeem some or all of the notes at a price of 10
amount, plus the applicable premium and accrued and unpaid interest, if any, to the date of redemption.
January 15, 2017 the Company may redeem up to 35% of the aggregate principal amount of the notes w
from specified equity offerings at a redemption price equal to 105.75% of the aggregate principal amou
plus accrued and unpaid interest.
The Indenture contains covenants that, among other things, restrict the Company's ability and the ability
subsidiaries to incur certain additional indebtedness and issue preferred stock, make restricted payments
to any restrictions on the ability of restricted subsidiaries to make payments to the Company, create cert
consolidate, or sell substantially all of the Company's assets, or enter into certain transactions with affili
subject to a number of important exceptions and qualifications, including the fall away or revision of ce
upon the New 2022 Notes receiving investment grade credit ratings.
1.75% Convertible Senior Subordinated Notes Due 2015
At December 31, 2013, our indebtedness includes $379.5 million in aggregate principal amount of 1.75%
Subordinated Notes due April 15, 2015 (the Convertible Notes), which became convertible at the option
October 1, 2013. The conversion right was triggered on September 17, 2013, when the closing sale price
common stock on the NASDAQ Stock Exchange exceeded $37.96 (130% of the conversion price of $29
day in the 30 consecutive trading days ending on September 30, 2013. The conversion right was reasses
2013, and the Convertible Notes remained convertible.
We will be permitted to deliver cash, shares of Endo common stock or a combination of cash and shares
any future conversions of the Convertible Notes. It is our current intention to settle the principal amount
consideration in cash. As a result of the Convertible Notes becoming convertible, the Company has inclu
Notes in the current portion of long-term debt on its consolidated balance sheet as of December 31, 201
will remain convertible through December 31, 2013, at which point they will be reassessed based on the
described above. Holders of the Convertible Notes may surrender their notes for conversion after Octob
prior to the close of business on the second business day immediately preceding the stated maturity date
Company will treat the Convertible Notes as short-term in nature hereafter. In the event that a holder ex
his Convertible Notes, the Company will write-off a ratable portion of the associated debt issuance costs
conversions as of the date of this filing.
Concurrently with the issuance of the Convertible Notes, we entered into a privately negotiated converti
with affiliates of the initial purchasers. Pursuant to the hedge transaction we purchased common stock c
reduce the potential dilution to our common stock upon conversion of the Convertible Notes by effectiv
conversion price of the Convertible Notes to $40.00 per share, representing a 61.1% conversion premiu
our common stock on April 9, 2008 of $24.85 per share. The call options allow us to purchase up to app
shares of our common stock at an initial strike price of $29.20 per share. The call options expire on Apri
net-share settled. The cost of the call option was approximately $107.6 million. In addition, we sold war
certain of the initial purchasers whereby they have the option to purchase up to approximately 13.0 milli
stock at an initial strike price of $40.00 per share. The warrants expire on various dates from July 14, 20
2015 and must be net-share settled. We received approximately $50.4 million in cash proceeds from the
The warrant transaction could have a dilutive effect on our net income per share to the extent that the pr
exceeds the strike price of the warrants at exercise.

As discussed in Note 20. Net (Loss) Income Per Share, in periods in which our common stock price exc
of the Convertible Notes or the strike price of the warrants, we include the effects of the additional share
our diluted net income per share calculation using the treasury stock method.

Table of Contents

The carrying values of the debt and equity components of our Convertible Notes are as follows (in thous

	Decem 2013
Principal amount of Convertible Notes	$379,
Unamortized discount related to the debt component(1)	(34,07
Net carrying amount of the debt component	$345,
Carrying amount of the equity component	$142,

(1) Represents the unamortized portion of the original purchaser's discount and certain other costs of the unamortized portion of the discount created from the separation of the debt portion of our Convertibl portion. This discount will be amortized to interest expense over the term of the Convertible Notes.

For the year ended December 31, 2013, we recognized $30.7 million of interest expense related to our C which $6.6 million related to the contractual interest payments and $24.1 million related to the amortiza and certain other costs of the offering. For the year ended December 31, 2012, we recognized $28.8 mil related to our Convertible Notes, of which $6.6 million related to the contractual interest payments and amortization of the debt discount and certain other costs of the offering. For the year ended December 3 $26.9 million of interest expense related to our Convertible Notes, of which $6.6 million related to the c payments and $20.3 million related to the amortization of the debt discount and certain other costs of the

3.25% Convertible AMS Notes Due 2036 and 4.00% Convertible AMS Notes Due 2041

As a result of our acquisition of AMS, the Company assumed AMS's 3.25% Convertible Notes due 203 4.00% Convertible Notes due 2041 (the 2041 Notes and, together with the 2036 Notes, the AMS Notes) indentures governing the AMS Notes, the AMS Notes were immediately convertible upon the closing o AMS From the AMS Acquisition Date until the make whole premium on the 2036 Notes expired on Au $95.7 million to redeem $61.4 million of the 2036 Notes at a stated premium of 1.5571. From the AMS make whole premium on the 2041 Notes expired on August 1, 2011, we paid $423.4 million to redeem Notes at a stated premium of 1.6940. Our obligation remaining related to the AMS Notes is less than $1 2013, excluding accrued interest.

Maturities

Maturities on long-term debt for each of the next 5 years as of December 31, 2013 are as follows (in tho

	December 31, 2013
2014	$ 69,508
2015	$ 483,563
2016	$ 138,750
2017	$ 208,125
2018	$ 875,706

Maturities on long-term debt, and respective interest payments, primarily represent obligations of Endo

NOTE 14. COMMITMENTS AND CONTINGENCIES

Manufacturing, Supply and Other Service Agreements

Our subsidiaries contract with various third party manufacturers, suppliers and service providers to prov our subsidiaries' products and semi-finished and finished goods, as well as certain packaging and labelin significant of these agreements are with Novartis Consumer Health, Inc. and Novartis AG (collectively, Seiyaku Co., Ltd., Mallinckrodt Inc., Noramco, Inc., Grünenthal GmbH, Sharp Corporation, and UPS S Inc. If, for any reason, our subsidiaries are unable to obtain sufficient quantities of any of the finished go components required for their products or services needed to conduct their business, it could have a mat business, financial condition, results of operations and cash flows.

Table of Contents

In addition to the manufacturing and supply agreements described above, our subsidiaries have agreeme companies for clinical development services. Although we have no reason to believe that the parties to t meet their obligations, failure by any of these third parties to honor their contractual obligations may ha effect on our business, financial condition, results of operations and cash flows.

Novartis Manufacturing Agreement

On May 3, 2001, our Endo Pharmaceuticals Inc. (EPI) subsidiary entered into a long-term manufacturin agreement with Novartis Consumer Health, Inc. whereby Novartis Consumer Health, Inc. agreed to mar commercial products and products in development and EPI agreed to purchase, on an annual basis, a mi from Novartis Consumer Health, Inc. for the purchase price equal to a predetermined amount per unit, s adjustments. This agreement had a five-year initial term, with automatic five-year renewals thereafter. I extended this agreement until 2011. On February 23, 2011, EPI gave notice to Novartis Consumer Healt terminate this agreement effective February 2014. On December 31, 2012, the parties mutually agreed t effective December 31, 2012. The termination did not give rise to any early termination penalties. Amou this agreement were zero, $1.8 million and $66.3 million for the years ended December 31, 2013, 2012 In December 2011, Novartis Consumer Health, Inc.’s Lincoln, Nebraska manufacturing facility was shu implementation of certain manufacturing process improvements. These improvements were intended to rare instances of errors in the packaging of the tablets, potentially resulting in product mix-ups. The sup related to the efficacy or safety of Endo's products. However, Endo experienced short-term supply const products which had been manufactured at this facility prior to the shutdown, including Opana®, Voltare hydrochloride, Percodan®, Endodan®, morphine sulfate ER and Zydone®. Novartis Consumer Health ag certain out-of-pocket costs, including costs related to recalls of certain of our products manufactured at t incremental freight charges associated with the transfer of Voltaren® Gel to an alternate Novartis manuf In the first quarter of 2012, EPI began production of the formulation of Opana® ER, designed to be crus manufacturing facility managed by EPI’s development partner, Grünenthal GmbH (Grünenthal). EPI be formulation in March 2012 and completed the transition to this formulation in the second quarter of 201 production of Voltaren® Gel at an alternative Novartis manufacturing source and resumed sales of Volta We had already initiated the manufacturing of Percocet® and Endocet® at our Huntsville, Alabama facil acquisition of Qualitest Pharmaceuticals in 2010 and, as a result, there was minimal disruption to patien

Novartis License and Supply Agreement

Pursuant to the March 2008 Voltaren® Gel License and Supply Agreement (the Voltaren® Gel Agreeme Novartis Consumer Health, Inc. EPI has agreed to purchase from Novartis all of its requirements for Vo entire term of the Voltaren® Gel Agreement. The price of product purchased under the Voltaren® Gel A first year and subject to annual changes based upon changes in the producer price index and raw materia pursuant to the Voltaren® Gel Agreement were $50.2 million, $34.0 million and $30.4 million for the ye 2013, 2012 and 2011, respectively.

Teikoku Seiyaku Co., Ltd.

Under the terms of EPI's agreement (the Teikoku Agreement) with Teikoku Seiyaku Co. Ltd. (Teikoku) Teikoku manufactures Lidoderm® at its two Japanese facilities, located on adjacent properties, for comm U.S. EPI also has an option to extend the supply area to other territories. On April 24, 2007, EPI amende (the Amended Agreement). The material components of the Amended Agreement are as follows:

- EPI agreed to purchase a minimum number of patches per year through 2012, representing the noncance Amended Agreement.
- Teikoku agreed to fix the supply price of Lidoderm® for a period of time after which the price will be ad certain based on a price index defined in the Amended Agreement. The minimum purchase requirement subsequent to 2012. EPI has met its minimum purchase requirement for 2013.
- Following cessation of EPI's obligation to pay royalties to Hind Healthcare Inc. (Hind) under the License Agreement dated as of November 23, 1998, as amended, between Hind and EPI (the Hin to pay to Teikoku annual royalties based on annual net sales of Lidoderm®.
-

The Amended Agreement will expire on December 31, 2021, unless terminated in accordance
may terminate the Teikoku Agreement, upon 30 days' written notice, in the event that EPI fails
minimum quantity for each year after 2012 (e.g., 2013 through 2021). Notwithstanding the fore
2021, the Amended Agreement shall be automatically renewed on the first day of January each
Teikoku agree to terminate the Amended Agreement upon mutual written agreement or (ii) eith
terminates the Amended Agreement with 180-day written notice to the other party, which notic
effective prior to July 1, 2022.

Table of Contents

- EPI is the exclusive licensee for any authorized generic for Lidoderm®.

On January 6, 2010, the parties amended the Teikoku Agreement, effective December 16, 2009. Pursuan
Teikoku has agreed to supply Lidoderm® at a fixed price for a period of time after which the price will b
future dates based on a price index defined in the amendment.

Effective November 1, 2010, the parties again amended the Teikoku Agreement. Pursuant to this amend
supply certain quantities of additional Lidoderm® at no cost to EPI in each of 2011, 2012 and 2013 in th
of Lidoderm® exceeded certain thresholds in those years.

Amounts purchased pursuant to the Teikoku Agreement, as amended, were $167.0 million, $179.5 milli
the years ended December 31, 2013, 2012 and 2011, respectively.

On November 23, 2011, EPI's obligation to pay royalties to Hind under the Hind Agreement ceased. Ac
November 23, 2011, pursuant to the terms of the Teikoku Agreement, EPI began to incur royalties to Te
sales of Lidoderm®. The royalty rate is 6% of branded Lidoderm® net sales. During the years ended Dec
we recorded $35.0 million and $55.7 million for these royalties to Teikoku, respectively. These amounts
Consolidated Statements of Operations as Cost of revenues. At December 31, 2013, $35.0 million is rec
and included in Accounts payable in the accompanying Consolidated Balance Sheets.

On August 3, 2012, Teikoku agreed to provide to EPI, at a discount, any branded Lidoderm® product th
provided to the wholesaler affiliate of Watson Laboratories, Inc. (now doing business as Actavis, Inc. ar
Watson or Actavis) pursuant to the Watson Settlement Agreement (discussed in the "Legal Proceedings
discount will be equal to a 50% reduction to the regular prices that EPI would otherwise have been oblig
product.

Mallinckrodt Inc.

Under the terms of our agreement, Mallinckrodt manufactured and supplied certain narcotic active drug
and raw materials for inclusion into our controlled substance pharmaceutical products. There was no mi
commitment under the Mallinckrodt Agreement. However, we were required to purchase a fixed percen
requirements of each narcotic active drug substance covered by the Mallinckrodt Agreement from Malli
price for these substances was equal to a fixed amount, adjusted on an annual basis. The initial term of t
1998 until September 30, 2013, with an automatic renewal provision for unlimited successive one-year p
2011, we provided written notice to Mallinckrodt that the Company intended to let the Mallinckrodt Ag
September 30, 2013. The Company chose to allow the Mallinckrodt Agreement to expire in connection
relating to the sourcing of active pharmaceutical ingredients. In April 2012, the Company entered into a
Noramco, Inc. as described below.

Amounts purchased pursuant to this agreement were $22.4 million, $37.6 million and $51.3 million for
December 31, 2013, 2012 and 2011, respectively.

Noramco, Inc.

Under the terms of our agreement (the Noramco Agreement) with Noramco, Inc. (Noramco), Noramco
to us certain narcotic active drug substances, in bulk form, and raw materials for inclusion in our control
pharmaceutical products. There were no minimum annual purchase commitments under the Noramco A
were required to purchase a fixed percentage of our annual requirements of each narcotic active drug su
Noramco Agreement from Noramco. The purchase price for these substances was equal to a fixed amou
basis. Originally, the Noramco Agreement was to expire on December 31, 2011, with automatic renewa
successive one-year periods. In September 2011, we extended the Noramco Agreement through early 20
entered into a new supply agreement with Noramco (the 2012 Noramco Agreement). Under the terms of
Noramco manufactures and supplies to us certain narcotic active drug substances, in bulk form, for inclu
substance pharmaceutical products. There are no minimum annual purchase commitments under the 201
However, we are required to purchase from Noramco a fixed percentage of our annual requirements of e
substance covered by the 2012 Noramco Agreement. The purchase price for these substances is equal to
on an annual basis based on volume. The term of the 2012 Noramco Agreement is for four years with au
provisions for unlimited successive one-year periods.

Amounts purchased from Noramco were $66.1 million, $52.9 million and $55.5 million for the years en
2012 and 2011, respectively.

Table of Contents

Grünenthal GMBH

Under the terms of EPI's December 2007 License, Development and Supply Agreement with Grünentha
Agreement), Grünenthal agreed to manufacture and supply to EPI a crush-resistant formulation of Opan
price equal to a certain percentage of net sales of Opana® ER, subject to a floor price. In the first quarter
production of the crush-resistant formulation of Opana® ER at a third party manufacturing facility mana
Grünenthal Agreement will expire on the later of (i) the 15th anniversary of the date of first commercial
the expiration of the last issued patent in the territory claiming or covering products or (iii) the expiratio
the FDA for the last product developed under the Grünenthal Agreement. Effective December 19, 2012,
amended the Grünenthal Agreement whereby EPI became responsible for the planning of packaging of
certain other routine packaging quality obligations and Grünenthal agreed to reimburse EPI for the third
related to packaging as well as pay EPI a periodic packaging fee. The amendment also changed certain
the floor price required to be paid by EPI in consideration for product supplied by Grünenthal.

EPI's license and supply payments made to Grünenthal pursuant to the Grünenthal Agreement are record
our Consolidated Financial Statements and must be paid in U.S. dollars within 45 days after each calend
$35.3 million and $35.7 million for the years ended December 31, 2013 and 2012, respectively. We incu
the year ended December 31, 2011.

Sharp Corporation

Under the terms of our agreement (the Sharp Agreement) with Sharp Corporation (Sharp), a U.S. manuf
certain packaging and labeling services for Endo, including the packaging and labeling of Lidoderm® at
Pennsylvania and Conshohocken, Pennsylvania, for commercial sale by us in the U.S. Effective June 1,
the Sharp Agreement to include several new products that Sharp will package and label. These products
of Opana® ER designed to be crush-resistant, Vantas®, Supprelin® LA, Valstar® and several SKUs of ge
methylprednisolone. The Sharp Agreement is effective until March 1, 2015 and is subject to renewal for
periods upon mutual agreement by both parties. Endo has the right to terminate the Sharp Agreement at
written notice to Sharp.

Amounts purchased pursuant to the Sharp agreement were $7.8 million, $9.5 million and $6.3 million fo
December 31, 2013, 2012 and 2011, respectively.

Ventiv Commercial Services, LLC

On December 27, 2011, EPI entered into a Sales and Promotional Services Agreement (the Ventiv Agre
Commercial Services, LLC (Ventiv), effective as of December 30, 2011. Under the terms of the Ventiv
provided to EPI certain sales and promotional services through a contracted field force, collectively refe
Force. The Ventiv Field Force promoted Voltaren® Gel, Lidoderm®, Frova®, Opana® ER, Fortesta® Ge
products added by EPI. The sales representatives were required to perform face-to-face, one-on-one disc
and other health care practitioners promoting these products.

EPI paid to Ventiv a monthly fixed fee during the term of the Ventiv Agreement based on a budget that
both EPI and Ventiv. During the term of the Ventiv Agreement, Ventiv was also eligible to earn, in addi
management fee, an at-risk management fee. This at-risk management fee was payable upon the achieve
performance metrics mutually agreed upon by the parties.

