



Avadel Pharmaceuticals Reports Third Quarter 2018 Financial Results

November 5, 2018

DUBLIN, Ireland, Nov. 05, 2018 (GLOBE NEWSWIRE) -- Avadel Pharmaceuticals plc (Nasdaq: AVDL), a company focused on providing innovative medicines for chronic urological, central nervous system, and sleep disorders, today announced its financial results for the third quarter of 2018.

Mike Anderson, Avadel's Chief Executive Officer, said, "We executed a number of important initiatives during the third quarter related to our REST-ON Phase 3 FT 218 clinical study in narcolepsy and our recently launched product, NOCTIVA™. For REST-ON, we completed 10 new clinical site initiations, hosted two successful patient events with well over 100 attendees, and recently launched a patient referral program in tandem with a new ad campaign, all of which have opened us up to new pools of potential patients."

"While prescription uptake for NOCTIVA is a bit slower than we anticipated, a number of important metrics have continued to improve over the last 3 months. We have substantially grown our prescriber base and have seen triple the number of prescriptions since the start of August, resulting in almost 8,000 dispensed prescriptions to date from over 1,800 unique prescribers. Our unaided brand awareness increased to approximately 80 percent, up from just under 60 percent in August, and recent intent-to-treat data indicates that 85 percent of targeted physicians expect to increase use of NOCTIVA in the next 6 months. Although the level of financial assistance to ensure patient access continues to impact revenue, we improved coverage through commercial insurance plans during the quarter and now have almost 140 million lives with access to NOCTIVA. In addition, we secured our first Part D contract with a top 5 provider and believe as we further expand access and drive demand we will improve our top line results."

Overview of third quarter 2018 financial results:

Revenues by product:

| (\$ in 000s) | Three Months Ended September 30, | |
|-----------------|----------------------------------|-----------|
| | 2018 | 2017 |
| Bloxiverz | \$ 3,656 | \$ 9,920 |
| Vazculep | 8,759 | 9,573 |
| Akovaz | 5,991 | 18,561 |
| Noctiva | 1,047 | — |
| Other | 373 | 1,093 |
| Product sales | 19,826 | 39,147 |
| License revenue | — | 528 |
| Total revenues | \$ 19,826 | \$ 39,675 |

Revenues for the third quarter 2018 were \$19.8 million, compared to \$39.7 million in the third quarter 2017. The decline on a year-over-year basis was attributed to lower net selling prices across all of our hospital products and lower unit volumes for Akovaz® and Bloxiverz® as a result of increased market competition. Net sales for NOCTIVA, which was launched in May 2018, were \$1.0 million in the third quarter 2018, up from \$0.3 million in the second quarter 2018.

Operating expenses:

| (\$ in 000s) | Three Months Ended September 30, | |
|---|----------------------------------|----------|
| | 2018 | 2017 |
| Cost of products | \$ 3,120 | \$ 3,790 |
| Research and development expenses (R&D) | 11,402 | 8,095 |
| Selling, general and administrative expenses (SG&A) | 24,829 | 11,563 |

R&D expense was up \$3.3 million in the third quarter 2018 compared to the prior year period, primarily due to increased spend on the Phase 3 REST-ON trial. The \$13.3 million increase in SG&A in the third quarter 2018 compared to the third quarter 2017 was due to sales and marketing expenses associated with the May 2018 launch of NOCTIVA.

GAAP earnings (loss):

| (\$ in 000s except for per share) | Three Months Ended September 30, | |
|---------------------------------------|----------------------------------|-----------|
| | 2018 | 2017 |
| Net (loss) income | \$ (15,771) | \$ 21,679 |
| Net (loss) income per share - diluted | (0.43) | 0.52 |

Included in GAAP net loss for the third quarter 2018 were gains of \$7.1 million related to changes in the fair value of related party contingent consideration, compared to gains of \$9.9 million in the same period last year. These non-cash gains were recorded as a result of reducing the fair value of related party contingent consideration due to changing market conditions across the Company's three hospital products. Additionally, included in GAAP net loss for the third quarter 2018 was \$3.0 in interest expense related to the Company's convertible notes issued in February 2018.

Adjusted earnings (loss) ⁽¹⁾:

| (\$ in 000s except for per share) | Three Months Ended September 30, | |
|--|----------------------------------|------------|
| | 2018 | 2017 |
| Adjusted net (loss) income | \$ (23,969 |) \$ 3,747 |
| Adjusted net (loss) income per share - diluted | (0.65 |) 0.09 |

The decrease in adjusted net income is largely attributable to lower revenues from the Company's hospital products, higher SG&A due to the 2018 launch of NOCTIVA and increased R&D spend on the Phase 3 REST-ON trial. Please see the Supplemental Information section within this document for a reconciliation of adjusted net income and adjusted diluted EPS to the respective GAAP amounts.

