AMNEAL PHARMACEUTICALS HOLDING COMPANY, LLC
Quarterly Financial Report

Fourth Quarter and Full Year of 2017

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(1) These financial statements are presented at the Amneal Pharmaceuticals Holding Company, LLC level and include Amneal Pharmaceuticals LLC and subsidiaries.

Additional Information and Where to Find It

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. This communication may be deemed to be solicitation material in respect of the proposed transaction between Amneal Pharmaceuticals LLC ("Amneal") and Impax Laboratories, Inc. ("Impax") pursuant to the Business Combination Agreement dated as of October 17, 2017 by and among Amneal, Impax, Atlas Holdings, Inc. ("Holdco"), and K2 Merger Sub Corporation, as amended by Amendment No. 1, dated November 21, 2017, and Amendment No. 2, dated December 16, 2017. In connection with the proposed transaction, Holdco filed a registration statement on Form S- 4, containing a proxy statement/prospectus, with the Securities and Exchange Commission ("SEC") on November 21, 2017, Amendment No. 1 to the registration statement filed on December 29, 2017, Amendment No. 2 to the registration statement filed on January 23, 2018, Amendment No. 3 to the registration statement filed on February 1, 2018 and Amendment No. 4 to the registration statement filed on February 6, 2018, which was declared effective by the SEC on February 9, 2018. Impax has filed a definitive proxy statement on Schedule 14A with the SEC on February 12, 2018, and the definitive proxy statement and a form of proxy have been mailed to the shareholders of Impax on or about February 13, 2018. This communication is not a substitute for the registration statement, definitive proxy statement/prospectus or any other documents that Impax or Holdco may file or have filed with the SEC, or will send or have sent to stockholders in connection with the proposed business combination. INVESTORS AND SECURITY HOLDERS OF IMPAX ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.

Investors and security holders will be able to obtain copies of the registration statement, including the proxy statement/prospectus and other documents filed with the SEC (when available) free of charge at the SEC's website, http://www.sec.gov. Copies of the documents filed with the SEC by Impax or Holdco will be available free of charge on Impax's internet website at http://www.impaxlabs.com or by contacting Mark Donohue, Investor Relations and Corporate Communications at (215) 558-4526.

Participants in Solicitation

Amneal, Impax, Holdco and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Impax's stockholders in respect of the proposed transaction. Information about the directors and executive officers of Impax is set forth in its proxy statement for its 2017 annual meeting of stockholders, which was filed with the SEC on April 5, 2017, and in its Annual Report on Form 10-K for the year ended December 31, 2016. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, are contained in the proxy statement/prospectus regarding the proposed transaction and other relevant materials that have been or will be filed with the SEC when they become available. You may obtain free copies of these documents as described in the preceding paragraph. This communication is not intended to and shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote of approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Forward-Looking Statements

This communication includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on our beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, target, potential, forecast, and the negative thereof and similar expressions. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about the potential timing or consummation of the proposed transaction or the anticipated benefits thereof, including, without limitation, future financial and operating results. Amneal cautions readers that these and other forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-

looking statements. Important risk factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: (i) the ability to obtain shareholder and regulatory approvals, or the possibility that they may delay the transaction or that such regulatory approval may result in the imposition of conditions that could cause the parties to abandon the transaction, (ii) the risk that a condition to effecting the transaction may not be satisfied; (iii) the ability of Amneal and Impax to integrate their businesses successfully and to achieve anticipated synergies, (iv) the possibility that other anticipated benefits of the proposed transaction will not be realized, including without limitation, anticipated revenues, expenses, earnings and other financial results, and growth and expansion of the new combined company's operations, and the anticipated tax treatment, (v) potential litigation relating to the proposed transaction that could be instituted against Amneal, Impax or their respective directors, (vi) possible disruptions from the proposed transaction that could harm Amneal's and/or Impax's business, including current plans and operations, (vii) the ability of Amneal or Impax to retain, attract and hire key personnel, (viii) potential adverse reactions or changes to relationships with clients, employees, suppliers or other parties resulting from the announcement or completion of the transaction, (ix) potential business uncertainty, including changes to existing business relationships, during the pendency of the business combination that could affect Amneal's or Impax's financial performance, (x) certain restrictions during the pendency of the transaction that may impact Amneal's or Impax's ability to pursue certain business opportunities or strategic transactions, (xi) continued availability of capital and financing and rating agency actions, (xii) legislative, regulatory and economic developments; (xiii) unpredictability and severity of catastrophic events, including, but not limited to, acts of terrorism or outbreak of war or hostilities, as well as management's response to any of the aforementioned factors; and (xiv) such other factors as are set forth in Impax's periodic public filings with the SEC, including but not limited to those described under the headings "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Information" in Impax's Form 10-K for the fiscal year ended December 31, 2016, in the Form S-4 filed by Holdco, in the definitive proxy statement on Schedule 14A filed by Impax and in Impax's other filings made with the SEC from time to time, which are available via the SEC's website at www.sec.gov. While the list of factors presented here is, and the list of factors to be presented in the proxy statement are, considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward looking statements. Consequences of material differences in results as compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on Amneal's or Impax's consolidated financial condition, results of operations, credit rating or liquidity. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Amneal has described. All such factors are difficult to predict and beyond our control. All forward-looking statements included in this document are based upon information available to Amneal on the date hereof, and unless legally required, Amneal disclaims and does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