On September 26, 2012, the Ventiv Agreement was amended to decrease the size of the Ventiv Field Fo
Ventiv.

On May 31, 2013, EPI terminated the Ventiv Agreement, effective July 1, 2013. The termination did no
termination fees or penalties.

The expenses incurred with respect to Ventiv were $15.1 million, $37.2 million and $38.4 million for th
December 31, 2013, 2012 and 2011, respectively. These amounts were included within Selling, general
expense in the accompanying Consolidated Statements of Operations.

UPS Supply Chain Solutions

Under the terms of this agreement, EPI utilizes UPS Supply Chain Solutions (UPS) to provide customer
warehouse, freight and distribution services for certain of its products in the U.S. The initial term of the
through March 31, 2015. The agreement may be terminated by either EPI or UPS (1) without cause upo

the other party; (2) with cause in the event of an uncured material breach by the other party; and (3) if th
insolvent or bankrupt. In the event of termination of services provided under the Warehouse Distributio
agreement (i) by

Table of Contents

EPI without cause or (ii) by UPS due to EPI's breach, failure by EPI to make payments when due, or EP
be required to pay UPS certain termination costs. Such termination costs would not be material to the Co
Statements of Operations. On February 21, 2012, EPI amended this agreement to provide for a reduced
includes new monthly fees, new variable fees and new termination fees. On August 16, 2013, EPI furthe
to add another mode of transport permissible under the agreement.

General

In addition to the manufacturing and supply agreements described above, we have agreements with vari
development services. Although we have no reason to believe that the parties to these agreements will n
failure by any of these third parties to honor their contractual obligations may have a materially adverse
financial condition, results of operations and cash flows.

Milestones and Royalties

See Note 11. License and Collaboration Agreements for a complete description of future milestone and
pursuant to our acquisitions, license and collaboration agreements.

Employment Agreements

We, and in some cases certain of our subsidiaries, have entered into employment agreements with certai
management.

Research Contracts

Our subsidiaries routinely contract with universities, medical centers, contract research organizations an
conduct of research and clinical studies on their behalf. These agreements are generally for the duration
and contain provisions that allow our subsidiaries to terminate prior to completion.

Legal Proceedings

We and certain of our subsidiaries are involved in various claims, legal proceedings and governmental i
from time to time in the ordinary course of our business, including relating to product liability, intellectu
compliance and commercial matters. While we cannot predict the outcome of these ongoing legal proce
subsidiaries intend to defend vigorously our and their position, an adverse outcome in any of these proc
material adverse effect on our current and future financial position, results of operations and cash flows.

In view of the inherent difficulty of predicting the outcome of these various claims, legal proceedings an
investigations, particularly where there are many claimants, each with their own unique circumstances th
alleged claims, and the claimants seek indeterminate damages and particularly given the various stages o
specified otherwise below, we and our subsidiaries are unable to predict the outcome of these matters or
financial liability, and at this time cannot reasonably estimate the possible loss or range of loss. Accordi
legal proceedings and governmental investigations in which we and certain of our subsidiaries are invol
reasonably possible in future periods and for which we have not accrued a related liability. In addition, i
that a future loss could exceed the related accrued liability and could have a material adverse effect on o
financial position, results of operations and cash flows.

Product Liability

We and certain of our subsidiaries have been named as defendants in numerous lawsuits in various fede
as in Canada, alleging personal injury resulting from the use of certain of our products and the products

The Company believes that certain settlements and judgments, as well as legal defense costs, relating to
are or may be covered in whole or in part under its product liability insurance policies with a limited nu
In certain circumstances, insurance carriers reserve their rights with respect to coverage, or contest or de
Company and its subsidiaries intend to contest vigorously all such disputes with respect to their insuranc
their rights under the terms of these insurance policies, and accordingly, the Company will record receiv
amounts due under these policies, only when the resolution of any dispute has been reached and realizat
for recovery is considered probable. Amounts recovered under the Company's product liability insuranc
the stated coverage limits and may not be adequate to cover damages and/or costs relating to claims. In a

guarantee that insurers will pay claims or that coverage will otherwise be available.

Table of Contents

MCP Cases. Qualitest Pharmaceuticals, and in certain cases the Company or certain of its subsidiaries, a pharmaceutical manufacturers, have been named as defendants in numerous lawsuits in various federal a personal injury resulting from the use of the prescription medicine metoclopramide. Plaintiffs in these su injuries including tardive dyskinesia, other movement disorders and death. Qualitest Pharmaceuticals an contest all of these cases vigorously and to explore other options as appropriate in the best interests of th Pharmaceuticals. Litigation similar to that described above may also be brought by other plaintiffs in va However, we cannot predict the timing or outcome of any such litigation, or whether any additional litig against the Company or its subsidiaries. Subject to certain terms and conditions, we will be indemnified Qualitest Pharmaceuticals with respect to metoclopramide litigation arising out of the sales of the produ Pharmaceuticals between January 1, 2006 and November 30, 2010, the date on which the acquisition wa overall liability cap for all claims arising out of or related to the acquisition, including the claims describ 20, 2014, approximately 830 MCP cases are currently pending against Qualitest Pharmaceuticals and/or Propoxyphene Cases. Qualitest Pharmaceuticals and, in certain cases, the Company or certain of its subs several other pharmaceutical manufacturers, have been named as defendants in numerous lawsuits origi federal and state courts alleging personal injury resulting from the use of prescription pain medicines co Plaintiffs in these suits allege various personal injuries including cardiac impairment, damage and death multidistrict litigation (MDL) was formed, and certain transferable cases pending in federal court were c District of Kentucky as part of MDL No. 2226. On March 5, 2012 and June 22, 2012, pursuant to a stan MDL Judge dismissed with prejudice certain claims against generic manufacturers, including Qualitest Company. Certain plaintiffs have appealed those decisions to the U.S. Court of Appeals for the Sixth Ci appeal is pending before the Sixth Circuit in certain of these cases. In November 2012, additional cases California state courts, and removed to corresponding federal courts. Many of these cases have already b appeals are being pursued. A coordinated proceeding was formed in Los Angeles. Qualitest Pharmaceut intend to contest all of these cases vigorously and to explore other options as appropriate in the best inte Qualitest Pharmaceuticals. Litigation similar to that described above may also be brought by other plain jurisdictions. However, we cannot predict the timing or outcome of any such litigation, or whether any a brought against the Company or its subsidiaries. Subject to certain terms and conditions, we will be inde owners of Qualitest Pharmaceuticals with respect to propoxyphene litigation arising out of the sales of t Pharmaceuticals between January 1, 2006 and November 30, 2010, the date on which the acquisition wa overall liability cap for all claims arising out of or related to the acquisition, including the claims describ 20, 2014, approximately 40 propoxyphene cases are currently pending against Qualitest Pharmaceutical There are also approximately 75 propoxyphene cases that were previously dismissed against the Compa appeal to the Sixth Circuit.

The Company and Qualitest Pharmaceuticals have not recorded any losses associated with the MCP or P date. While we cannot predict the outcome of these legal proceedings, we do not believe an adverse outc material adverse effect on our current and future financial position, results of operations and cash flows.

Vaginal Mesh Cases. On October 20, 2008, the FDA issued a Public Health Notification regarding poten associated with transvaginal placement of surgical mesh to treat pelvic organ prolapse (POP) and stress (SUI). The notification provides recommendations and encourages physicians to seek specialized trainin advise their patients about the risks associated with these procedures and to be diligent in diagnosing an In July 2011, the FDA issued an update to the October 2008 Public Health Notification regarding mesh and the medical community of the potential complications associated with transvaginal placement of sur and SUI. In this July 2011 update, the FDA maintained that adverse events are not rare, as previously re relative effectiveness of transvaginal mesh as a treatment for POP as compared to non-mesh surgical rep notification continued to encourage physicians to seek specialized training in mesh procedures, to consi patients about the risks associated with these procedures and to be diligent in diagnosing and reporting c also convened an advisory panel which met on September 8-9, 2011 to further address the safety and eff surgical mesh used to treat POP and SUI. At the conclusion of the meetings, the advisory panel recomm transvaginal mesh products used to treat POP to Class III devices (premarket approval) and recommend

these products be required to conduct additional post-market surveillance studies. The advisory panel re
transvaginal surgical mesh products used to treat SUI remain as Class II devices. Regarding retropubic a
slings, the advisory panel recommended that no additional post-market surveillance studies are necessar
the advisory panel recommended premarket studies for new devices and additional post-market surveilla
On January 3, 2012, the FDA ordered manufacturers of transvaginal surgical mesh used for POP and of
for urinary incontinence, such as our subsidiary AMS, to conduct post-market safety studies and to mon
relating to the use of these products. AMS received a total of nineteen class-wide post-market study ord
floor repair and mini-sling products; however, the FDA agreed to place sixteen of these study orders on
reasons. Three

Table of Contents

of these post-market study orders remain active and AMS is continuing the process of complying with th orders, the FDA also noted that it is still considering the recommendation of the September 9, 2011 advi urogynecological surgical mesh for transvaginal repair of POP be reclassified from Class II to Class III. Since 2008, AMS, and more recently, in certain cases the Company or certain of its subsidiaries, have be in multiple lawsuits in various federal and state courts, as well as in Canada, alleging personal injury res transvaginal surgical mesh products designed to treat POP and SUI. Plaintiffs in these suits allege variou including chronic pain, incontinence and inability to control bowel function and permanent deformities. multidistrict litigation (MDL) was formed, and cases pending in federal courts are now consolidated in t West Virginia as part of MDL No. 2325. Similar cases in various state courts around the country are also February 20, 2014, approximately 22,000 filed mesh cases are currently pending against AMS and/or th its subsidiaries, some of which may have been filed on behalf of multiples plaintiffs. In addition, other c upon AMS pursuant to a tolling agreement order issued in the MDL in May 2013. Any complaint prope the effective date of that order on May 15, 2013 through October 1, 2013, and ultimately filed with the c be deemed filed as of the service date. Some of these cases served pursuant to the tolling agreement hav and we expect that there will be a number of additional complaints filed with the court at a later date pur agreement order. Litigation similar to that described above may also be brought by other plaintiffs in va majority of the currently pending cases are in the MDL. The Company cannot predict the ultimate numb against it with certainty and we expect that more cases may be filed in subsequent periods.

On June 14, 2013, AMS and certain plaintiffs' counsel representing mesh-related product liability claims definitive Master Settlement Agreement (the MSA) regarding a set inventory of filed and unfiled mesh c by the participating counsel. The MSA was entered into solely by way of compromise and settlement an admission of liability or fault by the Company or AMS Under the terms of the MSA, AMS paid $54.5 m settlement fund held in escrow by a mutually agreed upon escrow agent. The MSA establishes a claims includes guidelines and procedures for administering the settlement. Distribution of funds to any individ full release and a dismissal with prejudice of the entire action or claim as to all AMS parties and affiliate award, an individual claimant shall represent and warrant that liens, assignment rights, or other claims th claims administration process have been or will be satisfied by the individual claimant. The amount of s participating claimants, the claims evaluation process and procedures used in conjunction with award di negotiations leading to the settlement shall be kept confidential by all parties and their counsel. The Com plaintiffs' counsel involved in this settlement that a sufficient number of releases have been submitted to proceed with a distribution of certain funds from the escrow. Accordingly, approximately $43.0 million escrow fund during the fourth quarter of 2013. The remaining $11.5 million settlement fund held in escr expenses and other current assets in the Consolidated Balance Sheets.

During the fourth quarter of 2013, the Company recorded an incremental pre-tax charge in the amount o million increasing the Company's product liability accrual to approximately $520.0 million as of Decem is for all known pending and estimated future claims primarily related to vaginal mesh cases which the C represents the minimum anticipated loss AMS will sustain with respect to these cases, which amount inc and/or possible settlements. The increase in our reserve reflects management's ongoing assessment of ou portfolio, including the vaginal mesh cases, the status of the company's ongoing settlement discussions litigation and the inherent uncertainty as to the ultimate costs of resolving this litigation. The increases t years ended December 31, 2013 and 2012 were recorded in our Consolidated Statements of Operations other contingencies.

AMS and the Company intend to contest vigorously all currently pending cases and any future cases tha and to explore other options as appropriate in the best interests of the Company and AMS However, it is to determine with certainty the ultimate outcome of these matters or the effect of potential future claims monitor each related legal claim and adjust the accrual for new information and further developments. N is possible that the outcomes of such cases could result in losses in excess of insurance reimbursement le material adverse effect on our business, financial condition, results of operations and cash flows. As of D

insurance recoveries for these matters have been recorded.

Although the Company believes there is a reasonable possibility that a loss in excess of the amount reco unable to estimate the possible loss or range of loss in excess of the amount recognized at this time. In m litigations of this nature, plaintiffs allege a wide variety of claims, ranging from allegations of serious in products to efforts to obtain compensation notwithstanding the absence of any significant injury. Given injuries and the early stage of this litigation, as evidenced in part by the fact that AMS has not yet receiv to review complete information regarding all plaintiffs and their medical conditions, the Company and A evaluate the claims at this time.

Table of Contents

In addition, we have been contacted regarding a civil investigation that has been initiated by a number o into mesh products, including transvaginal surgical mesh products designed to treat POP and SUI. In No received a subpoena relating to this investigation from the state of California, and have subsequently rec subpoenas from other states. We are cooperating fully with this investigation. At this time, we cannot pr outcome of this investigation or reasonably estimate the amount or range of amounts of fines or penalties from a settlement or an adverse outcome from this investigation.

Department of Health and Human Services Subpoena and Related Matters

As previously reported, in January 2007 and April 2011, the Company received subpoenas issued by HH States Department of Justice (DOJ), respectively. The subpoenas request documents relating to Lidoderm focused primarily on the sale, marketing and promotion of Lidoderm®.

In October 2012, preliminary discussions to resolve potential claims arising from this matter advanced t Company believed a loss to be probable. The Company recorded a charge of $53.0 million in the third q that time the Company believed was the minimum possible settlement. Since that time, discussions had admitting any liability or wrongdoing, the Company reached a tentative agreement with the HHS-OIG, state entities in the fourth quarter of 2012 to resolve this matter for a total of approximately $194.0 milli recorded a corresponding charge in our 2012 Consolidated Statement of Operations as Litigation-related

On February 21, 2014, the Company executed agreements with the HHS-OIG and DOJ to resolve those of approximately $193.0 million. Of that amount, Endo agreed to pay $171.8 million plus interest to sett Federal False Claims Act for federal healthcare payments under the Medicare, TRICARE, Veterans Adm Employee Health Care Benefits, and Federal employee workers compensation programs and for federal State Medicaid programs. Endo agreed to pay $20.8 million to resolve criminal claims made by the Dep of the settlement, Endo entered a Deferred Prosecution Agreement to resolve the criminal claims and en Agreement with HHS-OIG.

In September 2013, the State of Louisiana filed a Petition for Civil Penalties and Damages against the C subsidiary, EPI in the Nineteenth Judicial District for the Parish of East Baton Rouge alleging that EPI a in unlawful marketing of Lidoderm® in the State of Louisiana. See State of Louisiana v. Endo Pharmace C624672 (19th Jud. Dist. La.). The State seeks civil fines, civil monetary penalties, damages, injunctive costs under various causes of action. Without admitting liability or wrongdoing, in February 2014, EPI a reached an agreement to resolve this case for a total of $1.4 million plus attorney's fees.

EPI is also in the process of responding to a Civil Investigative Demand issued by the State of Texas rel (lidocaine patch 5%), focused primarily on the sale, marketing and promotion of Lidoderm® in Texas. E cooperating with the State’s investigation. At this time, the Company cannot predict or determine the ou reasonably estimate the amount or range of amounts of fines and penalties, if any, that might result from will explore all options as appropriate in the best interests of EPI and the Company.

Litigation similar to that described above may also be brought by other plaintiffs in various jurisdictions predict the timing or outcome of any such litigation, or whether any such litigation will be brought again subsidiaries.

Pricing Litigation

A number of cases were brought by state government entities that allege generally that our wholly-owne numerous other pharmaceutical companies reported false pricing information in connection with certain reimbursable under Medicaid. These cases generally seek damages, treble damages, disgorgement of pro attorneys’ fees. There is currently one case that remains pending in the Third Judicial District Court of S against EPI and numerous other pharmaceutical companies (State of Utah v. Actavis US, Inc., et al.). In the State of Utah agreed in principle to resolve the matter for $2.0 million.

Litigation similar to that described above may also be brought by other plaintiffs in various jurisdictions predict the timing or outcome of any such litigation, or whether any such litigation will be brought again subsidiaries.

Qualitest Pharmaceuticals Civil Investigative Demands

In April 2013, the Company's subsidiaries, EPI and Qualitest, received Civil Investigative Demands (CI
Attorney's Office for the Southern District of New York. The CIDs request documents and information
and sale of chewable fluoride tablets and other products sold by Qualitest. EPI and Qualitest are coopera
government's investigation. At this time, EPI and Qualitest cannot predict or determine the outcome of t
estimate the amount

Table of Contents

or range of amounts of fines and penalties, if any, that might result from an adverse outcome but will ex
appropriate in the best interests of EPI and the Company.

Unapproved Drug Litigation

In September 2013, the State of Louisiana filed a Petition for Damages against EPI, Qualitest and Boca
pharmaceutical companies alleging the defendants or their subsidiaries marketed products that were not
State of Louisiana v. Abbott Laboratories, Inc., et al., C624522 (19th Jud. Dist. La.). The State of Louis
penalties, attorneys' fees and costs under various causes of action.