(1) Descriptions of Avadel's non-GAAP financial measures are included under the caption Non-GAAP Disclosures and Adjustments included within this press release and reconciliations of such non-GAAP financial measures to their most closely applicable GAAP financial measures are found in the Supplemental Information section herein.

2018 Guidance:

The Company is maintaining its full-year 2018 revenue guidance of \$90 to \$105 million, and its full-year R&D spend guidance of \$40 to \$50 million. SG&A is now expected to range between \$85 to \$95 million for the full year compared to \$80 to \$90 million in our previous guidance. Within the 2018 revenue guidance, the Company does not anticipate reaching the low end of its previous guidance for NOCTIVA of \$5 million, due to a higher mix of Medicare Part D scripts, high levels of copay assistance, and lower overall script growth compared to the assumptions used for such previous guidance. Cash interest expense paid and accrued on the Company's convertible notes issued in February 2018 is expected to be approximately \$6 million, and a non-GAAP tax benefit of 0% to 10% of loss before tax is anticipated for the full year 2018.

Conference Call:

A conference call to discuss these results has been scheduled for Monday, November 5, 2018 at 10:00 a.m. EST. A question and answer period will follow management's prepared remarks. To access the conference call, investors are invited to dial (844) 388-0559 (U.S. and Canada) or (216) 562-0393 (International). The conference ID number is 6799356. A live audio webcast can be accessed by visiting the investor relations section of the Company's website, www.avadel.com. A replay of the webcast will be archived on Avadel's website for 90 days following the event.

About Avadel Pharmaceuticals plc:

Avadel Pharmaceuticals plc (Nasdaq: AVDL) is a specialty pharmaceutical company that seeks to develop differentiated pharmaceutical products that are safe, effective and easy to take through formulation development, by utilizing its proprietary drug delivery technology and through in-licensing / acquiring new products; ultimately, helping patients adhere to their prescribed medical treatment and see better results. Avadel's current portfolio of products and product candidates focuses on the urology, central nervous system (CNS) / sleep, and hospital markets. The Company is headquartered in Dublin, Ireland with operations in St. Louis, Missouri and Lyon, France. For more information, please visit www.avadel.com.

Safe Harbor: This press release may include 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. The words "will," "may," "believe," "expect," "anticipate," "estimate," "project," "guidance" and similar expressions, and (as applicable) the negatives thereof, identify forward-looking statements, each of which speaks only as of the date the statement is made. Although we believe that our forward-looking statements are based on estimates and assumptions made within the bounds of our knowledge of our business and operations, our business and operations are subject to significant risks and as a result there can be no assurance that actual results of our research, development and commercialization activities and the results of our business and operations will not differ materially from the results contemplated in such forward-looking statements. These risks include: (i) risks relating to our exchangeable senior notes including use of the net proceeds from the offering of the notes and other future events related to the notes; (ii) risks relating to the divestiture of our former pediatric business including whether such divestiture will be accretive to our operating income and cash flow; (iii) risks relating to our license agreement with Serenity Pharmaceuticals, LLC including that a potential competitive product, and patent litigation with the manufacturer of that product, could have a material adverse impact on our ability to successfully exploit any market opportunity for the drug desmopressin acetate (the "Drug") which we are marketing under the brand name NOCTIVA tm, our internal analyses may overstate the market opportunity in the United States for the Drug or we may not effectively exploit such market opportunity, that significant safety or drug interaction problems could arise with respect to the Drug, that we may not successfully increase awareness of nocturia and the potential benefits of the Drug, and that the need for management to focus attention on the development and commercialization of the Drug could cause our ongoing business operations to suffer; and (iv) the other risks, uncertainties and contingencies described in the Company's filings with the U.S. Securities and Exchange Commission, including our annual report on Form 10-K for the year ended December 31, 2017, in particular disclosures therein that may be set forth under the captions "Forward-Looking Statements" and "Risk Factors," including without limitation: our dependence on a small number of products and customers for the majority of our revenues; the possibility that our Bloxiverz®, Vazculep® and Akovaz® products, which are not patent protected, could continue to face substantial and increased competition resulting in a loss of market share and/or forcing us to further reduce the prices we charge for those products; the possibility that we could fail to successfully complete the research and development for pipeline products we are evaluating for potential application to the FDA pursuant to our "unapproved-to-approved" strategy, or that competitors could complete the development of such products and apply for FDA approval of such products before us; the possibility that we could experience failure or delay in completing the Phase 3 clinical trial for our "FT 218" sodium oxybate product known as REST-ON; the possibility that our products may not reach the commercial market or gain market acceptance; our need to invest substantial sums in research and development in order to remain competitive; our dependence on certain single providers for development of several of our drug delivery platforms and products; our dependence on a limited number of suppliers to manufacture our products and to deliver certain raw materials used in our products; the possibility that our competitors may develop and market technologies or products that are more effective or safer than ours, or obtain regulatory approval and market such technologies or products before we do; the challenges in protecting the intellectual property underlying our drug delivery platforms and other products; and our dependence on key personnel to execute our business plan. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the date they are made, and are not guarantees of future performance. We do not undertake any obligation to publicly update or revise these forward-looking statements.