AMNEAL PHARMACEUTICALS HOLDING COMPANY, LLC
Consolidated Balance Sheets
(Unaudited)
(In Thousands)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 74,188**	$ 27,371
Restricted cash	**3,756**	10,179
Trade accounts receivable - net	**351,367**	394,786
Inventories	**284,038**	266,161
Prepaid expenses and other current assets	**42,395**	16,925
Related-party receivables	**16,218**	10,704
Total Current Assets	**771,962**	726,126
Property, plant & equipment	**643,127**	520,452
Accumulated depreciation	**(156,369)**	(113,049)
Property, plant & equipment - net	**486,758**	407,403
Goodwill	**26,444**	28,441
Intangible assets - net	**44,599**	45,929
Other assets	**12,155**	10,929
Total Assets	**$ 1,341,918**	$ 1,218,828
LIABILITIES AND MEMBERS' DEFICIT		
Current Liabilities:		
Accounts payable	**$ 70,013**	$ 60,033
Accrued liabilities	**78,646**	74,932
Accrued returns allowance	**45,175**	46,195
Current portion of financing obligations	**311**	274
Taxes payable	**849**	2,625
Revolving credit facility	**75,000**	25,000
Current portion of long term debt	**14,171**	11,620
Related-party payables	**12,622**	4,303
Current portion of capital lease obligations	**96**	91
Total Current Liabilities	**296,883**	225,073
Long Term Liabilities		
Long term debt, net	**1,355,274**	1,119,268
Long Term portion of financing obligations	**39,987**	40,298
Deferred income taxes	**2,491**	1,673
Long term portion of capital leases	**825**	921
Other long term liabilities	**6,968**	7,529
Long Term portion of related-party payable (1)	**15,042**	-
Total Long Term Liabilities	**1,420,587**	1,169,689
Total Liabilities	**$ 1,717,470**	$ 1,394,762
Members' Equity	**2,750**	2,700
Additional paid in capital	**8,562**	-
Accumulated other comprehensive loss	**(14,232)**	(12,797)
Accumulated deficit	**(382,789)**	(175,181)
Subtotal - members' deficit	**(385,709)**	(185,278)
Non-controlling Interest	**10,157**	9,344
Total members' deficit	**(375,552)**	(175,934)
Total liabilities and members' deficit	**$ 1,341,918**	$ 1,218,828

(1) In October 2017, the Company entered into a building purchase agreement with Adello to purchase a building located in Ireland for $14.7 million and issued a long term note payable to Adello which is due on or before July 1, 2019. The note payable bears interest at 2%.

AMNEAL PHARMACEUTICALS HOLDING COMPANY, LLC
Consolidated Statements of Income
(Unaudited)
(In Thousands)

	Three-Months Ended December 31, 2017	Three-Months Ended December 31, 2016	Change
Net revenue	**$ 293,369**	$ 298,576	$ (5,207)
Cost of goods sold	**133,102**	114,816	18,286
Manufacturing depreciation and amortization (1)	**8,851**	5,009	3,842
Gross profit	**151,416**	178,751	(27,335)
Gross profit %	**52%**	60%	
Selling, general & administrative	**25,969**	31,124	(5,155)
Research & development	**40,499**	43,514	(3,015)
Intellectual Property legal development expenses	**2,732**	6,865	(4,133)
Depreciation	**3,991**	4,705	(714)
Acquisition and transaction related costs	**7,050**	34	7,016
Impairment on Intangible Assets	**-**	36	(36)
Development contract settlement	**(7,845)**	-	(7,845)
Operating income	**79,020**	**92,473**	**(13,453)**
	27%	31%	258%
Interest expense	**19,933**	15,352	4,581
Foreign exchange (Gain)/ loss	**(3,341)**	21,161	(24,502)
Loss on sale of certain international businesses	**352**	-	352
Foreign income taxes	**(119)**	53	(172)
Total Other expense, net	**16,825**	36,566	(19,741)
Net income before non-controlling interest	**62,195**	55,907	6,288
Non-controlling interest	**625**	511	114
Net income after non-controlling interest	**$ 61,570**	$ 55,396	$ 6,174
RECONCILIATION TO ADJUSTED EBITDA:			
Operating income	**$ 79,020**	$ 92,473	$ (13,453)
Less: Non-controlling interest	**(625)**	(511)	(114)
Add:			
Depreciation and amortization	**12,842**	9,714	3,128
Proforma Royalty Expense	**-**	4,544	(4,544)
Legal Contract Settlement	**-**	2,781	(2,781)
Impairments of Intangible Assets	**-**	36	(36)
Acquisition and transaction related costs	**7,050**	34	7,016
Loss of specified international Entities	**-**	7,104	(7,104)
Optimization expenses	**3,400**	-	3,400
Severance	**245**	82	163
Total Adjustments	**22,912**	23,784	(872)
ADJUSTED EBITDA	**$ 101,932**	$ 116,257	$ (14,325)
ADJUSTED EBITDA %	**35%**	39%	

(1) Amortization expense has been reclassed to manufacturing depreciation and amortization in accordance with SEC SAB 11.B for all periods presented.