EPI, Qualitest and Boca intend to contest the above case vigorously and to explore other options as appr
interests of the Company, EPI, Qualitest and Boca. Litigation similar to that described above may also b
plaintiffs in various jurisdictions. However, we cannot predict the timing or outcome of any such litigati
litigation will be brought against the Company or its subsidiaries.

Opioid-Related Subpoenas

In March 2013, the Company received an Investigative Subpoena from the Corporation Counsel for the
documents and information regarding the sales and marketing of opioids, including Opana®. Following
Company, in May 2013, the Corporation Counsel for the city of Chicago served the Company with a rev
Subpoena seeking the same documents and information. In September 2013, the Company received a s
New York Office of Attorney General seeking documents and information regarding the sales and mark
January 2014, the Company received a set of informal document requests from the Office of the United
Eastern District of Pennsylvania seeking documents and information regarding the sales and marketing
The Company is cooperating with the Corporation Counsel for the City of Chicago, the State of New Yo
General and the Office of the United States Attorney for the Eastern District of Pennsylvania in their res
this time, the Company cannot predict the outcome of these matters or reasonably estimate the amount o
fines and penalties, if any, that might result from any adverse outcome but will explore all options as ap
interests of EPI and the Company.

Antitrust Litigation and Investigation

Multiple direct and indirect purchasers of Lidoderm® have filed a number of cases against EPI and co-d
Seiyaku Col, LTD, Teikoku Pharma USA, Inc. (collectively Teikoku) and Actavis plc., f/k/a as Watson
a number of its subsidiaries (collectively Actavis). The complaints in these cases generally allege that E
entered into an anticompetitive conspiracy to restrain trade through the settlement of patent infringemen
U.S. Patent No. 5,827,529 (the '529 patent). Some of the complaints also allege that Teikoku wrongfully
the Orange Book as related to Lidoderm®, that Endo and Teikoku commenced sham patent litigation ag
Endo abused the FDA citizen petition process by filing a citizen petition and amendments solely to inter
companies' efforts to obtain FDA approval of their versions of Lidoderm®. The cases allege violations o
Sherman Act (15 U.S.C. §§ 1, 2) and various state antitrust and consumer protection statutes. These case
treble damages, disgorgement of profits, restitution, injunctive relief and attorneys' fees.

A motion to consolidate and transfer these cases into a single multidistrict litigation is pending before th
Panel on Multidistrict Litigation, In Re Lidoderm Antitrust Litig., MDL No. 2521, filed in December 20
The Company intends to contest these cases vigorously and to explore all options as appropriate in the b
the Company. Litigation similar to that described above may also be brought by other plaintiffs in vario
we cannot predict the timing or outcome of any such litigation, or whether any such litigation will be br
Company or EPI.

On February 25, 2014, the Company's subsidiary, EPI received a Civil Investigative Demand (CID) fro
Federal Trade Commission. The CID requests documents and information concerning EPI's Settlement
and Impax of the Opana® ER patent litigation and its Settlement Agreement with Actavis of the Lidoder
well as information concerning the marketing and sales of Opana® ER and Lidoderm®. EPI intends to fu
FTC's investigation. At this time, EPI cannot predict or determine the outcome of this investigation or re
amount or range of amounts of fines and penalties, if any, that might result from an adverse outcome bu
as appropriate in the best interests of EPI and the Company.

Paragraph IV Certifications on Lidoderm®

As previously reported, on January 15, 2010, the Company's subsidiary, EPI and the holders of the Lido
Application and relevant patents, Teikoku Seiyaku Co., Ltd., and Teikoku Pharma USA, Inc. (collective

Table of Contents

Paragraph IV Certification Notice under 21 U.S.C. 355(j) (a Paragraph IV Notice) from Watson Laborat
business as Actavis, Inc. and referred to herein as Watson or Actavis) advising of its filing of an ANDA
Lidoderm® (lidocaine topical patch 5%). The Paragraph IV Notice refers to U.S. Patent No. 5,827,529,
formulation of Lidoderm®, a topical patch to relieve the pain of post herpetic neuralgia launched in 199
the FDA's Orange Book and expires in October 2015. As a result of this Notice, on February 19, 2010,
lawsuit against Watson in the U.S. District Court of the District of Delaware. This lawsuit was heard by
concluded on February 14, 2012. In October 2010, Teikoku Pharma USA listed U.S. Patent No. 5,741,5
Book, and this patent expires in March 2014. On June 30, 2011, EPI and Teikoku filed a second lawsuit
U.S. District Court of the District of Delaware alleging infringement of U.S. Patent Nos. 5,741,510, 6,09
which cover lidocaine patch formulations and manufacturing processes.

On May 28, 2012, EPI entered into a Settlement and License Agreement (the Watson Settlement Agreer
Teikoku, on the one hand, and Watson, on the other hand. The Watson Settlement Agreement settled all
among the parties relating to Watson's generic version of Lidoderm®. Under the terms of the Watson Set
parties dismissed their respective claims and counterclaims without prejudice. As part of the settlement,
challenge the validity or enforceability of EPI's and Teikoku's patents relating to Lidoderm® with respect
version of Lidoderm®. Watson received FDA approval of its generic version of Lidoderm® in August 20
generic version of Lidoderm® on September 16, 2013 (the Start Date) pursuant to a license granted by E
Watson Settlement Agreement. The license to Watson is exclusive as to EPI's launch of an authorized g
Lidoderm® until the earlier of 1) the introduction of a generic version of Lidoderm® by a company other
2014. EPI receives an at market royalty equal to 25% of the gross profit generated on Watson's sales of
Lidoderm® during its period of exclusivity. During the year ended December 31, 2013, we recorded roy
million, which is included in Service and other revenues in our Consolidated Statements of Operations.

Additionally, under the Watson Settlement Agreement, EPI and Teikoku provided, at no cost, to Watson
branded Lidoderm® product for Watson's wholesaler affiliate's distribution, subject to certain terms and
Teikoku began providing branded Lidoderm® of value totaling $12.0 million each month ($96.0 million
at the then-prevailing wholesale acquisition cost) on January 1, 2013 and continued to do so through Au
of EPI and Teikoku to provide this branded product at no cost terminated on August 31, 2013.

EPI is responsible for the payment of all gross-to-net sales adjustments arising from Watson's wholesale
branded Lidoderm® product.

Teikoku agreed to provide a rebate to EPI equal to 50% of the cost of branded Lidoderm® product requi
Watson's wholesaler affiliate pursuant to the Watson Settlement Agreement.

The Company previously concluded that the Watson Settlement Agreement is a multiple-element arrang
second quarter of 2012, recognized a liability and corresponding charge of $131.4 million in Patent litig
Consolidated Statements of Operations, representing the initial estimated fair value of the settlement cor
settlement component was estimated using the probability adjusted expected value of branded Lidoderm
to Watson at the anticipated WAC expected to be in place at the time of shipment, less a reasonable esti
costs. The resultant probability-weighted values were then discounted using a discount rate of 5.1%.

The Company believes that the assumptions about the level and timing of branded Lidoderm® product t
rate, and probabilities used in the model appropriately reflected market participant assumptions at the da
the liability was recorded at fair value using WAC, the net charge recognized in 2012 was comprised of
including our cost of product to be shipped, estimated gross-to-net deductions to be paid by the Compan
product profit margin. We believe this was the most appropriate measure of fair value as these compone
the value accruing to Watson.

Upon Watson receiving FDA approval of its generic version of Lidoderm® in August 2012, the Compan
obligation to Watson due to its belief that it would not be obligated to provide to Watson's wholesaler a
product beyond August 2013. Accordingly, in the third quarter of 2012, the Company recognized a char
respect to its obligation and reduced its liability associated with the Watson Settlement Agreement by $4
million. The corresponding gain of $46.2 million was recorded in Patent litigation settlement, net in the
of Operations.

As a result of using a fair value measurement to record this liability, the charge recorded was greater tha
would subsequently incur. As such, relief of the liability in subsequent periods through shipments of bra
resulted in income recorded as a component of Other (income) expense, net in the Company's Consolida
Operations. The related gross-to-net component of the settlement was recognized as product was shippe
which was an offset to the portion of the income recognized in Other (income) expense, net in the Comp
Statements of Operations, as the settlement liability was relieved. The rebate arrangement with Teikoku
prospectively as

Table of Contents

product purchased from Teikoku was recorded into inventory at the discounted purchase price and reliev
made to Watson. The benefit associated with this rebate was recorded as a component of Other (income
Company's Consolidated Statements of Operations.
As of December 31, 2013, there is no remaining liability associated with our Patent litigation settlement
December 31, 2013, the net impact of the Watson Settlement Agreement recorded in Other (income) exp
million and consisted of the amounts shown below (in thousands):
Litigation settlement liability relieved during the quarter
Cost of product shipped to Watson's wholesaler affiliate
Estimated gross-to-net liabilities on product shipped to Watson's wholesaler affiliate
Rebate on product shipped to Watson's wholesaler affiliate
Net gain included in Other (income) expense, net
As previously reported, in January 2011, EPI and Teikoku received a Paragraph IV Notice from Mylan
advising of its filing of an ANDA for a generic version of Lidoderm®. The Paragraph IV Notice refers t
5,827,529 and 5,741,510, which cover the formulation of Lidoderm®. These patents are listed in the FD
expire in October 2015 and March 2014, respectively. On March 14, 2011, EPI filed a lawsuit against M
Court for the District of Delaware, claiming that Mylan’s submission of its ANDA constitutes infringem
35 U.S.C. sec. 271(e)(2)(A). That patent expires on March 30, 2014. On October 4, 2013, the Company
Mylan.
On May 16, 2012, EPI and Teikoku received a Paragraph IV Notice from Noven Pharmaceuticals, Inc. (
filing of an ANDA for a generic version of Lidoderm®. The Paragraph IV Notice refers to U.S. Patent N
covers the formulation of Lidoderm®. This patent is listed in the FDA's Orange Book and expires in Oct
2012, EPI filed a lawsuit against Noven in the U.S. District Court for the District of Delaware. Because
the 45-day period under the Hatch-Waxman Act for filing a patent infringement action, we believe that
30-month stay of approval under the Act.
On May 24, 2012, EPI and Teikoku received a Paragraph IV Notice from TWi Pharmaceuticals, Inc. (T
of an ANDA for a generic version of Lidoderm®. The Paragraph IV Notice refers to U.S. Patent Nos. 5,
which cover the formulation of Lidoderm®. These patents are listed in the FDA's Orange Book and expi
March 2014, respectively. On July 5, 2012, EPI filed a lawsuit against TWi in the U.S. District Court fo
Because the suit was filed within the 45-day period under the Hatch-Waxman Act for filing a patent infr
believe that it triggered an automatic 30-month stay of approval under the Act.
EPI intends, and has been advised by Teikoku that they too intend, to defend vigorously the intellectual
Lidoderm® and to pursue all available remaining legal and regulatory avenues in defense of Lidoderm®,
the product’s intellectual property rights and approved labeling. However, there can be no assurance tha
successful. If EPI and Teikoku are unsuccessful and any one of the above generic manufacturers is able
its product, that generic manufacturer may be able to launch its generic version of Lidoderm® prior to th
expirations in 2014 and 2015. Additionally, we cannot predict or determine the timing or outcome of on
explore all options as appropriate in the best interests of the Company and EPI. In addition to the above
that another generic manufacturer may also seek to launch a generic version of Lidoderm® and challeng
Paragraph IV Certifications on Opana® ER
As previously reported, starting in December 2007 through December 2011, EPI received Paragraph IV
generic drug manufacturers, including Impax Laboratories, Inc. (Impax), Actavis South Atlantic LLC (A
(Sandoz), Barr Laboratories, Inc. (Teva), Watson Laboratories, Inc. (Watson), Roxane Laboratories, Inc
recently, Ranbaxy Inc. (Ranbaxy) advising of the filing by each such company of an ANDA for a generi
non-crush-resistant formulation of Opana® ER (oxymorphone hydrochloride extended-release tablets C
of the Paragraph IV litigation relating to the non-crush-resistant formulation of Opana® ER. Under the t
each generic manufacturer agreed not to challenge the validity or enforceability of patents relating to the
formulation of Opana® ER. As a result, Actavis launched its generic version of non-crush-resistant Opa
tablets on July 15, 2011, and Impax launched its generic version of non-crush-resistant Opana® ER 5, 7.
mg tablets on January 2, 2013. Pursuant to the terms of the respective settlement agreements, Sandoz, T

Actavis were granted licenses to patents listed in the Orange Book at the time each generic filed its ANI
In late 2012, two patents (US Patent Nos. 8,309,122 and 8,329,216) were issued to EPI covering Opana®
2012, EPI filed a Complaint against Actavis in U.S. District Court for the Southern District of New Yor
based

Table of Contents

on its ANDA for a non-crush-resistant generic version of Opana® ER. Between May 22 and June 21, 20
in the U.S. District Court for the Southern District of New York against the following applicants for non
ER: Par Pharmaceuticals, Teva Pharmaceuticals, Mallinckrodt LLC, Sandoz Inc., Roxane Laboratories,
allege infringement of US Patent Nos. 7,851,482, 8,309,122, and 8,329,216. In July 2013, Actavis and R
approval to market all strengths of their respective non-crush-resistant formulations of Opana® ER. On A
dismissed its suit against Teva Pharmaceuticals based on its demonstration to EPI that it does not, at this
ANDA for non-crush-resistant Opana® ER. On August 6, 2013, EPI filed motions for preliminary injunc
Roxane requesting the court enjoin Actavis and Roxane from launching additional Opana® ER generics
the patent case. On September 12, 2013, the court denied the Company's motions for preliminary injunc
launched its generic version of non-crush-resistant Opana® ER 5, 10, 20, 30 and 40 mg tablets. EPI has
preliminary injunction. A hearing on the appeal was heard January 9, 2014. No decision has issued.

EPI intends to defend vigorously its intellectual property rights and to pursue all available legal and regu
of the non-crush-resistant formulation Opana® ER, including enforcement of the product's intellectual p
approved labeling. However, there can be no assurance that EPI will be successful. If EPI is unsuccessfu
have obtained, or are able to obtain, FDA approval of their products may be able to launch their generic
non-crush-resistant Opana® ER prior to the applicable patents' expirations. Additionally, we cannot pred
or outcome of related litigation but will explore all options as appropriate in the best interests of the Com
to the above litigation, it is possible that another generic manufacturer may also seek to launch a generic
non-crush-resistant Opana® ER and challenge the applicable patents.

Pursuant to the June 2010 Settlement and License Agreement (the Impax Settlement Agreement) with Im
provide a payment to Impax should prescription sales of the non-crush-resistant formulation of Opana®
Impax Settlement Agreement, fall below a predetermined contractual threshold in the quarter immediate
which Impax was authorized to launch its generic version of the non-crush-resistant formulation of Opa
on January 2, 2013. During the first quarter of 2012, the Novartis shut-down of its Lincoln, Nebraska m
resulting lack of 2012 oxymorphone active pharmaceutical ingredient (API) quota granted by the Drug E
Novartis caused EPI to attempt an accelerated launch of the crush-resistant formulation of Opana® ER.
uncertainties existed throughout the first quarter of 2012 about EPI's ability to rapidly ramp up productio
designed to be crush-resistant and produce finished goods at a new, untested manufacturing facility in a
it was able to do so in March 2012. Accordingly, the Company recognized a liability under the Impax Se
the Company's sale of the formulation designed to be crush-resistant, which occurred in March 2012. Th
$102.0 million was recorded in Cost of revenues in our 2012 Consolidated Financial Statements. This am
paid in April 2013.

From September 21, 2012 through October 30, 2013, EPI and its partner Grünenthal received Paragraph
Teva Pharmaceuticals USA, Inc. (Teva), Amneal Pharmaceuticals, LLC, Sandoz Inc., ThoRx Laborator
Pharmaceuticals (Par), Actavis South Atlantic LLC (Actavis), Impax Pharmaceuticals (Impax) and Ranb
(Ranbaxy), advising of the filing by each such company of an ANDA for a generic version of the formu
designed to be crush-resistant. These Paragraph IV Notices refer to U.S. Patent Nos. 8,075,872, 8,114,38
8,309,060, 8,309,122 and 8,329,216, which variously cover the formulation of Opana® ER, a highly pur
pharmaceutical ingredient and the release profile of Opana® ER. EPI filed lawsuits against each of these
Court for the Southern District of New York. Each lawsuit was filed within the 45-day deadline to invok
approval pursuant to the Hatch-Waxman legislative scheme. EPI intends, and has been advised by Grün
to defend vigorously the intellectual property rights covering the formulation of Opana® ER designed to
pursue all available legal and regulatory avenues in defense of crush-resistant Opana® ER, including enf
intellectual property rights and approved labeling. However, there can be no assurance that EPI and Grü
If we are unsuccessful and Teva, Amneal, Sandoz, ThoRx, Par, Actavis or Impax is able to obtain FDA
generic versions of crush-resistant Opana® ER may be launched prior to the applicable patents' expiratio
Additionally, we cannot predict or determine the timing or outcome of this defense but will explore all o
the best interests of the Company and EPI. In addition to the above litigation, it is possible that another g
also seek to launch a generic version of crush-resistant Opana® ER and challenge the applicable patents.

Paragraph IV Certification on Fortesta® Gel

On January 18, 2013, EPI and its licensor Strakan Limited received a notice from Watson advising of th
ANDA for a generic version of Fortesta® (testosterone) Gel. On February 28, 2013, EPI filed a lawsuit a
District Court for the Eastern District of Texas, Marshall division. Because the suit was filed within the
Hatch-Waxman Act for filing a patent infringement action, we believe that it triggered an automatic 30-
under the Act. Trial has been set for February 2, 2015.

EPI intends, and has been advised by Strakan Limited that it too intends, to defend vigorously Fortesta®
available legal and regulatory avenues in defense of Fortesta® Gel, including enforcement of the produc
rights

Table of Contents

and approved labeling. However, there can be no assurance that EPI and Strakan will be successful. If E unsuccessful and Watson is able to obtain FDA approval of its product, Watson may be able to launch it Fortesta® Gel prior to the applicable patents' expirations in 2018. Additionally, we cannot predict or det outcome of this litigation but will explore all options as appropriate in the best interests of the Company litigation, it is possible that another generic manufacturer may also seek to launch a generic version of F the applicable patents.

Paragraph IV Certification on Frova®

As previously reported, in July 2011, EPI and its licensor, Vernalis Development Limited received a not Technologies Inc. (Mylan) advising of the filing by Mylan of an ANDA for a generic version of Frova® 2.5 mg tablets. Mylan's notice included a Paragraph IV Notice with respect to U.S. Patent Nos. 5,464,86 5,827,871 and 5,962,501, which cover Frova®. These patents are listed in the FDA's Orange Book and e 2015. As a result of this Paragraph IV Notice, on August 16, 2011, EPI filed a lawsuit against Mylan in the District of Delaware alleging infringement of U.S. Patent Nos. 5,464,864, 5,637,611 and 5,827,871. within the 45-day period under the Hatch-Waxman Act for filing a patent infringement action, we believ automatic 30-month stay of approval under the Act. On September 22, 2011, Mylan filed an Answer and the asserted patents are invalid or not infringed. A trial in this case was held starting November 12, 2013 the U.S. District Court for the District of Delaware issued a decision upholding the validity and infringe Patent No. 5,464,864. Mylan has informed us that they intend to appeal this decision.

EPI intends to continue to defend vigorously its intellectual property rights and to pursue all available le avenues in defense of Frova®, including enforcement of the product's intellectual property rights and ap there can be no assurance that EPI will be successful. If EPI is unsuccessful and Mylan is able to obtain product, Mylan may be able to launch its generic version of Frova® prior to the applicable patents' expi Additionally, we cannot predict or determine the timing or outcome of this litigation but will explore all the best interests of the Company and EPI. In addition to the above litigation, it is possible that another g also seek to launch a generic version of Frova® and challenge the applicable patents.

Other Legal Proceedings

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

Leases

We lease certain fixed assets under capital leases that expire through 2024. We lease automobiles, mach facilities under certain noncancelable operating leases that expire through 2021. These leases are renewa On October 28, 2011, our subsidiary EPI entered into a lease agreement with RT/TC Atwater LP, a Dela for a new Company headquarters to consist of approximately 300,000 square feet of office space located Boulevard, Malvern, Pennsylvania (with a four-year option to lease up to approximately 150,000 additio of this triple net lease is 12 years and includes three renewal options, each for an additional 60-month pe commenced on December 31, 2012 with a monthly lease rate for the initial year of $0.5 million, increas thereafter.

Table of Contents

This lease is accounted for as a direct financing arrangement whereby the Company recorded, over the c
full cost of the asset in Property, plant and equipment, net. A corresponding liability was also recorded,
improvements paid for by the Company, and is being amortized over the expected lease term through m
using an effective interest method. At December 31, 2013, there was a liability of $53.6 million related t
million of which is included in Accounts payable and $49.9 million of which is included in Other liabili
Consolidated Balance Sheet.

A summary of minimum future rental payments required under capital and operating leases as of Decem
follows (in thousands):

	Capital Leases(1)
2014	$5,752
2015	5,846
2016	5,977
2017	6,112
2018	6,249
Thereafter	39,548
Total minimum lease payments	$69,484
Less: Amount representing interest	9,564
Total present value of minimum payments	$59,920
Less: Current portion of such obligations	3,714
Long-term capital lease obligations	$56,206

(1) The direct financing arrangement is included under Capital Leases.

Expense incurred under operating leases was $24.4 million, $25.5 million and $22.5 million for the year
2013, 2012 and 2011, respectively.

Table of Contents

NOTE 15. OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the tax effects allocated to each component of Other comprehensive incom
ended December 31, (in thousands):

	2013			2012			2011
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Befor Amo
Net unrealized gain (loss) on securities:							
Unrealized gains (losses) arising during the period	$1,233	$(458)	$775	$1,441	$(38)	$1,403	$(3,7
Less: reclassification adjustments for (gains) losses realized in net (loss) income	—	—	—	—	—	—	3,190
Net unrealized gains (losses)	1,233	(458)	775	1,441	(38)	1,403	(606
Foreign currency translation gain (loss)	682	32	714	2,104	60	2,164	(7,75
Fair value adjustment on derivatives designated as cash flow hedges:							
Fair value adjustment on derivatives designated as cash flow hedges arising during the period	853	(307)	546	(1,892)	680	(1,212)	517
Less: reclassification adjustments for cash flow hedges settled and included in net (loss) income	(232)	84	(148)	436	(157)	279	(2
Net unrealized fair value adjustment on derivatives designated as cash flow hedges	621	(223)	398	(1,456)	523	(933)	515
Other comprehensive income (loss)	$2,536	$(649)	$1,887	$2,089	$545	$2,634	$(7,8

Table of Contents

Reclassifications adjustments out of Other comprehensive income (loss) are reflected in our Consolidat
Operations as Other (income) expense, net.

The following is a summary of the accumulated balances related to each component of Other comprehe
taxes, at December 31, 2013 and December 31, 2012 (in thousands):

	Dec 201
Net unrealized gains (losses)	$59
Foreign currency translation loss	(5,1
Fair value adjustment on derivatives designated as cash flow hedges	(32
Accumulated other comprehensive loss	$(4

NOTE 16. STOCKHOLDERS' EQUITY

Common Stock

The total number of shares of common stock, $0.01 par value, that the Company is authorized to issue is certain limitations, we are permitted to pay dividends under our indebtedness. See Note 13. Debt for fur

Preferred Stock

The Board of Directors may, without further action by the stockholders, issue a series of Preferred Stock preferences of those shares, including the dividend rights, dividend rates, conversion rights, exchange ri of redemption, redemption price or prices, liquidation preferences, the number of shares constituting any designation of such series. As of December 31, 2013, no shares of Preferred Stock have been issued.

Stock-Based Compensation

As further discussed in Note 1. Description of Business the operating results of the Company's HealthTr reported as Discontinued operations, net of tax in the Consolidated Statements of Operations for all peri as stock-based compensation is not material for this business, amounts in this Note 16. Stockholders' Eq "Stock-Based Compensation" have not been adjusted to exclude the impact of our HealthTronics busine Endo Health Solutions Inc. 2000, 2004, 2007, and 2010 Stock Incentive Plans and the Endo Health Solu

Incentive Plan

On August 11, 2000, we established the Endo Health Solutions Inc. 2000 Stock Incentive Plan. The 200 reserved an aggregate of 4,000,000 shares of common stock of the Company for issuance to employees, consultants. The 2000 Stock Incentive Plan provided for the issuance of stock options, restricted stock, s appreciation rights or performance awards. The 2000 Stock incentive Plan expired in 2010.

In May 2004, our stockholders approved the Endo Health Solutions Inc. 2004 Stock Incentive Plan. The shares of Company stock reserved for issuance under the 2004 Stock Incentive Plan is 4,000,000 shares for the grant of stock options, stock appreciation rights, shares of restricted stock, performance shares, p share-based awards that may be granted to executive officers and other employees of the Company, incl directors who are employees, to non-employee directors and to consultants to the Company.

In May 2007, our stockholders approved the Endo Health Solutions Inc. 2007 Stock Incentive Plan. The shares of Company stock reserved for issuance under the 2007 Stock Incentive Plan is 7,000,000 shares certain transactions), but in no event may the total number of shares of Company stock subject to award participant during any tax year of the Company exceed 750,000 shares (subject to adjustment for certain

In May 2010, our stockholders approved the Endo Health Solutions Inc. 2010 Stock Incentive Plan. The shares of Company stock reserved for issuance under the Plan includes 8,000,000 shares plus the numbe stock reserved but unissued under the Company's 2004 and 2007 Stock Incentive Plans as of April 28, 2 to include the number of shares of Company stock that become available for reuse under these plans foll subject to adjustment for certain transactions. Notwithstanding the foregoing, of the 8,000,000 shares or issuance under this Plan, no more than 4,000,000 of such shares shall be issued as awards, other than op the Company's stock. In no event may the total number of shares of Company stock subject to awards a participant during any tax year of the Company, exceed 1,000,000 shares (subject to adjustment for certa

Table of Contents

In June 2011, in connection with our acquisition of AMS, we assumed the AMS 2005 Stock Incentive P
Endo Health Solutions Inc. Assumed Stock Incentive Plan). As of the AMS Acquisition Date, the numb
stock reserved for issuance under the Plan was 5,269,152.

At December 31, 2013, approximately 15.4 million shares were reserved for future issuance upon exerci
be granted under the Endo 2004, 2007, and 2010 Stock Incentive Plans and the Endo Health Solutions I
Incentive Plan. As of December 31, 2013, stock options, restricted stock awards, performance stock uni
have been granted under the Stock Incentive Plans.

All stock-based compensation cost is measured at the grant date, based on the estimated fair value of the
as an expense in the income statement over the requisite service period.

The Company recognized stock-based compensation expense of $39.0 million, $59.4 million and $46.0
ended December 31, 2013, 2012 and 2011, respectively. As of December 31, 2013, the total remaining u
compensation cost related to all non-vested stock-based compensation awards amounted to $50.9 millio
not include the impact of any future stock-based compensation awards.

Presented below is the allocation of stock-based compensation as recorded in our Consolidated Stateme
years ended December 31 (in thousands).

	2013	2012
Selling, general and administrative expenses	$31,667	$51,846
Research and development expenses	6,814	6,672
Cost of revenues	517	877
Total stock-based compensation expense	$38,998	$59,395

Stock Options

During the years ended December 31, 2013, 2012 and 2011, the Company granted stock options to empl
part of their annual stock compensation award and, in certain circumstances, upon their commencement
Company. For all of the Company's stock-based compensation plans, the fair value of each option grant
of grant using the Black-Scholes option-pricing model. Black-Scholes utilizes assumptions related to vo
interest rate, the dividend yield (which is assumed to be zero, as the Company has not paid cash dividen
currently expect to pay cash dividends) and the expected term of the option. Expected volatilities utilize
mainly on the historical volatility of the Company's stock price over a period commensurate with the ex
option as well as other factors. The risk-free interest rate is derived from the U.S. Treasury yield curve i
grant. We estimate the expected term of options granted based on our historical experience with our emp
options and other factors.

Table of Contents

A summary of the activity under the Endo 2000, 2004, 2007, and 2010 Stock Incentive Plans and the En
Assumed Stock Incentive Plan for each of the three years-ended December 31, 2013 is presented below:

	Number of Shares	Weighted Average Exercise Price	Weigh Avera Rema Contra Term
Outstanding as of January 1, 2011	5,891,400	$22.60	
Granted	3,865,575	$29.66	
Exercised	(1,274,280)	$22.80	
Forfeited	(335,049)	$26.54	
Expired	(32,179)	$26.49	
Outstanding as of December 31, 2011	8,115,467	$25.79	
Granted	2,237,081	$34.58	
Exercised	(853,794)	$22.66	
Forfeited	(613,613)	$31.31	
Expired	(60,436)	$27.61	
Outstanding as of December 31, 2012	8,824,705	$27.93	
Granted	593,709	$30.81	
Exercised	(3,836,560)	$25.32	
Forfeited	(1,291,043)	$32.73	
Expired	(45,022)	$30.06	
Outstanding as of December 31, 2013	4,245,789	$29.30	5.46
Vested and expected to vest as of December 31, 2013	4,072,931	$29.15	5.37
Exercisable as of December 31, 2013	2,014,449	$26.34	4.35

The total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011
million and $29.0 million, respectively. The weighted average grant date fair value of the stock options
December 31, 2013, 2012 and 2011 was $9.37, $10.50 and $11.97 per option, respectively, determined
assumptions:

	Year Ended December 31, 2013	Yea Dec 201
Average expected term (years)	5.0	5.0
Risk-free interest rate	0.8 %	0.9
Dividend yield	—	—
Expected volatility	33 %	33

As of December 31, 2013, the weighted average remaining requisite service period of the non-vested sto
As of December 31, 2013, the total remaining unrecognized compensation cost related to non-vested sto
$12.5 million.

The following table summarizes information about stock options outstanding under our 2000, 2004, 200
Incentive Plans and the Endo Health Solutions Inc. Assumed Stock Incentive Plan at December 31, 201

Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Exercisable Weighted Avera Exercise Price
4,245,789	5.46	$29.30	2,014,449	$26.34

Restricted Stock Units

During the years ended December 31, 2013, 2012 and 2011, the Company granted restricted stock units
non-employee directors of the Company as part of their annual stock compensation award and, in certain
their commencement of service with the Company.

Table of Contents

A summary of our restricted stock units for the three years ended December 31, 2013 is presented below

	Numb of Sha
Outstanding as of January 1, 2011	2,211,
Granted	1,158,
Forfeited	(181,7
Vested	(558,3
Outstanding as of December 31, 2011	2,629,
Granted	1,087,
Forfeited	(362,6
Vested	(930,6
Outstanding as of December 31, 2012	2,423,
Granted	1,543,
Forfeited	(899,9
Vested	(804,4
Outstanding as of December 31, 2013	2,262,
Vested and expected to vest as of December 31, 2013	1,955,

As of December 31, 2013, the weighted average remaining requisite service period of the non-vested res years. The weighted average grant date fair value of the restricted stock units granted during the years en 2012 and 2011 was $31.55, $34.76 and $33.51 per unit, respectively. As of December 31, 2013, the tota compensation cost related to non-vested restricted stock units amounted to $27.2 million.

Restricted Stock Awards

A summary of our restricted stock awards for the years ended December 31, 2013 is presented below:

	Number of Shares	Weigh Avera Fair V Per Sh
Non-vested as of January 1, 2011	—	$—
Granted	199,413	$30.4
Forfeited	(8,009)	$27.5
Vested	(17,787)	$32.9
Non-vested as of December 31, 2011	173,617	$30.2
Granted	—	$—
Forfeited	(19,624)	$29.3
Vested	(72,342)	$29.1
Non-vested as of December 31, 2012	81,651	$31.4
Granted	—	$—
Forfeited	(12,191)	$31.1
Vested	(41,968)	$29.9
Non-vested as of December 31, 2013	27,492	$33.9

As of December 31, 2013, the weighted average remaining requisite service period of the non-vested res approximately 1.0 year.

Performance Shares

Beginning in the first quarter ended March 31, 2010, the Company began to award performance stock u employees as part of their annual stock compensation award. For grants prior to 2013, PSUs are tied to b revenue and its total shareholder return (TSR) relative to the total shareholder return of a selected indust PSU grants are only tied to TSR relative to the TSR of a selected industry group. Awards are granted an covering a three-year performance cycle. The number of PSUs awarded to each executive is based on a

Table of Contents

executive's base salary with the actual number of shares awarded adjusted to between zero and 300% of based upon achievement of pre-determined TSR performance and cumulative revenue goals. TSR relati market condition while cumulative revenue performance is considered a performance condition under a guidance. The PSUs linked to revenue performance are marked to market on a recurring basis based on expectations of future revenues. PSUs granted during the years ended December 31, 2013, 2012 and 20 458,000, 193,000 and 160,000, respectively. On December 31, 2012, all remaining PSUs granted during shares of common stock in accordance with the provisions of underlying PSU award agreements. Subse PSUs received approximately 143,000 shares of common stock, net of shares withheld for tax purposes. granted during 2011 are eligible for conversion to shares of common stock in the first quarter of 2014 in provisions of the underlying PSU award agreements. As of December 31, 2013, there was approximatel unrecognized compensation cost related to PSUs. That cost is expected to be recognized over a weighte years.

Share Repurchase Programs

In April 2008, our Board of Directors approved a share repurchase program (the 2008 Share Repurchase Company to repurchase in the aggregate up to $750.0 million of shares of its outstanding common stock Board of Directors resolved to cancel and terminate the 2008 Share Repurchase Program, effective imm new share repurchase program (the 2012 Share Repurchase Program). The 2012 Share Repurchase Prog Company to repurchase in the aggregate up to $450.0 million of shares of its outstanding common stock program may be made from time to time in open market purchases, pre-set purchase programs, privately and accelerated stock buyback agreements. This program does not obligate Endo to acquire any particul stock. Future repurchases, if any, will depend on factors such as levels of cash generation from operatio investment in the Company’s business, repayment of future debt, if any, then current stock price, marke limitations and other factors. The share repurchase program may be suspended, modified or discontinue Share Repurchase Program is set to expire on March 31, 2015.