AMNEAL PHARMACEUTICALS HOLDING COMPANY, LLC
Consolidated Statements of Income
(Unaudited)
(In Thousands)

	Year Ended December 31, 2017	Year Ended December 31, 2016	Change
Net revenue	**$ 1,033,654**	$ 1,018,225	$ 15,429
Cost of goods sold	**480,033**	402,227	77,806
Manufacturing depreciation and amortization (1)	**27,443**	18,507	8,936
Gross profit	**526,178**	597,491	(71,313)
Gross profit %	**51%**	59%	
Selling, general & administrative	**104,424**	115,130	(10,706)
Research & development	**157,549**	168,137	(10,588)
Intellectual Property legal development expenses	**20,518**	25,728	(5,210)
Depreciation	**18,493**	14,509	3,984
Acquisition and transaction related costs	**9,403**	70	9,333
Impairment on Intangible Assets	**-**	36	(36)
Development contract settlement	**(7,845)**	-	(7,845)
Legal Settlement Gain	**(21,467)**	-	(21,467)
Patent litigation settlement	-	(11,000)	11,000
Operating Income	**245,103**	284,881	(39,778)
	24%	28%	
Interest expense	**71,100**	55,954	15,146
Foreign exchange gain	**(29,092)**	14,107	(43,199)
Loss on sale of certain international businesses	**29,232**	-	29,232
Loss on extinguishment / modification of debt	**2,532**	-	2,532
Foreign income taxes	**1,998**	5,395	(3,397)
Total other expense, net	**75,770**	75,456	314
Net income before non-controlling interest	**169,333**	209,425	(40,093)
Non-controlling interest	**1,677**	2,048	(371)
Net income after non-controlling interest	**$ 167,656**	$ 207,377	$ (39,721)
RECONCILIATION TO ADJUSTED EBITDA:			
Operating Income	**$ 245,103**	$ 284,881	$ (39,778)
Less: Non-controlling interest	**(1,677)**	(2,048)	371
Add:			
Depreciation and amortization	**45,936**	33,016	12,920
Proforma Royalty Expense	**8,684**	4,544	4,140
Legal Contract Settlement	**-**	2,781	(2,781)
Intangible-asset impairment charges	**-**	36	(36)
Acquisition and transaction related costs	**9,403**	70	9,333
Loss of specified international Entities	**4,078**	15,694	(11,616)
Optimization expenses	**24,362**	-	24,362
Severance	**245**	1,938	(1,693)
Total Adjustments	**91,031**	56,031	35,000
ADJUSTED EBITDA	**$ 336,134**	$ 340,912	$ (4,778)
ADJUSTED EBITDA %	**33%**	33%	

(1) Amortization expense has been reclassed to manufacturing depreciation and amortization in accordance with SEC SAB 11.B for all periods presented.

AMNEAL PHARMACEUTICALS HOLDING COMPANY, LLC
Consolidated Statements of Cash Flows
(Unaudited)
(In Thousands)

	Three-Months Ended December 31, 2017	Three-Months Ended December 31, 2016
Cash flows from operating activities		
Net Income before non-controlling interest	**$ 62,195**	$ 55,906
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	**12,842**	9,714
Unrealized foreign currency gain (loss)	**(3,134)**	12,162
Amortization of debt financing costs and debt discount	**690**	962
Loss on sale of certain international businesses	**352**	-
Transaction costs paid by Amneal Holdings	**6,514**	-
Intangible asset impairment charges	**-**	36
Changes in assets and liabilities:		
Trade accounts receivable - net	**(11,170)**	(64,319)
Inventories	**(4,379)**	6,963
Prepaid expenses and other current assets	**2,410**	(1,398)
Related-party receivables	**(6,380)**	2,169
Other assets	**5,047**	2
Accounts payable	**2,773**	(1,950)
Accrued returns allowance	**3,182**	4,436
Taxes payable	**1,592**	(1,560)
Accrued expenses & other current liabilities	**2,960**	1,215
Other liabilities	**698**	1,057
Related-party payables	**2,197**	3,868
Net cash provided by operating activities	**$ 78,389**	$ 29,263
Cash flows from investing activities		
Decrease in restricted cash	**(1,710)**	(4,857)
Purchases of property, plant and equipment	**(22,025)**	(31,207)
Net cash used in investing activities	**$ (23,735)**	$ (36,064)
Cash flows from financing activities		
Payments of deferred financing costs and debt issuance costs		-
Payments on capital leases	**(23)**	(22)
Net repayments on financing obligations	**(73)**	(72)
Borrowings / (repayments) of revolving credit facility	**25,000**	25,000
Net repayments of long term debt	**(3,543)**	(2,905)
Capital contribution	**-**	13
Equity contributions to non-controlling interest	**(858)**	(971)
Distributions	**(20,000)**	(30,000)
Long Term portion of related-party payable	**-**	-
Net cash provided by (used in) financing activities	**$ 503**	$ (8,957)
Net increase / (decrease) in cash	**$ 55,157**	$ (15,759)
Cash and cash equivalents, beginning of period	**$ 19,370**	$ 36,771
Effect of foreign exchange rates on cash	**(339)**	6,358
Cash and cash equivalents, end of period	**$ 74,188**	$ 27,371
Schedule of non-cash investing activities:		
Purchases of Property, Plant, and Equipment	**$ 7,412**	-
Note payable resulting from the Ireland building purchase	**$ 14,758**	-
Transaction costs paid by Amneal Holdings	**$ 8,561**	-
Receivable from the sale of certain international businesses	**$ 1,936**	**$ -**