Pursuant to our share repurchase programs, we did not purchase any shares of our common stock during December 31, 2013. We purchased approximately 8.3 million shares of our common stock during the ye 2012 totaling $256.0 million and 0.9 million shares of our common stock during 2011 totaling $34.7 mi

Employee Stock Purchase Plan

At our Annual Meeting of Stockholders held in May of 2011, our shareholders approved the Endo Healt Stock Purchase Plan (the ESPP). The ESPP is a Company-sponsored plan that enables employees to vol of any of the four quarterly offering periods ending March 31, June 30, September 30 and December 31 up to 10% of their eligible compensation, subject to certain limitations, to purchase shares of common s of the closing price of Endo common stock on the first or last trading day of each offering period. The m that a participant may purchase in any calendar year is equal to $25,000 divided by the closing selling p common stock on the first day of the offering period, subject to certain adjustments. Compensation expe accordance with the applicable accounting guidance and is based on the share price at the beginning or e and the purchase discount. Obligations under the ESPP may be satisfied by the reissuance of treasury st purchase of shares on the open market or by the authorization of new shares. The maximum number of s ESPP, pursuant to the terms of the ESPP plan document, is 1% of the common shares outstanding on Ap approximately 1.2 million shares. The ESPP shall continue in effect until the earlier of (i) the date when available for issuance under the ESPP, at which time the ESPP shall be suspended pursuant to the terms document, or (ii) December 31, 2022, unless earlier terminated. Compensation expense during the years 2013 and 2012 related to the Employee Stock Purchase Plan (ESPP) totaled $2.5 million and $1.3 millio Company issued 188,374 shares from treasury with a cost totaling $5.3 million during the year ended D to the ESPP and 235,425 shares with a cost totaling $6.1 million during the year ended December 31, 20

NOTE 17. COST OF REVENUES

The components of Cost of revenues for the years ended December 31 (in thousands) were as follows:

	2013	2012

Cost of net pharmaceutical product sales	$886,293	$972,2
Cost of devices revenues	153,223	163,43
Total cost of revenues	$1,039,516	$1,135

Table of Contents

NOTE 18. OTHER (INCOME) EXPENSE, NET

The components of Other (income) expense, net for the years ended December 31 are as follows (in tho

	2013	2012
Watson litigation settlement income, net	$(50,400)	$—
Other (income) expense, net	(571)	439
Other (income) expense, net	$(50,971)	$439

See Note 14. Commitments and Contingencies for a discussion of the Watson litigation settlement incor

NOTE 19. INCOME TAXES

The components of our (loss) income from continuing operations before income tax by geography for y were as follows (in thousands):

	2013	2012
United States	$(575,108)	$(724,42
International	15,541	(6,002
Total (loss) income from continuing operations before income tax	$(559,567)	$(730,42

Income tax consists of the following for the years ended December 31 (in thousands):

	2013	2012
Current:		
Federal	$100,017	$129,14
Foreign	2,224	2,475
State	12,424	15,207
Total current income tax	114,665	146,823
Deferred:		
Federal	(134,290)	(180,628
Foreign	88	(1,025
State	(9,079)	(7,443
Total deferred income tax	(143,281)	(189,096
Excess tax benefits of stock options exercised	4,327	2,537
Valuation allowance	222	3,321
Total income tax	$(24,067)	$(36,415

Table of Contents

A reconciliation of income tax at the federal statutory income tax rate to the total income tax provision f
December 31 (in thousands):

	2013	2012
Federal income tax at the statutory rate	$(195,849)	$(255,64
Noncontrolling interests	—	—
State income tax, net of federal benefit	2,203	8,720
Research and development credit	(6,180)	—
Orphan drug credit	—	—
Uncertain tax positions	2,009	15,617
Foreign rate differential	(2,376)	4,181
Goodwill asset impairment charges	166,817	176,000
Change in valuation allowance	—	—
Effect of permanent items:		
Branded prescription drug fee	12,060	6,108
Changes in contingent consideration	—	—
Domestic production activities deduction	(6,184)	(5,194
Transaction-related expenses	2,643	—
Fines and penalties	44	11,195
Other	746	2,607
Total income tax	$(24,067)	$(36,415

The tax effects of temporary differences that comprise the current and non-current deferred income tax a
balance sheets for the years ended December 31 are as follows (in thousands):

	2013
Deferred tax assets:	
Accrued expenses	$413,048
Compensation related to stock options	20,685
Net operating loss carryforward	76,933
Impairment on capital assets	9,112
Research and development credit carryforward	15,025
Uncertain tax positions	8,659
Prepaid royalties	—
Other	40,302
Total gross deferred income tax assets	583,764
Deferred tax liabilities:	
Property, plant, equipment, and intangibles	(613,264
Non-cash interest expense	(5,425
Total gross deferred income tax liabilities	(618,689
Valuation allowance	(17,854
Net deferred income tax liability	$(52,779

At December 31, 2013, our NOLs and research and development credit carryforwards were related to m
including federal and various state jurisdictions, which expire at intervals between 2014 and 2034. At D
gross federal net operating loss carry forwards of $199.3 million.

In general, it is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsid
As of December 31, 2013, the Company has not made a provision for U.S income taxes. or additional fo
on approximately $97.8 million of the excess of the amount for financial reporting over the tax basis of
subsidiaries that are essentially permanent in duration. Generally, such amounts become subject to U.S.
remittance

Table of Contents

of dividends and under certain other circumstances. It is not practicable to estimate the amount of defer
investments in these foreign subsidiaries.

We evaluate our tax positions using the prescribed two-step process. Step 1 – Recognition, requires the
whether a tax position, based solely on its technical merits, has a likelihood of more than 50% (more-lik
position taken will be sustained upon examination. Step 2 – Measurement, which is only addressed if St
requires the Company to measure the tax benefit as the largest amount of benefit, determined on a cumu
that is more-likely-than-not to be realized upon ultimate settlement.

The Company records accrued interest and penalties related to unrecognized tax benefits in income tax e
penalties resulted in an income tax benefit of $0.9 million in 2013, income tax expense of $0.5 million i
benefit of $3.4 million in 2011.

A reconciliation of the change in the unrecognized tax benefits (UTB) balance from January 1, 2011 to
follows (in thousands):

UTB Balance at January 1, 2011	
Gross additions for current year positions	
Gross additions for prior period positions	
Gross reductions for prior period positions	
Decrease due to settlements	
Decrease due to lapse of statute of limitations	
Additions related to acquisitions	
UTB Balance at December 31, 2011	
Gross additions for current year positions	
Gross additions for prior period positions	
Gross reductions for prior period positions	
Decrease due to lapse of statute of limitations	
UTB Balance at December 31, 2012	
Gross additions for current year positions	
Gross additions for prior period positions	
Gross reductions for prior period positions	
Decrease due to lapse of statute of limitations	
UTB Balance at December 31, 2013	
Accrued interest and penalties	
Total UTB balance including accrued interest and penalties	
Current portion (included in accrued expenses)	
Non-current portion (included in other liabilities)	

The Company and its subsidiaries are routinely examined by various taxing authorities, which have prop
for issues such as certain tax credits and the deductibility of certain expenses. While it is possible that o
examinations may be resolved within the next twelve months, it is not anticipated that the total amount
benefits will significantly increase or decrease within the next twelve months. In addition, the expiration
for various jurisdictions is expected to reduce the unrecognized tax benefits balance by an insignificant

The Company files income tax returns in the U.S. Federal jurisdiction, and various state and foreign juri
subject to U.S. Federal, state and local, and non-U.S. income tax examinations by tax authorities. In gen
longer subject to U.S. Federal, state and local, and foreign income tax examinations by tax authorities fo
Company believes that it has provided adequately for uncertain tax positions relating to all open tax yea

The total amount of gross unrecognized tax benefits as of December 31, 2013 is $64.5 million, includin
which $55.0 million, if recognized, would affect the Company’s effective tax rate. This liability is inclu

the

Table of Contents

Consolidated Balance Sheets. The change in the total amount of unrecognized tax benefits did not have
Company's results of operations or financial position as of December 31, 2013. Any future adjustments
position liability will result in an impact to our income tax provision and effective tax rate.

It is expected that the amount of unrecognized tax benefits will change during the next twelve months; h
does not anticipate any adjustments that would lead to a material impact on our results of operations or c

NOTE 20. NET (LOSS) INCOME PER SHARE

The following is a reconciliation of the numerator and denominator of basic and diluted net (loss) incom
December 31 (in thousands, except per share data):

	2013	2012
Numerator:		
(Loss) income from continuing operations	$(535,500)	$(694,008
Less: Net income from continuing operations attributable to noncontrolling interests	—	—
(Loss) income from continuing operations attributable to Endo Health Solutions Inc. common stockholders	(535,500)	(694,008
Loss from discontinued operations attributable to Endo Health Solutions Inc. common stockholders, net of tax	(149,839)	(46,329
Net (loss) income attributable to Endo Health Solutions Inc. common stockholders	$(685,339)	$(740,337
Denominator:		
For basic per share data—weighted average shares	113,295	115,719
Dilutive effect of common stock equivalents	—	—
Dilutive effect of 1.75% Convertible Senior Subordinated Notes and warrants	—	—
For diluted per share data—weighted average shares	113,295	115,719

Basic net (loss) income per share data is computed based on the weighted average number of common s
the period. Diluted income per common share is computed based on the weighted average number of co
and, if there is net income from continuing operations attributable to Endo Health Solutions Inc. commo
period, the dilutive impact of common stock equivalents outstanding during the period. Common stock
under the treasury stock method.

The 1.75% Convertible Senior Subordinated Notes due April 15, 2015 (the Convertible Notes) are only
net (loss) income per share calculations using the treasury stock method during periods in which the ave
common stock was above the applicable conversion price of the Convertible Notes, or $29.20 per share
be anti-dilutive. In these periods, under the treasury stock method, we calculated the number of shares is
these notes based on the average market price of the stock during the period, and included that number i
outstanding for the period.

We have entered into convertible note hedge and warrant agreements that, in combination, have the eco
the dilutive impact of the Convertible Notes. However, we separately analyze the impact of the converti
warrant agreements on diluted weighted average shares outstanding. As a result, the purchases of the co
excluded because their impact would be anti-dilutive. The treasury stock method is applied when the wa
with the proceeds from the exercise of the warrant used to repurchase shares based on the average stock
diluted weighted average shares. Until the warrants are in-the-money, they have no impact to the diluted
calculation. The total number of shares that could potentially be included if the warrants were exercised
million at December 31, 2013.

Table of Contents

The following reconciliation shows the maximum potential dilution of shares currently excluded from th
income per share calculations for the years ended December 31 (in thousands):

	2013	2012
Weighted average shares excluded:		
1.75% Convertible senior subordinated notes due 2015 and warrants(1)	25,993	25,9
Employee stock-based awards	6,111	4,99
Total excluded shares	32,104	30,9

(1) Amounts represent the incremental potential total dilution that could occur if our Convertible Notes a converted to shares of our common stock.

NOTE 21. SAVINGS AND INVESTMENT PLAN AND DEFERRED COMPENSATION PLANS

Savings and Investment Plan

On September 1, 1997, we established a defined contribution Savings and Investment Plan (the Endo 40 employees. Employee contributions are made on a pre-tax basis under section 401(k) of the Internal Rev We match up to 6% of the participants' contributions subject to limitations under section 401(k) of the C vested with respect to their own contributions and the Company's matching contributions.

On July 2, 2010, the Company acquired HealthTronics, Inc., which sponsored the HealthTronics, Inc. an Plan (the HealthTronics Plan). The HealthTronics Plan was a defined contribution profit-sharing plan w covering all employees of HealthTronics, Inc. In June 2011, former HealthTronics, Inc. employees bega Endo 401(k) Plan and the HealthTronics Plan assets were transferred into the Endo 401(k) Plan.

On November 30, 2010, the Company acquired Qualitest Pharmaceuticals, which sponsored the Qualite Plan (the Qualitest Plan). The Qualitest Plan is a defined contribution profit-sharing plan with a 401(k) o employees of Qualitest Pharmaceuticals. In January 2012, former Qualitest Pharmaceuticals employees Endo 401(k) Plan and the Qualitest Plan assets were transferred into the Endo 401(k) Plan.

On June 17, 2011, the Company acquired AMS, which sponsors the AMS Savings and Investment Plan AMS Plan is a defined contribution profit-sharing plan with a 401(k) option covering all employees of A merged the AMS Plan into the Endo 401(k) Plan in 2013.

Costs incurred for contributions made by us to the various 401(k) plans amounted to $16.5 million, $15. million for the years ended December 31, 2013, 2012 and 2011, respectively.

Executive Deferred Compensation Plan

In December 2007, the Board of Directors (the Board) of Endo Health Solutions Inc. adopted the Endo H Inc. Executive Deferred Compensation Plan (now known as the Endo Health Solutions Inc. Executive D Plan and referred to herein as the Deferred Compensation Plan) and the Endo Pharmaceuticals Holdings Plan (now known as the Endo Health Solutions Inc. 401(k) Restoration Plan and referred to herein as the both effective as of January 1, 2008. Both plans cover employees earning over the Internal Revenue Cod limit, which would include the chief executive officer, chief financial officer and other named executive Compensation Plan allows for deferral of up to 50% of the bonus, with payout to occur as elected, either installments, and up to 100% of restricted stock units granted, with payout to occur as a lump sum. Unde Plan the participant may defer the amount of base salary and bonus that would have been deferrable und and Investment Plan (up to 50% of salary and bonus) if not for the qualified plan statutory limits on defe and also provides for a company match on the first six percent of deferrals to the extent not provided for Investment Plan. Payment occurs as elected, either in lump sum or in installments.

Directors Deferred Compensation Plan

Also in December 2007, the Board adopted the Endo Pharmaceuticals Holdings Inc. Directors Deferred known as the Endo Health Solutions Inc. Directors Deferred Compensation Plan), effective January 1, 2 Plan is to promote the interests of the Company and the stockholders of the Company by providing non- opportunity to defer up to 100% of meeting fees, retainer fees, and restricted stock units, with payout to lump sum or installments.

Table of Contents

NOTE 22. SUPPLEMENTAL GUARANTOR INFORMATION

In connection with the 2019 Notes, 2020 Notes, 2022 Notes and the New 2022 Notes, we have included guarantor disclosure in accordance with Rule 3-10 of Regulation S-X. The 2019 Notes, 2020 Notes, and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the following nineteen Guarantor Subsidiaries):

Endo Pharmaceuticals Inc.	Endo Pharmaceuticals Solutions In
Endo Pharmaceuticals Valera Inc.	Ledgemont Royalty Sub LLC
American Medical Systems Holdings, Inc.	American Medical Systems, Inc.
AMS Research Corporation	Laserscope
AMS Sales Corporation	Generics International (US Parent)
Generics International (US Midco), Inc.	Generics International (US Holdco
Generics International (US), Inc.	Generics Bidco I, LLC
Generics Bidco II, LLC	Moores Mill Properties LLC
Wood Park Properties LLC	Vintage Pharmaceuticals, LLC
Quartz Specialty Pharmaceuticals, LLC	

Each of the Guarantor Subsidiaries is 100% owned by us.

The following supplemental consolidating financial information presents the Consolidated Balance Shee 2013 and December 31, 2012, the Consolidated Statements of Operations for the years ended December the Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2013, Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011, for the a group, and separately for our non-Guarantor Subsidiaries as a group. Certain prior period amounts hav conform to the current period presentation.

The Consolidating Financial Statements are presented using the equity method of accounting for investm subsidiaries. Under the equity method, the investments in subsidiaries are recorded at cost and adjusted subsidiaries' cumulative results of operations, capital contributions, distributions and other equity chang principally eliminate investments in subsidiaries and intercompany balances and transactions.

The assets of our HealthTronics business and related liabilities are classified as held for sale in the Cons and its operating results are reported as Discontinued operations, net of tax in the Consolidated Statemer periods presented. Refer to Note 3. Discontinued Operations for further discussion.

Subsequent to the issuance of the 2012 consolidated financial statements, the Company determined that correct the classification of certain intercompany funding activity between Endo Health Solutions Inc. a Non-Guarantor Subsidiaries that was previously being netted within the Intercompany activity line item Activities section of the Consolidating Statement of Cash Flows as of December 31, 2012 and 2011. As been made from what was previously reported to decrease Intercompany activity within the Investing A million and $4,190.1 million for Endo Health Solutions Inc. for 2012 and 2011, respectively; decrease $1,919.0 million for Guarantor Subsidiaries for 2012 and 2011, respectively; and (decrease) increase by million for Non-Guarantor Subsidiaries for 2012 and 2011, respectively. The previously reported amoun activity within the Financing Activity section were increased and or decreased by corresponding amoun were offset in the Eliminations column on the Consolidating Statement of Cash Flows as of December 3 amounts both in Investing and Financing Activities. These adjustments had no effect on the consolidati

operating activities or on the total Consolidated financial statements of Endo Health Solutions Inc. for th
31, 2012 and 2011, and the change did not impact the Consolidating Balance Sheets, Consolidating Stat
the Consolidating Statements of Comprehensive (Loss) Income.

Table of Contents

CONSOLIDATING BALANCE SHEET
(In thousands)

	December 31, 2013			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$1,692	$496,417	$ 28,488	$—
Restricted cash and cash equivalents	—	—	770,000	—
Accounts receivable, net	—	650,059	39,475	36,2
Inventories, net	—	371,664	9,466	(6,6
Prepaid expenses and other current assets	1,429	65,759	2,647	(30
Income taxes receivable	—	—	—	—
Deferred income taxes	—	256,342	758	885
Assets held for sale	—	—	160,257	—
Total current assets	$3,121	$1,840,241	$ 1,011,091	$54
INTERCOMPANY RECEIVABLES	1,812,594	8,552,770	194,021	(10
MARKETABLE SECURITIES	—	2,979	—	—
PROPERTY, PLANT AND EQUIPMENT, NET	—	369,746	2,636	(30
GOODWILL	—	1,317,492	55,340	—
OTHER INTANGIBLES, NET	—	1,848,391	24,535	—
INVESTMENT IN SUBSIDIARIES	4,514,717	325,904	—	(4,8
OTHER ASSETS	51,946	31,707	30,241	(17
TOTAL ASSETS	$6,382,378	$14,289,230	$ 1,317,864	$(1
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$90	$248,404	$ 14,747	$—
Accrued expenses	31,933	931,952	16,085	(6
Current portion of long-term debt	414,796	133	—	—
Acquisition-related contingent consideration	—	3,878	—	—
Income taxes payable	(63,616)	116,820	(49,870)	(24
Liabilities related to assets held for sale	—	—	31,571	—
Total current liabilities	$383,203	$1,301,187	$ 12,533	$(2
INTERCOMPANY PAYABLES	2,841,419	7,553,980	163,986	(10
DEFERRED INCOME TAXES	7,894	323,122	(20,252)	—
ACQUISITION-RELATED CONTINGENT CONSIDERATION	—	869	—	—
LONG-TERM DEBT, LESS CURRENT PORTION, NET	2,623,844	—	700,000	—
OTHER LIABILITIES	—	662,517	9,333	(17
STOCKHOLDERS' EQUITY:				
Preferred Stock	—	—	—	—
Common Stock	1,444	—	30,430	(30
Additional paid-in capital	1,166,375	4,171,578	574,917	(4,7
Retained earnings (deficit)	126,234	282,109	(213,702)	(68
Accumulated other comprehensive (loss) income	(4,915)	(6,132)	1,421	4,7
Treasury stock	(763,120)	—	—	—

Total Endo Health Solutions Inc. stockholders' equity	$526,018	$4,447,555	$ 393,066	$(4
Noncontrolling interests	—	—	59,198	—
Total stockholders' equity	$526,018	$4,447,555	$ 452,264	$(4
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$6,382,378	$14,289,230	$ 1,317,864	$(1

Table of Contents

CONSOLIDATING BALANCE SHEET
(In thousands)

	December 31, 2012			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$512	$499,932	$ 29,245	$—
Accounts receivable, net	—	601,967	35,449	13,
Inventories, net	—	354,150	11,071	(20
Prepaid expenses and other current assets	—	12,675	2,675	6,4
Income taxes receivable	41,448	(35,943)	30,875	109
Deferred income taxes	—	296,027	2,253	658
Assets held for sale	—	—	330,663	—
Total current assets	$41,960	$1,728,808	$ 442,231	$96
INTERCOMPANY RECEIVABLES	2,039,648	8,233,831	193,673	(10
MARKETABLE SECURITIES	—	1,746	—	—
PROPERTY, PLANT AND EQUIPMENT, NET	—	356,427	3,198	(33
GOODWILL	—	1,798,492	55,074	—
OTHER INTANGIBLES, NET	—	2,020,942	26,350	—
INVESTMENT IN SUBSIDIARIES	5,160,929	313,978	—	(5,4
OTHER ASSETS	65,727	27,767	19,101	(19
TOTAL ASSETS	$7,308,264	$14,481,991	$ 739,627	$(1
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$90	$410,532	$ 1,675	$(2
Accrued expenses	31,981	1,096,261	13,959	(5
Current portion of long-term debt	131,250	906	—	—
Acquisition-related contingent consideration	—	6,195	—	—
Liabilities related to assets held for sale	—	—	58,576	—
Total current liabilities	$163,321	$1,513,894	$ 74,210	$(2
INTERCOMPANY PAYABLES	3,031,742	7,351,093	84,317	(10
DEFERRED INCOME TAXES	5,314	512,118	(20,654)	—
ACQUISITION-RELATED CONTINGENT CONSIDERATION	—	2,729	—	—
LONG-TERM DEBT, LESS CURRENT PORTION, NET	3,035,031	—	—	—
OTHER LIABILITIES	—	159,319	9,335	(19
STOCKHOLDERS' EQUITY:				
Preferred Stock	—	—	—	—
Common Stock	1,400	—	30,430	(30
Additional paid-in capital	1,035,115	4,195,802	571,928	(4,7
Retained earnings (deficit)	811,573	754,316	(71,913)	(68
Accumulated other comprehensive (loss) income	(6,802)	(7,280)	1,624	5,6
Treasury stock	(768,430)	—	—	—
Total Endo Health Solutions Inc. stockholders' equity	$1,072,856	$4,942,838	$ 532,069	$(5

Noncontrolling interests	—	—	60,350	—
Total stockholders' equity	$1,072,856	$4,942,838	$ 592,419	$(5
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$7,308,264	$14,481,991	$ 739,627	$(1

Table of Contents

CONSOLIDATING STATEMENT OF OPERATIONS
(In thousands)

	Year Ended December 31, 2013			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
TOTAL REVENUES	$—	$2,562,367	$185,588	$(1
COSTS AND EXPENSES:				
Cost of revenues	—	1,042,988	98,382	(10
Selling, general and administrative	—	796,596	52,743	—
Research and development	—	145,592	(3,120)	—
Litigation-related and other contingencies	—	484,242	—	—
Asset impairment charges	—	519,011	—	—
Acquisition-related and integration items	—	7,952	—	—
OPERATING (LOSS) INCOME FROM CONTINUING OPERATIONS	$—	$(434,014)	$37,583	$(2
INTEREST EXPENSE, NET	44,753	127,645	1,203	—
LOSS ON EXTINGUISHMENT OF DEBT	11,312	—	—	—
OTHER (INCOME) EXPENSE, NET	—	(84,802)	24,101	9,7
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	$(56,065)	$(476,857)	$12,279	$(3
INCOME TAX	(19,585)	7,275	1,882	(13
EQUITY FROM (LOSS) INCOME IN SUBSIDIARIES	(648,859)	11,925	—	636
(LOSS) INCOME FROM CONTINUING OPERATIONS	(685,339)	(472,207)	10,397	611
DISCONTINUED OPERATIONS, NET OF TAX	—	—	(99,261)	2,3
CONSOLIDATED NET LOSS	$(685,339)	$(472,207)	$(88,864)	$61
Less: Net income attributable to noncontrolling interests	—	—	52,925	—
NET LOSS ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC.	$(685,339)	$(472,207)	$(141,789)	$61

Table of Contents

CONSOLIDATING STATEMENT OF OPERATIONS
(In thousands)

	Year Ended December 31, 2012			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
TOTAL REVENUES	$—	$2,769,215	$144,125	$(9
COSTS AND EXPENSES:				
Cost of revenues	—	1,131,412	92,835	(88
Selling, general and administrative	—	813,805	50,534	—
Research and development	—	218,840	299	—
Patent litigation settlement, net	—	85,123	—	—
Litigation-related and other contingencies	—	316,425	—	—
Asset impairment charges	—	715,551	—	—
Acquisition-related and integration items	—	19,412	1	—
OPERATING (LOSS) INCOME FROM CONTINUING OPERATIONS	$—	$(531,353)	$456	$(9
INTEREST EXPENSE, NET	45,699	137,096	39	—
LOSS ON EXTINGUISHMENT OF DEBT	7,215	—	—	—
OTHER (INCOME) EXPENSE, NET	—	(14,720)	6,277	8,8
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	$(52,914)	$(653,729)	$(5,860)	$(1
INCOME TAX	(19,930)	(13,064)	456	(3,8
EQUITY FROM LOSS IN SUBSIDIARIES	(707,353)	(3,566)	—	710
LOSS FROM CONTINUING OPERATIONS	(740,337)	(644,231)	(6,316)	696
DISCONTINUED OPERATIONS, NET OF TAX	—	—	2,613	3,3
CONSOLIDATED NET LOSS	$(740,337)	$(644,231)	$(3,703)	$70
Less: Net income attributable to noncontrolling interests	—	—	52,316	—
NET LOSS ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC.	$(740,337)	$(644,231)	$(56,019)	$70

Table of Contents

CONSOLIDATING STATEMENT OF OPERATIONS
(In thousands)

	Year Ended December 31, 2011			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
TOTAL REVENUES	$—	$2,580,530	$75,230	$(1
COSTS AND EXPENSES:				
Cost of revenues	—	1,033,334	46,268	(13
Selling, general and administrative	58	753,855	30,007	—
Research and development	—	182,333	(2,495)	—
Litigation-related and other contingencies	—	—	—	—
Asset impairment charges	—	116,089	—	—
Acquisition-related and integration items	(7,050)	39,734	(669)	—
OPERATING INCOME FROM CONTINUING OPERATIONS	$6,992	$455,185	$2,119	$68
INTEREST EXPENSE, NET	38,908	109,060	56	—
LOSS ON EXTINGUISHMENT OF DEBT	11,919	—	—	—
OTHER (INCOME) EXPENSE, NET	—	(2,812)	1,281	124
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	$(43,835)	$348,937	$782	$55
INCOME TAX	(18,841)	129,739	408	778
EQUITY FROM INCOME IN SUBSIDIARIES	212,607	1,548	—	(21
INCOME FROM CONTINUING OPERATIONS	187,613	220,746	374	(21
DISCONTINUED OPERATIONS, NET OF TAX	—	—	46,314	1,3
CONSOLIDATED NET INCOME	$187,613	$220,746	$46,688	$(2
Less: Net income attributable to noncontrolling interests	—	—	54,452	—
NET INCOME (LOSS) ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC.	$187,613	$220,746	$(7,764)	$(2

Table of Contents

CONSOLIDATING STATEMENT OF COMPREHENSIVE LOSS
(In thousands)

	Year Ended December 31, 2013			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
CONSOLIDATED NET LOSS	$(685,339)	$(472,207)	$(88,864)	$61
OTHER COMPREHENSIVE INCOME (LOSS)	1,887	1,148	(203)	(94
CONSOLIDATED COMPREHENSIVE LOSS	$(683,452)	$(471,059)	$(89,067)	$61
Less: Comprehensive income attributable to noncontrolling interests	—	—	52,925	—
COMPREHENSIVE LOSS ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC.	$(683,452)	$(471,059)	$(141,992)	$61

Table of Contents

CONSOLIDATING STATEMENT OF COMPREHENSIVE LOSS
(In thousands)

	Year Ended December 31, 2012			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
CONSOLIDATED NET LOSS	$(740,337)	$(644,231)	$(3,703)	$70
OTHER COMPREHENSIVE INCOME	2,634	460	2,292	(2,7
CONSOLIDATED COMPREHENSIVE LOSS	$(737,703)	$(643,771)	$(1,411)	$69
Less: Comprehensive income attributable to noncontrolling interests	—	—	52,316	—
COMPREHENSIVE LOSS ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC.	$(737,703)	$(643,771)	$(53,727)	$69

Table of Contents

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended December 31, 2011			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
CONSOLIDATED NET INCOME	$187,613	$220,746	$46,688	$(2
OTHER COMPREHENSIVE LOSS	(8,275)	(6,579)	(668)	7,2
CONSOLIDATED COMPREHENSIVE INCOME	$179,338	$214,167	$46,020	$(2
Less: Comprehensive income attributable to noncontrolling interests	—	—	54,452	—
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ENDO HEALTH SOLUTIONS INC.	$179,338	$214,167	$(8,432)	$(2

Table of Contents

CONSOLIDATING STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2013			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
OPERATING ACTIVITIES:				
Net cash provided by operating activities	$34,294	$210,761	$53,462	$—
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	—	(77,433)	(19,050)	—
Proceeds from sale of property, plant and equipment	—	164	1,693	—
Acquisitions, net of cash acquired	—	—	(3,645)	—
License fees	—	(12,000)	—	—
Sale of business, net	—	—	8,150	—
Settlement escrow	—	(11,518)	—	—
Intercompany activity	227,058	(318,936)	(357)	92,
Increase in restricted cash and cash equivalents	—	—	(770,000)	—
Net cash provided by (used in) investing activities	$227,058	$(419,723)	$(783,209)	$92
FINANCING ACTIVITIES:				
Capital lease obligations repayments	—	(217)	(240)	—
Direct financing arrangement repayments	—	(3,464)	—	—
Proceeds from issuance of New 2022 Notes	—	—	700,000	—
Proceeds from other indebtedness	—	—	1,247	—
Principal payments on Term Loans	(152,032)	—	—	—
Payment on AMS Convertible Notes	—	(773)	—	—
Deferred financing fees	(10,475)	—	—	—
Payment for contingent consideration	—	(5,000)	—	—
Tax benefits of stock options exercised	—	12,017	—	—
Payments of tax withholding for restricted shares	(9,781)	—	—	—
Exercise of Endo Health Solutions Inc. stock options	97,129	—	—	—
Issuance of common stock from treasury	5,310	—	—	—
Cash distributions to noncontrolling interests	—	—	(52,711)	—
Cash buy-out of noncontrolling interests, net of cash contributions	—	—	(1,485)	—
Intercompany activity	(190,323)	202,884	79,674	(92
Net cash (used in) provided by financing activities	$(260,172)	$205,447	$726,485	$(9
Effect of foreign exchange rate	—	—	1,692	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$1,180	$(3,515)	$(1,570)	$—
LESS: NET DECREASE IN CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	—	—	(813)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	1,180	(3,515)	(757)	—
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	512	499,932	29,245	—
	$1,692	$496,417	$28,488	$—

CASH AND CASH EQUIVALENTS, END OF PERIOD

Table of Contents

CONSOLIDATING STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2012			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
OPERATING ACTIVITIES:				
Net cash provided by operating activities	$43,094	$649,474	$41,311	$—
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	—	(84,621)	(15,197)	—
Proceeds from sale of property, plant and equipment	—	132	1,294	—
Acquisitions, net of cash acquired	—	—	(3,175)	—
Proceeds from sale of investments	—	18,800	—	—
Intercompany activity	(262,414)	(911,230)	(448)	1,1
Patent acquisition costs and license fees	—	(5,000)	(700)	—
Net cash used in investing activities	$(262,414)	$(981,919)	$(18,226)	$1,
FINANCING ACTIVITIES:				
Capital lease obligations repayments	—	(661)	(198)	—
Principal payments on Term Loans	(362,075)	—	—	—
Principal payments on other indebtedness	—	—	(899)	—
Payment on AMS Convertible Notes	—	(66)	—	—
Tax benefits of stock awards	—	4,949	—	—
Exercise of Endo Health Solutions Inc. stock options	19,358	—	—	—
Purchase of common stock	(256,000)	—	—	—
Issuance of common stock from treasury	6,062	—	—	—
Cash distributions to noncontrolling interests	—	—	(53,269)	—
Cash buy-out of noncontrolling interests, net of cash contributions	—	—	(2,748)	—
Intercompany activity	764,169	372,399	37,524	(1,1
Net cash provided by (used in) financing activities	$171,514	$376,621	$(19,590)	$(1
Effect of foreign exchange rate	—	—	431	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$(47,806)	$44,176	$3,926	$—
LESS: NET DECREASE IN CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	—	—	(2,749)	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	(47,806)	44,176	6,675	—
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	48,318	455,756	22,570	—
CASH AND CASH EQUIVALENTS, END OF PERIOD	$512	$499,932	$29,245	$—

Table of Contents

CONSOLIDATING STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2011			
	Endo Health Solutions Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eli
OPERATING ACTIVITIES:				
Net cash provided by operating activities	$64,311	$577,150	$60,654	$—
INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	—	(49,895)	(9,488)	—
Proceeds from sale of property, plant and equipment	—	345	1,281	—
Acquisitions, net of cash acquired	—	(2,341,143)	(52,254)	—
Proceeds from sale of investments	—	85,025	—	—
Purchases of investments	—	(14,025)	—	—
Other investments	—	(4,628)	—	—
Patent acquisition costs and license fees	—	(2,300)	—	—
Sale of business, net	—	—	12,990	—
Investment in subsidiary	—	(30,430)	—	30,
Intercompany activity	(4,190,063)	(1,918,932)	50,470	6,0
Net cash (used in) provided by investing activities	$(4,190,063)	$(4,275,983)	$2,999	$6,
FINANCING ACTIVITIES:				
Capital lease obligations repayments	—	(1,212)	(232)	—
Proceeds from issuance of 2019 and 2022 Notes	900,000	—	—	—
Proceeds from issuance of Term Loans	2,200,000	—	—	—
Proceeds from other indebtedness	—	—	500	—
Principal payments on Term Loans	(689,876)	—	—	—
Payment on AMS Convertible Notes	—	(519,040)	—	—
Deferred financing fees	(82,504)	—	—	—
Payment for contingent consideration	—	—	(827)	—
Tax benefits of stock awards	—	6,145	(236)	—
Exercise of Endo Health Solutions Inc. stock options	28,954	—	—	—
Purchase of common stock	(34,702)	—	—	—
Cash distributions to noncontrolling interests	—	—	(53,997)	—
Cash buy-out of noncontrolling interests, net of cash contributions	—	—	(292)	—
Intercompany activity	1,806,798	4,264,527	(12,800)	(6,0
Net cash provided by (used in) financing activities	$4,128,670	$3,750,420	$(37,454)	$(6
Effect of foreign exchange rate	—	—	702	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	$2,918	$51,587	$26,901	$—
LESS: NET INCREASE IN CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	—	—	4,488	—
NET INCREASE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	2,918	51,587	22,413	—
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,400	404,169	157	—
	$48,318	$455,756	$22,570	$—

CASH AND CASH EQUIVALENTS, END OF PERIOD

NOTE 23. SUBSEQUENT EVENTS

Boca Pharmacal LLC Acquisition

On August 28, 2013, Endo announced that it had entered into a definitive agreement to acquire Boca Ph specialty generics company that focuses on niche areas, commercializing and developing products in ca controlled