AMNEAL PHARMACEUTICALS HOLDING COMPANY, LLC
Consolidated Statements of Cash Flows
(Unaudited)
(In Thousands)

	Year Ended December 31, 2017	Year Ended December 31, 2016
Cash flows from operating activities		
Net Income before non-controlling interest	**$ 169,333**	$ 209,425
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	**45,936**	33,016
Unrealized foreign currency gain (loss)	**(30,823)**	12,162
Amortization of debt financing costs and debt discount	**4,585**	3,055
Loss on sale of certain international businesses	**29,232**	-
Loss on extinguishment and modification of debt	**2,532**	-
Intangible asset impairment charges	**-**	36
Transaction costs paid by Amneal Holdings, LLC	**8,561**	-
Deferred Tax provision	**742**	121
Inventory provision	**3,771**	9,235
Allowance for doubtful accounts provision	**1,374**	161
Changes in assets and liabilities:		
Trade accounts receivable - net	**35,255**	(122,482)
Inventories	**(31,826)**	(42,587)
Prepaid expenses and other current assets	**(24,630)**	2,475
Related-party receivables	**(5,485)**	307
Other assets	**(675)**	(433)
Accounts payable	**15,173**	(9,358)
Accrued returns allowance	**(376)**	14,279
Taxes payable	**(2,263)**	40
Accrued expenses & other current liabilities	**6,444**	96
Other Liabilities	**(873)**	1,206
Related-party payables	**8,208**	4,303
Net cash provided by operating activities	**$ 234,195**	$ 115,057
Cash flows from investing activities		
Decrease/ (increase) in restricted cash	**6,798**	(6,272)
Purchases of property, plant and equipment	**(94,771)**	(122,756)
Purchase of Product Intangibles	**(19,500)**	(1,850)
Proceeds from sale of certain international businesses, net of cash sold	**15,717**	-
Net cash used in investing activities	**$ (91,756)**	$ (130,878)
Cash flows from financing activities		
Payments of deferred financing costs and debt issuance costs	**(5,026)**	(6,506)
Payments on capital leases	**(91)**	(85)
Net repayments on financing obligations	**(274)**	(259)
Borrowings / (repayments) of revolving credit facility	**50,000**	(25,000)
Net borrowings of long term debt	**236,466**	213,948
Equity contributions to non-controlling interest	**(865)**	(971)
Capital contribution	**50**	-
Distributions	**(375,265)**	(200,615)
Net cash used in financing activities	**$ (95,005)**	$ (19,488)
Net increase /(decrease) in cash	**$ 47,434**	$ (35,309)
Cash and cash equivalents, beginning of period	**$ 27,371**	$ 61,088
Effect of foreign exchange rates on cash	**(617)**	1,594
Cash and cash equivalents, end of period	**$ 74,188**	$ 27,373
Schedule of non-cash investing activities:		
Purchases of Property, Plant, and Equipment	**$ 7,412**	-
Note payable resulting from the Ireland building purchase	**$ 14,758**	-
Transaction costs paid by Amneal Holdings	**$ 8,561**	-
Receivable from the sale of certain international businesses	**$ 1,936**	**$** -

Business Overview

We are a vertically-integrated generic pharmaceutical company engaged in the development, manufacture and marketing of generic pharmaceuticals with operations in the United States, Switzerland, India, the United Kingdom (UK) and Ireland. Through organic growth in excess of our peers over the last several years, we have grown to be ranked the 7th largest generic firm by IMS in terms of number of prescriptions written. We have successfully gained significant market share by providing consistent, high quality products, being responsive to customer requests for new product development and by offering a broad and valued-based product portfolio. Our products include high potency formulations, soft gelatin capsules, liquids, oral solids, controlled substances, hormonal products, topicals, nasal and high-value injectables.

Our growth strategy includes driving additional sales within our existing product portfolio and by launching new, more complex products, at higher margins. In addition, we continually evaluate, and where appropriate, execute on opportunities to expand through acquisitions of other businesses' products, product rights and technologies, and selective in-licensing opportunities in areas and markets that will offer growth and attractive margins while providing a high level of service to our customer and patient base.

We control the manufacturing and production of a majority of our products through our ten state-of-the-art manufacturing facilities, located across New York, New Jersey, Ireland, and India. The oral dose manufacturing facilities will have the aggregate capacity to produce between 19 and 21 billion units annually once they are fully operational, and provide us with the necessary economies of scale to price our products competitively while meeting the high volume needs of our customers. We have capacity in our other facilities to provide diversified dosage forms.

Combination

On October 17, 2017, Amneal and Impax Laboratories, Inc. ("Impax") entered into the Business Combination Agreement (the "Combination"). The combined company will have a generics business that will rank as the 5th largest in the U.S. by gross revenue and a growing, high-margin specialty franchise. Under the terms of the Combination, New Amneal will be formed. As a result of the Combination, Amneal Holdings, LLC ("Amneal Holdings) members immediately prior to the closing of the Combination will receive Class B Common Stock and Amneal Common Units and will be able to redeem at their option, at or following closing, their Amneal Common Units for Class A Common Stock or Class B-1 Common Stock.. As a result, Amneal members immediately prior to the closing of the Combination will own approximately 75% of the voting power New Amneal and Impax's stockholders immediately prior to the closing of the Combination will own approximately 25% of the voting power of New Amneal. The Combination will be structured as an "Up-C" transaction with a tax receivable agreement split 85% / 15% between Amneal Holdings members and New Amneal, respectively.

The Combination has been unanimously approved by the Boards of Managers of Amneal and the Board of Directors of Impax, and is supported by the management teams of both companies. The Combination is expected to close in the first half of 2018, subject to the satisfaction of customary closing conditions, including receipt of regulatory approvals and Impax shareholder approval. Amneal has received the requisite approval from its members for the transaction.

In connection with the Combination, Amneal Holdings members have entered into definitive purchase agreements with select institutional investors including TPG and funds affiliated with Fidelity Management & Research Company to sell 46.8 million unregistered common shares at $18.25 per share in a private placement for gross proceeds of $855 million, or approximately 15% of fully diluted common shares outstanding on an as converted basis.

Results of Operations for the Three-Month Periods Ended December 31, 2017 and December 31, 2016

Net Revenue

Net revenues for the three-month periods ended December 31, 2017 and 2016 were $293 million and $298 million, respectively, a decrease of $5 million or 2%.

New product launches in the US for 2017 drove most of the growth in net revenue, contributing $89 million in net revenues led by Aspirin-Dipyridamole ER (launched in January), Oseltamivir (launched in July), Tepadina Injection (launched in April), and Mometasone Furoate Nasal Spray (launched in April). These new launches illustrate the Company's diverse pipeline, including its first internally developed nasal product, a growing injectables franchise, and complex orals.

Amneal's US base business net revenue, which excludes 2017 new product launches, decreased by $87 million period over period. Yuvafem, a generic to Estradiol Vaginal Tablets (launched in October 2016), Lidocaine Ointment, Metaxalone, Fluocinolone, and Acyclovir revenues declined due to market competition on both price and volume, Aripiprazole Tabs due mostly to price, Oxy/APAP due to lower volume, and Oxybutinin ER due to supply constraints. These were partially offset by higher net sales of Diclofenac Sodium Gel (launched in March 2016) and Meropenum Injection due to higher volume. In addition, supply constraints caused by vendor delays and lower production in NY plants due to renovations in the first half of 2017 led to re-procurement charges received from customers in the third quarter 2017. Excluding re-procurement charges, US base business net revenue decreased by $78 million period over period.

Amneal's international net revenue decreased by $7 million due primarily to the divestitures of (i) Amneal's Australian business in August 2017 and (ii) Amneal's Spain and Nordics businesses in September 2017, offset slightly by new product launches in Germany and the UK.

Gross Profit and Gross Margin

Gross profit and gross margin for the three-month periods ended December 31, 2017 and 2016 were $151 million and 52%, and $179 million and 60%, respectively. The decrease in gross margin for the three-months ended December 31, 2017 from the same period in 2016 of 8% was primarily a result of (i) lower pricing due to increased competition on certain products, (ii) re-procurement charges due to vendor delays and lower production, and (iii) higher depreciation / lease expense from equipment and capital expenditures. These declines in gross margin percent were partially offset by the launch of high-value products.

Selling, General and Administrative Expense

Selling**,** general and administrative ("SG&A") expenses for the three-month periods ended December 31, 2017 and 2016 were $26 million and $31 million, respectively. SG&A expenses for the three-month period ended December 31, 2016 included a legal contract settlement payment of $2.8 million payable pursuant to a former development partner. Excluding this settlement, SG&A expenses decreased by $2 million or 7%. This decrease in SG&A from 2016 to 2017 was primarily due to lower sales expenses, and salaries and benefits as a result of the divestitures of (i) Amneal's Australian business in August 2017 and (ii) Amneal's Spain and Nordics businesses in September 2017.

Research and Development

Research and Development ("R&D") expenses for the three-month periods ended December 31, 2017 and 2016 were $41 million and $44 million, respectively, a decrease of $3 million or 7%. This decrease was the result of lower external development costs due to the timing of certain projects and lower lab supplies. This decrease was partially offset by higher patient study (bio-equivalence) costs due to timing of such studies, and salaries and benefits to support escalating the development of inhalation products in Ireland.

Intellectual Property Legal Development Expenses

Intellectual Property legal development expenses for the three-month periods ended December 31, 2017 and 2016 were $2.7 million and $6.8 million, respectively, a decrease of $4.1 million or 60%. This decrease was primarily due to reduced expenses related to trials on patent challenges during 2017. These costs relate to challenges of innovator's patents for invalidity or non-infringement, which are customary in the generic pharmaceutical industry, and are incurred predominately during development and prior to regulatory approval. Associated costs include, but are not limited to, formulation assessments, patent challenge opinions and strategy, and litigation expenses to defend the intellectual property supporting our regulatory filings.