Table of Contents

substances, semisolids and solutions. On February 3, 2014, the Company announced that it had complet
for approximately $225.0 million in cash. Boca’s commercial footprint and R&D pipeline is a strong co
Paladin Labs Inc. Acquisition
On November 5, 2013, the Company announced that it had reached a definitive agreement to acquire Pa
transaction valued then at approximately $1.6 billion. On February 28, 2014 the transaction closed and e
was acquired by Endo International, a newly-formed Irish holding company.
Under the terms of the transaction, Paladin shareholders will receive 1.6331 shares of Endo Internationa
35.5 million shares, and C$1.16 in cash, for total estimated consideration of $2.7 billion as of February 2
shareholders will receive one share of Endo International for each share of Endo they own upon closing
transaction, Endo shareholders are expected to own approximately 77.4% of Endo International, and Pal
expected to own approximately 22.6%.
Paladin is a specialty pharmaceutical company headquartered in Montreal, Canada, focused on acquiring
innovative pharmaceutical products for the Canadian and world markets. Key products serve growing dr
ADHD, pain, urology and allergy. In addition to its Canadian operations, Paladin owns a controlling sta
Mexico and a 61.5% ownership stake in publicly traded Litha Healthcare Group Limited in South Africa
Paladin’s stable and growing cash flows and strong Canadian franchise complement Endo's existing por
diversifies Endo's pharmaceutical product mix and geographic reach. The Company believes the transac
operational and tax synergies and will create a financial platform to facilitate organic growth with broad
strategic activity.
In addition, pursuant to the plan of arrangement, for each Paladin share owned upon closing, shareholde
receive one share of Knight Therapeutics, a newly formed Canadian company that will be separated as p
Knight Therapeutics will hold rights to Impavido and certain related rights.
For U.S. federal income tax purposes, the merger is intended to qualify as a non-taxable “reorganization
income tax law, it is uncertain whether U.S. shareholders of Endo will be required to recognize gain or l
exchange. There is risk that U.S. holders on the Endo share exchange because non-recognition treatmen
application of new and complex provisions of U.S. federal income tax law as well as certain facts that ar
that could be affected by actions taken by Endo and other events beyond Endo’s control. More specifica
common stock
will be required to recognize a gain on the Endo share exchange if the U.S. shareholders gain amount ex
International income amount. The U.S. shareholders gain amount has been and will continue to be affec
stock price, trading activity in Endo’s common stock, and the tax basis of U.S. holders of Endo common
As a result, the U.S. shareholders gain amount cannot be known until after the closing of the merger. In
that there has been a substantial increase in Endo’s stock price during the period from the signing of the
The Endo International income amount will depend, in part, on the earnings and profits of Endo U.S. Inc
includes the closing date (which Endo expects will be 2014). Such earnings and profits, if any, will depe
conditions and the overall tax position of Endo U.S. Inc. for such taxable year and will take into account
taxable operating income and loss as
well as taxable non-operating income and loss (including dispositions outside the ordinary course of bus
items), subject to certain adjustments, and cannot be determined until the end of the year in which the m
While the Paladin acquisition is primarily equity based, Endo will adjust certain parts of its capital struc
transaction. The Company has entered into a new credit facility with Deutsche Bank AG New York Bra
Canada and certain other lenders, which will replace Endo’s existing credit facility upon closing of the P
new credit facility consists of a five-year senior secured term loan “A” facility in an amount up to $1.1 b
secured term loan “B” facility in an amount up to $425.0 million, and a five-year revolving credit facilit
capacity of up to $750.0 million. We expect that the new credit facility will contain an uncommitted exp
permit up to $1.0 billion (or an unlimited amount if the secured leverage ratio, as to be defined in the ne
than or equal to an amount to be agreed to in the new credit facility) of additional revolving or term loan
or more of the lenders under the new credit facility or other lenders after the closing date.

We expect that under the new credit facility, $50.0 million will be available for letters of credit and up t
available for swing line loans on same-day notice, both of which may be increased to up to $75.0 millio
described in the new credit facility. Upon the effectiveness of the new credit facility, the existing credit
and canceled, with all indebtedness under the existing credit facility repaid and all liens terminated and
obligations under the new credit facility are expected to be guaranteed by all of Endo's direct and indire
restricted subsidiaries and secured by substantially all of the borrowers' assets and those of the guaranto
Upon closing of the transaction, a change in control would occur under the terms of our existing senior
(the Credit Facilities). If for any reason the committed financing is not available, and Endo is unable to
Facilities

Table of Contents

prior to the closing of the transaction, the change in control under the Credit Facilities would be conside
which would permit the lenders to cause all amounts outstanding with respect to that debt to be due and
terminate all commitments to extend further credit. An acceleration of the debt under the Credit Facilitie
result in an event of default under our other debt agreements, including the Existing Notes.

On December 2, 2013, following the completion of consent solicitations, Endo, certain guarantors party
Bank, National Association, as trustee, entered into supplemental indentures to the 2019, 2020 and 2022
providing, among other things, that the Paladin transaction will not constitute a change of control under

Long-Term Incentive Compensation

In early 2014, long-term incentive compensation in the form of stock options, restricted stock units perf
granted to employees. Stock options will generally vest over 4 years and expire 10 years from the date o
stock units will vest over 4 years. Performance stock units cover a 3 years performance cycle. The exerc
granted was equal to the closing price on the dates of grant. The grant date fair value of the stock option
and performance stock units granted was approximately $35.1 million.

Changes in Directors & Officers

On February 24, 2014, Endo announced that David B. Nash, M.D., M.B.A. resigned from the Company
effective immediately due to the imminent relocation of the Board's work to Dublin, Ireland and his resp
Jefferson School of Population Health. The Company currently has no plans to fill this vacancy and will
level of nine members of its Board of Directors.

On February 27, 2014, Endo announced that Ivan P. Gergel, M.D. resigned as Executive Vice President
and Chief Scientific Officer effective March 31, 2014 due the relocation of his position to Dublin, Irelan

Table of Contents

NOTE 24. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended		
	March 31,	June 30,	Sep
	(in thousands, except share and		
2013(1)			
Total revenues	$658,494	$712,148	$6
Gross profit	$404,113	$438,735	$4
Income (loss) from continuing operations	$21,653	$41,749	$6
Discontinued operations, net of tax	$4,950	$6,362	$(
Net income (loss) attributable to Endo Health Solutions Inc.	$15,349	$34,999	$4
Net income (loss) per share attributable to Endo Health Solutions Inc.-Basic			
Continuing operations - basic	$0.19	$0.37	$0.
Discontinued operations - basic	(0.05)	(0.06)	(0.
Basic	$0.14	$0.31	$0.
Net income (loss) per share attributable to Endo Health Solutions Inc.-Diluted			
Continuing operations - diluted	$0.19	$0.36	$0.
Discontinued operations - diluted	(0.05)	(0.06)	(0.
Diluted	$0.14	$0.30	$0.
Weighted average shares (basic)	111,216	112,531	11
Weighted average shares (diluted)	113,189	117,221	12
2012(2)			
Total revenues	$639,085	$730,812	$6
Gross profit	$305,994	$468,930	$4
(Loss) income from continuing operations	$(75,358)	$12,541	$5
Discontinued operations, net of tax	$833	$9,554	$1
Net (loss) income attributable to Endo Health Solutions Inc.	$(87,345)	$9,465	$5
Net (loss) income per share attributable to Endo Health Solutions Inc.-Basic			
Continuing operations - basic	$(0.64)	$0.11	$0.
Discontinued operations - basic	(0.11)	(0.03)	—
Basic	$(0.75)	$0.08	$0.
Net (loss) income per share attributable to Endo Health Solutions Inc.-Diluted			
Continuing operations - diluted	$(0.64)	$0.10	$0.
Discontinued operations - diluted	(0.11)	(0.02)	—
Diluted	$(0.75)	$0.08	$0.
Weighted average shares (basic)	117,052	116,992	11
Weighted average shares (diluted)	117,052	121,080	11

(1) Income (loss) from continuing operations for the year ended December 31, 2013 was impacted by (1 collaborative partners of $2.6 million, $5.4 million, $3.1 million and $18.6 million in the first, second quarters, respectively (2) acquisition-related and integration items of $0.6 million, $1.8 million, $1.5 during the first, second, third and fourth quarters, respectively (3) asset impairment charges of $1.1 m million and $514.3 million during the first, second, third and fourth quarters, respectively (4) amortiz intangible assets of $47.4 million, $51.2 million, $45.1 million and $42.2 million during the first, sec quarters, respectively (5) certain integration costs and separation benefits incurred in connection with enhance the company's operations and other miscellaneous costs of $13.7 million, $51.6 million, $20

million during the first, second, third and fourth quarters, respectively and (6) other charges related t

Table of Contents

other contingent matters totaling $57.3 million, $56.3 million, $30.0 million and $343.7 million during t
fourth quarters, respectively.

(2) (Loss) income from continuing operations for the year ended December 31, 2012 was impacted by (1
collaborative partners of $45.8 million, $5.7 million, $5.3 million and $3.9 million in the first, secon
quarters, respectively (2) acquisition-related and integration items of $3.4 million, $6.2 million, $4.8
during the first, second, third and fourth quarters, respectively (3) asset impairment charges of $40.0
$11.2 million and $661.4 million during the first, second, third and fourth quarters, respectively (4) n
charges of $1.3 million and $0.4 million in the first and second quarters, respectively (5) amortizatio
intangible assets of $51.7 million, $56.9 million, $57.1 million and $55.2 million during the first, sec
quarters, respectively (6) certain integration costs and separation benefits incurred in connection with
enhance the company's operations and other miscellaneous costs of $10.8 million, $2.6 million, $10.
million during the first, second, third and fourth quarters, respectively and (7) other charges related t
other contingent matters totaling $110.0 million, $131.4 million, $30.4 million and $231.8 million du
third and fourth quarters, respectively.

Quarterly and year to date computations of per share amounts are made independently, therefore the sur
for the quarters may not equal the per share amounts for the year.

The assets of our HealthTronics business and related liabilities are classified as held for sale in the Cons
and its operating results are reported as Discontinued operations, net of tax in the Consolidated Stateme
periods presented. Refer to Note 3. Discontinued Operations for further discussion.

Table of Contents

Exhibit Index

Exhibit No.	Title
3.1	Amended and Restated Certificate of Incorporation of Endo (incorporated herein by referenc Current Report on Form 8-K filed with the Commission on May 25, 2012)
3.2	Amended and Restated By-Laws Endo (incorporated herein by reference to Exhibit 3.2 of th 8-K filed with the Commission on May 25, 2012)
10.6	Indenture by and between Endo Pharmaceuticals Holdings Inc. (n/k/a Endo Health Solutions New York dated April 15, 2008 (incorporated herein by reference to Exhibit 4.1 of the Curre filed with the Commission on April 15, 2008)
10.7	Convertible Bond Hedge Transaction Confirmation entered into by and between Endo and D London Branch, dated April 9, 2008 (incorporated herein by reference to Exhibit 10.7 of the Quarter ended March 31, 2008 filed with the Commission on May 2, 2008)
10.8	Issuer Warrant Transaction Confirmation entered into by and between Endo and Deutsche B dated April 9, 2008 (incorporated herein by reference to Exhibit 10.8 of the Form 10-Q for t 31, 2008 filed with the Commission on May 2, 2008)
10.9	Issuer Share Repurchase Transaction Confirmation entered into by and between Endo and D London Branch, dated April 9, 2008 (incorporated herein by reference to Exhibit 10.9 of the Quarter ended March 31, 2008 filed with the Commission on May 2, 2008)
10.10*	Sole and Exclusive License Agreement, dated as of November 23, 1998, by and between En (Endo Pharmaceuticals) and Hind HealthCare, Inc. (incorporated herein by reference to Exh Registration Statement filed with the Commission on June 9, 2000)
10.11	Amended and Restated Executive Deferred Compensation Plan (incorporated herein by refe the Form 10-K for the year ended December 31, 2012 filed with the Commission on March
10.12	Amended and Restated 401(k) Restoration Plan (incorporated herein by reference to Exhibit for the year ended December 31, 2012 filed with the Commission on March 1, 2013)
10.13	Directors Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.13 of year ended December 31, 2012 filed with the Commission on March 1, 2013)
10.14*	Supply and Manufacturing Agreement, dated as of November 23, 1998, by and between Endo Teikoku Seiyaku Co., Ltd (incorporated herein by reference to Exhibit 10.14 of the Registra the Commission on June 9, 2000)
10.14.1*	First Amendment, dated April 24, 2007, to the Supply and Manufacturing Agreement, dated by and between Endo Pharmaceuticals and Teikoku Seiyaku Co., Ltd. / Teikoku Pharma US herein by reference to Exhibit 10.14.1 of the Current Report on Form 8-K dated April 30, 20
10.14.2*	Second Amendment, effective December 16, 2009, to the Supply and Manufacturing Agreen November 23, 1998 and as amended as of April 24, 2007, by and between Endo Pharmaceut Co., Ltd. / Teikoku Pharma USA, Inc. (incorporated herein by reference to Exhibit 10.14.2 o

	Form 8-K dated January 11, 2010)
10.14.3*	Third Amendment, effective November 1, 2010, to the Supply and Manufacturing Agreeme 23, 1998 and as amended as of December 16, 2009, by and between Endo Pharmaceuticals a Ltd. / Teikoku Pharma USA, Inc. (incorporated herein by reference to Exhibit 10.14.3 of the Quarter ended September 30, 2010 filed with the Commission on November 2, 2010)
10.17*	Supply Agreement, dated as of April 27, 2012, between Endo Pharmaceuticals and Noramco by reference to Exhibit 10.17 of the Quarterly Report on Form 10-Q for the Quarter Ended M the Commission on May 1, 2012)
10.19*	Master Services Agreement, dated as of May 18, 2010, by and between Endo Pharmaceutica Solutions, Inc. (incorporated herein by reference to Exhibit 10.19 of the Current Report on F 2010)
10.19.1*	Amendment No. 1 to the Master Services Agreement, between UPS Supply Chain Solutions Pharmaceuticals, dated February 21, 2012 (incorporated herein by reference to Exhibit 10.19 the year ended December 31, 2011 filed with the Commission on February 29, 2012)

Table of Contents

Exhibit No.	Title
10.19.2*	Service Schedule No. 5 for Ocean Freight Services to the Master Services Agreement, betwe Solutions, Inc. and Endo Pharmaceuticals Inc., dated August 16, 2013 (incorporated herein b 10.19.2 of the Quarterly Report on Form 10-Q for the Quarter ended September 30, 2013 fil on November 5, 2013)
10.21	Endo Health Solutions Inc. 2000 Stock Incentive Plan (incorporated herein by reference to E Quarterly Report on Form 10-Q for the Quarter ended September 30, 2000 filed with the Co November 13, 2000)
10.22	Endo Health Solutions Inc. 2010 Stock Incentive Plan (incorporated herein by reference to E Definitive Proxy Statement filed with the Commission on April 29, 2010)
10.31*	License and Supply Agreement by and by and among Novartis, AG, Novartis Consumer He Pharmaceuticals dated as of March 4, 2008 (incorporated herein by reference to Exhibit 10.3 the Quarter ended March 31, 2008 filed with the Commission on May 2, 2008)
10.31.1*	Amendment No. 1 to the License and Supply Agreement by and by and among Novartis, AG Health, Inc. and Endo Pharmaceuticals dated as of March 28, 2008 (incorporated herein by r 10.31.1 of the Form 10-Q for the Quarter ended March 31, 2008 filed with the Commission
10.31.2*	Amendment No. 2 to License and Supply Agreement, by and among Novartis AG, Novartis and Endo Pharmaceuticals dated as of December 31, 2012 (incorporated herein by reference Form 10-K for the year ended December 31, 2012 filed with the Commission on March 1, 2
10.32*	Sales and Promotional Services Agreement, effective December 30, 2011, by and between V Services, LLC and Endo Pharmaceuticals (incorporated herein by reference to Exhibit 10.32 year ended December 31, 2011 filed with the Commission on February 29, 2012)
10.32.1*	First Amendment, effective September 26, 2012, to the Sales and Promotional Services Agr Ventiv Commercial Services, LLC and Endo Pharmaceuticals (incorporated herein by refere the Current Report on Form 8-K filed with the Commission on February 20, 2013)
10.32.2	Notice of Termination, effective as of July 1, 2013, of the Sales and Promotional Services A Ventiv Commercial Services, LLC and Endo Pharmaceuticals (incorporated herein by refere Current Report on Form 8-K filed with the Commission on June 5, 2013)
10.35	Amended and Restated Employment Agreement, dated as of December 19, 2007, by and bet B. Manogue (incorporated herein by reference to Exhibit 10.29 of the Form 10-K for the yea 2007 filed with the Commission on February 26, 2008)
10.36	Employment Agreement between Endo Pharmaceuticals Holdings Inc. (n/k/a Endo Health S McHugh (incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-
10.37	Endo Health Solutions Inc. 2004 Stock Incentive Plan (incorporated herein by reference to E 10-Q for the Quarter ended June 30, 2004 filed with the Commission on August 9, 2004)
10.38	

	Endo Health Solutions Inc. Amended and Restated 2007 Stock Incentive Plan (incorporated Exhibit B of the Definitive Proxy Statement on Schedule 14A filed with the Commission on
10.39	Termination Agreement Relating to the Master Development and Toll Manufacturing Agree December 31, 2012, by and between Endo Pharmaceuticals and Novartis Consumer Health,
10.41	Policy of Endo Relating to Insider Trading in Company Securities and Confidentiality of Inf 4, 2013 (incorporated herein by reference to Exhibit 10.41 of the Quarterly Report on Form Ended March 31, 2013 filed with the Commission on May 7, 2013)
10.42	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.1 of the 8-K, dated May 8, 2009)
10.44	Executive Employment Agreement between Endo Health Solutions Inc. and Alan G. Levin, 2013 (incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K fi on March 8, 2013)
10.50	Form of Stock Option Grant Agreement under the 2007 Stock Incentive Plan (incorporated Exhibit 10.50 of the Form 10-K for the year ended December 31, 2008 filed with the Comm
10.51	Form of Restricted Stock Unit Grant Agreement under the 2007 Stock Incentive Plan (incor reference to Exhibit 10.51 of the Form 10-K for the year ended December 31, 2008 filed wit March 2, 2009)