Development Contract Settlement

Pursuant to a product development agreement, Amneal and Kashiv, a related party, agreed to collaborate on the development and commercialization of Oxycodone HCI ER Oral Tablets. Under the agreement, this product is owned by Kashiv, with Amneal acting as the exclusive marketing partner and as Kashiv's agent for filing the product ANDA and the leader of all services regarding intellectual property litigation. In addition, Amneal was also responsible for assuming control of and managing all aspects of the patent litigation arising from the filing of the ANDA, including selecting counsel and settling such proceeding (subject to Kashiv's consent). In December 2017, Amneal and Kashiv terminated the product development agreement and pursuant to the termination Kashiv agreed to pay Amneal $7.8 million, an amount equal to the legal costs incurred by Amneal related to the defense of the ANDA.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

Adjusted EBITDA for the three-months periods ended December 31, 2017 and 2016 was $102 million and $116 million, respectively, a decrease of $14 million or 12%. Adjusted EBITDA as a percentage of net revenue for three-months ended December 31, 2017 and 2016 was 35% and 39%, respectively. The reconciliation of operating income to adjusted EBITDA excludes depreciation and amortization, optimization expenses, acquisition and transaction related costs, severance, legal contract settlement, impairments of intangible assets and non-controlling interest.

Reconciliations of operating income to adjusted EBITDA are as follows (in millions):

	Three-Months Ended December 31,	
	2017	**2016**
Operating Income	$79.0	$92.5
Adjusted to add (deduct):		
Depreciation and amortization	12.9	9.7
Legal contract settlement(1)	-	2.8
Optimization expenses(2)	3.4	-
Pro forma royalty expense(3)	-	4.6
Loss of specified international entities(4)	-	7.1
Acquisition and transaction related costs	7.1	0.1
Severance	0.2	-
Non-controlling Interest	(0.6)	(0.5)
Adjusted EBITDA	$102.0	$116.3

(1) In December 2016, the Company entered into an agreement with a former development partner to settle a contract dispute. The total amount of the settlement was $2.8 million.
(2) Optimization expenses were incurred while upgrading Amneal's New York manufacturing facilities to meet the optimized standards of its new infrastructure. As a result, production was lower than capacity. Consequently, certain re-procurement charges were incurred as a result of lower production.
(3) Amneal has the commercial rights to distribute Estradiol Vaginal Tablets ("Estradiol"), sold under the tradename Yuvafem® and owns the full product rights for Aspirin/Dipyridamole ER ("ADip").

Both products are marketed by Amneal and respective royalties are paid to the development partner Kashiv Pharmaceuticals, LLC ("Kashiv"), a related party. On June 29, 2017, Amneal and Kashiv entered into a product acquisition and royalty stream purchase agreement under which Amneal acquired all rights including the regulatory information related to Estradiol and the ANDA. Amneal also reacquired the royalty rights associated with ADip. As a result of such purchases, Amneal added back the royalties for these products that related to historical periods.

(4) In the third quarter of 2017, Amneal sold certain international businesses (including certain of its businesses in Australia, Spain and the Nordics). Amneal added back the losses related to these entities for both periods presented.

Results of Operations for the Years Ended December 31, 2017 and 2016:

Net Revenue

Amneal's net revenue for the years ended December 31, 2017 and December 31, 2016 was $1,034 million and $1,018 million, respectively, representing an increase of $16 million or 2%.

New product launches in the United States for 2017 were responsible for a significant portion of Amneal's net revenue growth in 2017, with such product launches contributing $193 million in net revenues led by Aspirin-Dipyridamole ER (launched in January), Oseltamivir (launched in July), Tepadina Injection (launched in April), Mometasone Furoate Nasal Spray (launched in April) and Capecitabine (launched in March). These new product launches illustrate Amneal's diverse product pipeline, including its first internally developed nasal product, a growing injectables portfolio, and complex oral products.

Amneal's U.S. base business net revenue, which excludes 2017 new product launches, decreased by $165 million period over period. Lidocaine Ointment, Metaxalone, Fluocinolone and Acyclovir net revenues declined due to market competition on both price and volume, with net revenue attributable to Naproxen Sodium declining due primarily to volume reduction, and net revenue attributable to Ibuprofen and Oxy/APAP declining due primarily to supply constraints. Such net revenue declines were partially offset by higher net revenue of Yuvafem, a generic to Estradiol Vaginal Tablets (launched in October 2016), and Diclofenac Sodium Gel (launched in March 2016). Also contributing to the decrease were higher re-procurement charges of $26 million from 2016 to 2017 attributable to supply constraints caused by vendor delays and lower production in Amneal's New York manufacturing facilities due to renovations. US base business net revenue decreased by $139 million period over period.

Amneal's international net revenue decreased by $12 million period over period due primarily to the divestitures of (i) Amneal's Australian business in August 2017 and (ii) Amneal's Spain and Nordics businesses in September 2017, offset slightly by new product launches in Germany.

Gross Profit and Gross Margin

Gross profit and gross margin for the years ended December 31, 2017 and December 31, 2016 were $526 million and 51%, and $597 million and 59%, respectively. The decrease in gross margin for the year ended December 31, 2017 from the same period in 2016 of 8% was primarily a result of optimization expenses incurred amounting to $24 million or a gross margin of approximately 3%. In 2017, Amneal began and completed a project to upgrade certain older manufacturing facilities in New York to optimize its manufacturing footprint. Such optimization expenses were incurred as internal resources and were deployed for these upgrades or were idle and production was lower than capacity. In addition, certain re-procurement charges were incurred as a result of lower production. The manufacturing facility upgrades were completed and these costs are not expected to continue in the future. Additionally, Amneal's gross margins during the years ended December 31, 2017 were impacted by (i) higher depreciation / lease expense from equipment and capital expenditures and (ii) lower production of certain of Amneal's products for which API was temporary unavailable and has since been resolved.