Table of Contents

Exhibit No.	Title
10.57	Amended and Restated License, Commercialization and Supply Agreement executed Septer Indevus and Esprit Pharma, Inc. (n/k/a Allergan USA, Inc.) (incorporated herein by referenc Indevus Current Report on Form 8-K dated September 21, 2007)
10.58	First Amendment to Amended and Restated License, Commercialization and Supply Agreer Pharmaceuticals, Inc. and Allergan USA, Inc. dated as of January 9, 2009 (incorporated here 10.1 to the Indevus Current Report on Form 8-K, dated January 15, 2009)
10.59	Endo Health Solutions Inc. Endo Stock Award Agreement Under the 2010 Stock Incentive P by reference to Exhibit 10.59 of the Form 10-K for the year ended December 31, 2012 filed March 1, 2013)
10.60	Endo Health Solutions Inc. 2010 Stock Incentive Plan Stock Option Agreement (incorporate Exhibit 10.60 of the Form 10-K for the year ended December 31, 2012 filed with the Comm
10.96	Stock Purchase Agreement, dated September 28, 2010, by and among Endo Pharmaceuticals Holdings Inc. (n/k/a Endo Health Solutions Inc.), Generics International (US Parent), Inc., a L.P. (incorporated herein by reference to Exhibit 2.1 of the Current Report on Form 8-K dat
10.96.1	Amendment to Stock Purchase Agreement, effective October 17, 2012, by and among Endo Health Solutions Inc., Generics International (US Parent), Inc., and Apax Quartz (Cayman) by reference to Exhibit 10.144 of the Quarterly Report on Form 10-Q for the Quarter Ended with the Commission on November 5, 2012)
10.101	Indenture among the Company, the guarantors named therein and Wells Fargo Bank, Nation dated November 23, 2010 (incorporated herein by reference to Exhibit 4.1 of the Current Re with the Commission on November 24, 2010)
10.102	Form of 7.00% Senior Notes due 2020 dated November 23, 2010 (incorporated herein by re the Current Report on Form 8-K filed with the Commission on November 24, 2010)
10.106	Form of Amended and Restated Performance Award Agreement under the 2007 Stock Incen herein by reference to Exhibit 10.106 of the Quarterly Report on Form 10-Q for the Quarter filed with the Commission on April 29, 2011)
10.108	Credit Facility, among Endo Health Solutions Inc. (f/k/a Endo Pharmaceuticals Holdings Inc therein, Morgan Stanley Senior Funding, Inc. and Bank of America, N.A., dated as of March herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Comm
10.109	Indenture among the Company, the guarantors named therein and Wells Fargo Bank, Nation dated June 8, 2011 (incorporated herein by reference to Exhibit 4.1 of the Current Report on Commission on June 9, 2011)
10.110	Form of 7% Senior Notes due 2019 (included in Exhibit 10.110) (incorporated herein by ref the Current Report on Form 8-K filed with the Commission on June 9, 2011)
10.111	

	Indenture among the Company, the guarantors named therein and Wells Fargo Bank, Nation dated June 8, 2011 (incorporated herein by reference to Exhibit 4.3 of the Current Report on Commission on June 9, 2011)
10.112	Form of 7 1/4% Senior Notes due 2022 (included in Exhibit 10.112) (incorporated herein by the Current Report on Form 8-K filed with the Commission on June 9, 2011)
10.115	Endo Health Solutions Inc. Assumed Stock Incentive Plan (incorporated herein by reference Form 10-K for the year ended December 31, 2012 filed with the Commission on March 1, 2
10.116	Endo Health Solutions Inc. Stock Option Agreement (Under the Endo Health Solutions Inc. Plan) (incorporated herein by reference to Exhibit 10.116 of the Form 10-K for the year end filed with the Commission on March 1, 2013)
10.117	Endo Health Solutions Inc. Stock Award Agreement (Under the Endo Health Solutions Inc. Plan) (incorporated herein by reference to Exhibit 10.117 of the Form 10-K for the year end filed with the Commission on March 1, 2013)
10.121	Executive Employment Agreement between Endo and David P. Holveck, dated as of Octobe herein by reference to Exhibit 10.121 of the Quarterly Report on Form 10-Q for the Quarter 2011 filed with the Commission on October 31, 2011)

Table of Contents

Exhibit No.	Title
10.122	Executive Employment Agreement between Endo and Ivan P. Gergel, dated as of October 2 herein by reference to Exhibit 10.122 of the Quarterly Report on Form 10-Q for the Quarter 2011 filed with the Commission on October 31, 2011)
10.123	Executive Employment Agreement between Endo and Rajiv De Silva, dated as of February of March 18, 2013 (incorporated herein by reference to Exhibit 10.1 of the Current Report o Commission on February 25, 2013)
10.124	Build to Suit Lease Agreement between Endo Pharmaceuticals and RT/TC Atwater LP (inco reference to Exhibit 10.124 of the Quarterly Report on Form 10-Q for the Quarter Ended Se with the Commission on October 31, 2011)
10.125	First Supplemental Indenture, among Penwest Pharmaceuticals Co. and Generics Internation guaranteeing subsidiaries, Endo, the guarantors named therein and Wells Fargo Bank, Natio dated December 13, 2010, to the Indenture among Endo, the guarantors named therein and V National Association, as trustee, dated November 23, 2010 (incorporated herein by reference Form S-4 filed with the Commission on October 14, 2011)
10.126	Second Supplemental Indenture, among Generics Bidco I, LLC, as guaranteeing subsidiary, named therein and Wells Fargo Bank, National Association, as trustee, dated December 21, among Endo, the guarantors named therein and Wells Fargo Bank, National Association, as 23, 2010 (incorporated herein by reference as Exhibit 4.3 to the Form S-4 filed with the Con 2011)
10.127	Third Supplemental Indenture, among Ledgemont Royalty Sub LLC, as guaranteeing subsid named therein and Wells Fargo Bank, National Association, as trustee, dated February 17, 2 among Endo, the guarantors named therein and Wells Fargo Bank, National Association, as 23, 2010 (incorporated herein by reference as Exhibit 4.4 to the Form S-4 filed with the Con 2011)
10.128	Fourth Supplemental Indenture, among Vintage Pharmaceuticals, LLC, as guaranteeing subs guarantors named therein and Wells Fargo Bank, National Association, as trustee, dated Apr Indenture among Endo, the guarantors named therein and Wells Fargo Bank, National Asso November 23, 2010 (incorporated herein by reference as Exhibit 4.5 to the Form S-4 filed w October 14, 2011)
10.129	Fifth Supplemental Indenture, among American Medical Systems Holdings, Inc., American AMS Research Corporation, AMS Sales Corporation and Laserscope, as guaranteeing subsi guarantors named therein and Wells Fargo Bank, National Association, as trustee, dated Jun Indenture among Endo, the guarantors named therein and Wells Fargo Bank, National Asso November 23, 2010 (incorporated herein by reference as Exhibit 4.6 to the Form S-4 filed w October 14, 2011)
10.130	Sixth Supplemental Indenture, among American Medical Systems, Inc. and Laserscope, as s Endo, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, the Indenture among Endo, the guarantors named therein and Wells Fargo Bank, National A dated November 23, 2010 (incorporated herein by reference as Exhibit 4.7 to the Form S-4 f

	on October 14, 2011)
10.131	Seventh Supplemental Indenture, among Generics Bidco II, LLC, Generics International (US International (US Midco), Inc., Generics International (US Parent), Inc., Moores Mill Proper Specialty Pharmaceuticals, LLC and Wood Park Properties LLC, as guaranteeing subsidiarie named therein and Wells Fargo Bank, National Association, as trustee, dated September 26, among Endo, the guarantors named therein and Wells Fargo Bank, National Association, as November 23, 2010 (incorporated herein by reference as Exhibit 4.8 to the Form S-4 filed w October 14, 2011)
10.132	First Supplemental Indenture, among American Medical Systems Holdings, Inc., American AMS Research Corporation, AMS Sales Corporation and Laserscope, as guaranteeing subsi guarantors named therein and Wells Fargo Bank, National Association, as trustee, dated Jun Indenture among Endo, the guarantors named therein and Wells Fargo Bank, National Asso June 8, 2011 (incorporated herein by reference as Exhibit 4.11 to the Form S-4 filed with the 14, 2011)
10.133	Second Supplemental Indenture, among American Medical Systems, Inc. and Laserscope, as Endo, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, the Indenture among Endo, the guarantors named therein and Wells Fargo Bank, National A dated June 8, 2011 (incorporated herein by reference as Exhibit 4.12 to the Form S-4 filed w October 14, 2011)

Table of Contents

Exhibit No.	Title
10.134	Third Supplemental Indenture, among Generics Bidco II, LLC, Generics International (US P International (US Midco), Inc., Generics International (US Parent), Inc., Moores Mill Proper Specialty Pharmaceuticals, LLC and Wood Park Properties LLC, as guaranteeing subsidiarie named therein and Wells Fargo Bank, National Association, as trustee, dated September 26, among Endo, the guarantors named therein and Wells Fargo Bank, National Association, as (incorporated herein by reference as Exhibit 4.13 to the Form S-4 filed with the Commission
10.135	First Supplemental Indenture, among American Medical Systems Holdings, Inc., American AMS Research Corporation, AMS Sales Corporation and Laserscope, as guaranteeing subsi guarantors named therein and Wells Fargo Bank, National Association, as trustee, dated Jun Indenture among Endo, the guarantors named therein and Wells Fargo Bank, National Asso June 8, 2011 (incorporated herein by reference as Exhibit 4.16 to the Form S-4 filed with the 14, 2011)
10.136	Second Supplemental Indenture, among American Medical Systems, Inc. and Laserscope, as Endo, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, the Indenture among Endo, the guarantors named therein and Wells Fargo Bank, National A dated June 8, 2011 (incorporated herein by reference as Exhibit 4.17 to the Form S-4 filed w October 14, 2011)
10.137	Third Supplemental Indenture, among Generics Bidco II, LLC, Generics International (US P International (US Midco), Inc., Generics International (US Parent), Inc., Moores Mill Proper Specialty Pharmaceuticals, LLC and Wood Park Properties LLC, as guaranteeing subsidiarie named therein and Wells Fargo Bank, National Association, as trustee, dated September 26, among Endo, the guarantors named therein and Wells Fargo Bank, National Association, as (incorporated herein by reference as Exhibit 4.18 to the Form S-4 filed with the Commission
10.138	Endo Health Solutions Inc. Employee Stock Purchase Plan (incorporated herein by reference Definitive Proxy Statement filed with the Commission on April 29, 2011)
10.139*	Development, License and Supply Agreement, dated as of December 18, 2007, between End Grünenthal GMBH (incorporated herein by reference to Exhibit 10.139 of the Quarterly Rep Quarter Ended March 31, 2012 filed with the Commission on May 1, 2012)
10.139.1*	First Amendment to Development, License and Supply Agreement, dated as of December 19 Pharmaceuticals and Grünenthal GMBH (incorporated herein by reference to Exhibit 10.139 the year ended December 31, 2012 filed with the Commission on March 1, 2013)
10.139.2*	Second Amendment to Development, License and Supply Agreement, dated as of February Pharmaceuticals and Grünenthal GMBH
10.140*	Settlement and License Agreement dated as of June 8, 2010 by and among Penwest Pharma Pharmaceuticals and IMPAX Laboratories, Inc. (incorporated herein by reference to Exhibit Pharmaceuticals Co. Form 10-Q for the quarterly period ended June 30, 2010, filed with the 2010)
10.141	

	Settlement and License Agreement, dated as of May 28, 2012, by and among Endo Pharmac USA, Inc. Teikoku Seiyaku Co., Ltd. and Watson Laboratories, Inc. (incorporated herein by of the Current Report on Form 8-K filed with the Commission on May 29, 2012)
10.142*	2008 Amended and Restated Packaging and Labeling Services Agreement, effective as of Se between Endo Pharmaceuticals and Sharp Corporation (incorporated herein by reference to Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2012 filed with the Commis
10.142.1	First Amendment, effective as of December 1, 2010, to the 2008 Amended and Restated Pac Services Agreement by and between Endo Pharmaceuticals and Sharp Corporation (incorpo to Exhibit 10.142.1 of the Quarterly Report on Form 10-Q for the Quarter Ended June 30, 20 Commission on August 7, 2012)
10.142.2*	Second Amendment, effective as of June 1, 2012, to the 2008 Amended and Restated Packa Services Agreement by and between Endo Pharmaceuticals and Sharp Corporation (incorpo to Exhibit 10.142.2 of the Quarterly Report on Form 10-Q for the Quarter ended June 30, 20 Commission on August 7, 2012)
10.143	Preferability letter regarding change in accounting policy related to Goodwill (incorporated Exhibit 10.143 of the Quarterly Report on Form 10-Q for the Quarter ended September 30, 2 Commission on November 5, 2012)

Table of Contents

Exhibit No.	Title
10.144*	Master Settlement Agreement, entered into on June 14, 2013, by and between Freese & Gos Associates and American Medical Systems, Inc. (incorporated herein by reference to Exhibi Report on Form 10-Q for the Quarter ended June 30, 2013 filed with the Commission on Au
10.145*	Membership Interest Purchase and Sale Agreement among Generics International (US) Inc., Holdings, LLC, Boca Pharmacal LLC and the Members of Boca Life Science Holdings, LL 2013 (incorporated herein by reference to Exhibit 10.145 of the Quarterly Report on Form 1 September 30, 2013 filed with the Commission on November 5, 2013)
10.146	Executive Employment Agreement between Endo Health Solutions Inc. and Suketu P. Upad September 4, 2013 and effective as of September 23, 2013 (incorporated herein by reference Current Report on Form 8-K filed with the Commission on September 10, 2013)
10.147	Indenture, dated December 19, 2013, between Endo Finance Co. and Wells Fargo Bank, Na trustee (incorporated herein by reference to Exhibit 4.1 of the Current Report on Form 8-K f on December 19, 2013)
10.148	Form of 5.75% Senior Notes due 2022 (incorporated by reference to Exhibit 4.1 of the Curre filed with the Commission on December 19, 2013)
10.149	Arrangement Agreement, dated as of November 5, 2013, among Endo Health Solutions Inc. Sportwell II Limited, ULU Acquisition Corp., RDS Merger Sub, LLC, 8312214 Canada Inc (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K filed with the C 6, 2013)
10.150	Voting Agreement, dated as of November 5, 2013, between Endo Health Solutions Inc. and (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the November 6, 2013)
10.151	Voting Agreement, dated as of November 5, 2013, between Endo Health Solutions Inc., 452 certain shareholders of Paladin Labs Inc. (incorporated by reference to Exhibit 10.2 of the C 8-K filed with the Commission on November 6, 2013)
10.152	Commitment Letter, dated as of November 5, 2013, among Endo Health Solutions Inc., Deu Branch, Deutsche Bank AG Cayman Islands Branch, Deutsche Bank Securities, Royal Bank Capital Markets, LLC. (incorporated by reference to Exhibit 10.3 of the Current Report on F Commission on November 6, 2013)
10.153	Executive Employment Agreement between Endo Health Solutions Inc. and Donald W. DeG 24, 2013 and effective as of August 1, 2013
10.154	Stock Purchase Agreement, dated January 8, 2014, between Endo Health Solutions Inc. and Company, LLC
10.155	Eighth Supplemental Indenture, among Generics Bidco II, LLC, Generics International (US International (US Midco), Inc., Generics International (US Parent), Inc., Moores Mill Prope Specialty Pharmaceuticals, LLC and Wood Park Properties LLC, as guaranteeing subsidiari

	named therein and Wells Fargo Bank, National Association, as trustee, dated September 26, among Endo, the guarantors named therein and Wells Fargo Bank, National Association, as 2013
10.156	Fourth Supplemental Indenture, among Generics Bidco II, LLC, Generics International (US International (US Midco), Inc., Generics International (US Parent), Inc., Moores Mill Prope Specialty Pharmaceuticals, LLC and Wood Park Properties LLC, as guaranteeing subsidiari named therein and Wells Fargo Bank, National Association, as trustee, dated September 26, among Endo, the guarantors named therein and Wells Fargo Bank, National Association, as 2013
10.157	Fourth Supplemental Indenture, among Generics Bidco II, LLC, Generics International (US International (US Midco), Inc., Generics International (US Parent), Inc., Moores Mill Prope Specialty Pharmaceuticals, LLC and Wood Park Properties LLC, as guaranteeing subsidiari named therein and Wells Fargo Bank, National Association, as trustee, dated September 26, among Endo, the guarantors named therein and Wells Fargo Bank, National Association, as 2013
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm

Table of Contents

Exhibit No.	Title
24	Power of Attorney
31.1	Certification of the President and Chief Executive Officer of Endo pursuant to Section 302 o of 2002
31.2	Certification of the Chief Financial Officer of Endo pursuant to Section 302 of the Sarbanes-
32.1	Certification of the President and Chief Executive Officer of Endo pursuant to 18 U.S.C. Se pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer of Endo pursuant to 18 U.S.C. Section 1350, as a Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Endo Health Solutions Inc.'s Annual Report on Form 10-K fo 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidat Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Consolidated Financial Statements.
*	Confidential portions of this exhibit (indicated by asterisks) have been redacted and filed se and Exchange Commission pursuant to a confidential treatment request in accordance with Securities Exchange Act of 1934, as amended.