Gross margin of Amneal's products decreased from 2016 to 2017 by approximately 3%. This decrease is primarily the result of (i) lower pricing due to increased competition on certain of Amneal's products and

(ii) price reductions attributable to the continued consolidation of Amneal's customers. These declines in gross margin were partially offset by Amneal's launch of certain high-value products.

Selling, General and Administrative

Amneal's selling, general and administrative ("SG&A") expenses for the years ended December 31, 2017 and December 31, 2016 were $104 million and $115 million, respectively. SG&A expenses for 2016 included a legal contract settlement payment of $2.8 million payable pursuant to a former development partner. Excluding this settlement, SG&A expenses decreased by $8 million or 7%. This decrease in SG&A from 2016 to 2017 was primarily due to lower sales expenses, and salaries and benefits as a result of the divestiture of (i) Amneal's Australia business in August 2017 and (ii) Amneal's Spain and Nordics businesses in September 2017, and additional resources being converted to R&D activities in Ireland to support the development of the inhalation products. Also, professional fees declined legal settlements achieved. These declines in SG&A were partially offset by higher freight costs.

Research and Development

R&D expenses for the years ended December 31, 2017 and December 31, 2016 were $157 million and $168 million, respectively, representing a decrease of $11 million or 6%. This decrease was the result of lower material and supplies costs, lower external development costs due to the timing of certain projects, and lower exhibit batch product costs as more of Amneal's projects in 2017 were performed in India, which has lower production costs compared to the United States. This decrease was partially offset by higher patient study (bio-equivalence) costs due to timing of such studies, and salaries and benefits to support escalating the development of inhalation products in Ireland.

Intellectual Property Legal Development Expenses

Amneal's intellectual property legal development expenses for the years ended December 31, 2017 and December 31, 2016 were $21 million and $26 million, respectively, representing a decrease of $5 million or 19%. This decrease was the result primarily of reduced expenses related to trials on patent challenges during 2017. Intellectual property development expenses relate to legal challenges of innovator's patents for invalidity or non-infringement, which are customary in the generic pharmaceutical industry, and are incurred predominantly during development of a pharmaceutical product and prior to regulatory approval of such product. Associated costs include, but are not limited to, formulation assessments, patent challenge opinions and strategy, and litigation expenses to defend the intellectual property supporting our regulatory filings.

Development Contract Settlement

Pursuant to a product development agreement, Amneal and Kashiv, a related party, agreed to collaborate on the development and commercialization of Oxycodone HCI ER Oral Tablets. Under the agreement, this product is owned by Kashiv, with Amneal acting as the exclusive marketing partner and as Kashiv's agent for filing the product ANDA and the leader of all services regarding intellectual property litigation. In addition, Amneal was also responsible for assuming control of and managing all aspects of the patent litigation arising from the filing of the ANDA, including selecting counsel and settling such proceeding (subject to Kashiv's consent). In December 2017, Amneal and Kashiv terminated the product development agreement and pursuant to the termination Kashiv agreed to pay Amneal $7.8 million, an amount equal to the legal costs incurred by Amneal related to the defense of the ANDA.

Legal Settlement Gain

In July 2017, the Company entered into a settlement regarding one of its generic products Buprenorphine and Naloxone for $25 million and resulted in a net gain of $21.5 million after legal fees. The Company filed a claim against the innovator of Suboxone, a combination of active pharmaceutical ingredients

Buprenorphine and Naloxone. The Company alleged anti-competitive conduct, which resulted in lost profits for the period of time while restricted from entering the market to sell its generic version.

Loss on Sale of Certain International Businesses

Australia Divestiture:

On August 31, 2017, the Company sold the stock of its Australian business, Amneal Pharma Pty Ltd, to Arrow Pharmaceuticals Pty Ltd ("Arrow") for cash consideration of $9.9 million. As a result of the sale, the Company recognized a loss of $24.0 million, inclusive of divestiture costs.

Spain / Nordics Divestiture:

On December 31, 2017, the Company sold the stock, and certain marketing authorizations and associated dossiers of its Amneal Nordic ApS and Amneal Pharma Spain S.L. subsidiaries to Aristo Pharma GmbH ("Aristo") for cash consideration of $8.4 million. As a result of the sale, the Company recognized a loss of $5.2 million.

Patent Litigation Settlements

During the year ended December 31, 2016, the Company received cash of $11.0 million on settlements of certain patent infringement matters on products filings. Patent challenges against innovator patents are customary to the Company and the generic pharmaceutical industry, and often result in litigation. Gains on settlements of such litigation may result. The Company did not receive similar benefits from such settlements during the nine-month period ended December 31, 2017.

Product Acquisition and Royalty Payments

Amneal has the commercial rights to distribute Estradiol Vaginal Tablets ("Estradiol"), sold under the trade name Yuvafem® and owns the full product rights for Aspirin/Dipyridamole ER ("ADip"). Both products are marketed by Amneal and respective royalties are paid to the development partner Kashiv Pharma, LLC ("Kashiv"). Amneal and Kashiv are related parties since they share common shareholder interest.

On June 29, 2017, Amneal and Kashiv entered into a product acquisition and royalty stream purchase agreement under which Amneal acquired all rights including the regulatory information related to the Estradiol product and the Estradiol Abbreviated New Drug Application ("ANDA"). Amneal also reacquired the royalty rights associated with the generic version of Aggrenox (the "ADip product"). The aggregate purchase price was $25 million due at closing plus two potential future $5 million earnout payments should certain future milestones be reached. The investment was made in Yuvafem as the product has the ability to cannibalize other similar hormonal products and has strong potential internationally. Estimated savings from lower royalties for the second half of 2017 was $7.5 million. Adjusted EBITDA for 2017 has been adjusted on a proforma basis by $8.7 million to reflect any previous royalties paid on the products in the first half of the year.

Adjusted EBITDA

Adjusted EBITDA for the years ended December 31, 2017 and 2016 were $336 million and $341 million, respectively, a decrease of $5 million or 1%. Adjusted EBITDA as a percentage of net revenue for the years ended December 31, 2017 and 2016 was 33% for both period.

Reconciliations of operating income to adjusted EBITDA are as follows (in millions):

	Years Ended December 31,	
	2017	2016
Operating Income	$245.1	$284.9
Adjusted to add (deduct):		
Depreciation and amortization	45.9	33.0
Legal contract settlement(1)	-	2.8
Optimization expenses(2)	24.3	-
Pro forma royalty expense(3)	8.7	4.5
Loss of specified international entities(4)	4.1	15.7
Acquisition and transaction related costs	9.4	0.1
Severance	0.2	1.9
Non-controlling Interest	(1.6)	(2.0)
Adjusted EBITDA	$336.1	$340.9

(1) In December 2016, the Company entered into an agreement with a former development partner to settle a contract dispute. The total amount of the settlement was $2.8 million.
(2) Optimization expenses were incurred (expensed as period costs) while upgrading Amneal's New York manufacturing facilities to meet the optimized standards of its new infrastructure. Such optimization expenses were incurred as internal resources deployed for these upgrades or were idle and production was lower than capacity. In addition, certain re-procurement charges were incurred as a result of lower production.
(3) Amneal has the commercial rights to distribute Estradiol Vaginal Tablets ("Estradiol"), sold under the tradename Yuvafem® and owns the full product rights for Aspirin/Dipyridamole ER ("ADip"). Both of the products are marketed by Amneal and respective royalties are paid to the development partner Kashiv Pharmaceuticals, LLC ("Kashiv"), a related party. On June 29, 2017, Amneal and Kashiv entered into a product acquisition and royalty stream purchase agreement under which Amneal acquired all rights including the regulatory information related to Estradiol and the ANDA. Amneal also reacquired the royalty rights associated with ADip. As a result of such purchases, Amneal added back the royalties for these products that related to historical periods.
(4) In the third quarter of 2017, Amneal sold certain international businesses (including certain of its businesses in Australia, Spain and the Nordics). Amneal added back the losses related to these entities for both periods presented.

Cash Flow

During the year ended December 31, 2017, the Company generated positive cash flow from operating activities of $234 million, mainly driven by net income adjusted for non-cash expenditures, strong collection of trade accounts receivable mostly attributable to Yuvafem sales (launched in fourth quarter 2016) and new launches in 2017, and an increase in accounts payable and accrued expenses as a result of the timing of cash disbursements for inventory and capital expenditures, which was partially offset by the investment in inventory, as we continue to prepare for upcoming new product launches and higher other current assets. This positive cash flow from operating activities was partially used to fund global property, plant and equipment of $95 million during the year ended December 31, 2017. Year-to-date investment in US plants was $63 million, $25 million for our various India plants and $7 million for the Ireland inhalation facility. The investment in these facilities and equipment increase our production capacity and prepares us for future additional dosage forms such as inhalation and nasal sprays. Other than Inhalation, growth capex is complete and sufficient to produce the existing products and new launches.

Debt Refinancing

In April 2017, the Company executed an amendment to its existing credit facilities increasing the term loan borrowing by $250 million. The interest rate remains the same at LIBOR plus 3.5%. The revolver borrowing limit was also increased by $80 million to $200 million with the interest rate remaining at LIBOR

plus 2.0%. As part of this transaction, $50 million was drawn on the revolver. LIBOR on both credit facilities have a 1% floor. A cash distribution from the proceeds was made to the members of $295 million, net of fees.

Adello Transactions

License and Commercialization Agreement

On October 1, 2017, Amneal and Adello entered into a license and commercialization agreement. Adello granted Amneal an exclusive license, under its New Drug Application ("NDA"), to distribute and sell two bio-similar products in the U.S. Adello is responsible for development, regulatory filings, obtaining FDA approval, and manufacturing, and Amneal is responsible for marketing, selling and pricing activities. The term of the agreement is 10-years from the applicable product's launch date.

The agreement provides for potential future milestone payments to Adello in a range of $99 million up $181.5 million, subject to certain performance conditions, which may or may not be achieved, including FDA filing, FDA approval, launch activities and commercial sales volume objectives. In addition, the agreement provides for Amneal to pay a profit share equal to 50% of Net Profits, after considering manufacturing and marketing costs.

Purchase of Ireland Building

In October 2017, Amneal purchased a building from Adello to further support its inhalation dosage form. Amneal issued a promissory note for 12.5 million euros ($14.7 million based on exchange rate as of December 31, 2017) with an interest rate of 2% per annum due on or before July 1, 2019.