Non-GAAP Disclosures and Adjustments

In addition to reporting its financial results in accordance with generally accepted accounting principles in the U.S. ("GAAP"), Avadel discloses certain non-GAAP financial measures, including adjusted net income and loss and adjusted net income and loss per diluted share, as management believes that such non-GAAP financial measures can enhance an overall understanding of the Company's financial performance when considered together with financial measures prepared in accordance with GAAP. The non-GAAP results disclosed herein (a) exclude, in each case to the extent applicable, fair value remeasurements of its contingent consideration, amortization of debt discount and debt issuance costs attributable to our exchangeable notes, impairment of intangible assets, amortization of intangible assets, restructuring costs, foreign exchange gains and losses on assets and liabilities denominated in foreign currencies, unrealized gains/losses on marketable equity securities, but (b) include the cash payments plus any unpaid accrued cash payments associated with the contingent consideration and cash interest payments or related accruals on the exchangeable notes. Our management uses these non-GAAP measures internally for forecasting, budgeting and measuring the Company's operating performance. Investors and other readers should review the related GAAP financial measures and the reconciliation of non-GAAP measures to their most closely comparable GAAP measure set forth below and should consider non-GAAP measures only as a supplement to, not as a substitute for or as a superior measure to, measures of financial performance prepared in accordance with GAAP. The table provided within the following "Supplemental Information" section reconciles GAAP net income and loss and diluted earnings or loss per share to the corresponding adjusted (i.e., "non-GAAP") amounts.

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AVADEL PHARMACEUTICALS PLC UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) *(In thousands, except per share data)*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Product sales | \$ 19,826 | \$ 39,147 | \$ 82,103 | \$ 138,009 |
| License revenue | — | 528 | 246 | 484 |
| Total revenues | 19,826 | 39,675 | 82,349 | 138,493 |
| Operating expenses: | | | | |
| Cost of products | 3,120 | 3,790 | 13,224 | 12,253 |
| Research and development expenses | 11,402 | 8,095 | 33,243 | 22,093 |
| Selling, general and administrative expenses | 24,829 | 11,563 | 77,159 | 35,804 |
| Intangible asset amortization | 1,620 | 564 | 4,996 | 1,692 |
| Gain - changes in fair value of related party contingent consideration | (7,115) | (9,906) | (17,036) | (30,107) |
| Restructuring costs | 65 | (549) | 268 | 3,173 |
| Total operating expenses | 33,921 | 13,557 | 111,854 | 44,908 |
| Operating (loss) income | (14,095) | 26,118 | (29,505) | 93,585 |
| Investment and other income, net | 208 | 977 | 845 | 2,562 |
| Interest expense | (3,000) | (263) | (7,577) | (789) |
| Other income - changes in fair value of related party payable | 425 | 768 | 1,432 | 2,988 |
| (Loss) income before income taxes | (16,462) | 27,600 | (34,805) | 98,346 |
| Income tax (benefit) provision | (691) | 5,921 | (3,360) | 21,830 |
| Net (loss) income | \$ (15,771) | \$ 21,679 | \$ (31,445) | \$ 76,516 |
| Net (loss) income per share - basic | \$ (0.43) | \$ 0.54 | \$ (0.84) | \$ 1.87 |
| Net (loss) income per share - diluted | (0.43) | 0.52 | (0.84) | 1.81 |
| Weighted average number of shares outstanding - basic | 36,904 | 40,061 | 37,410 | 40,839 |
| Weighted average number of shares outstanding - diluted | 36,904 | 41,339 | 37,410 | 42,194 |

AVADEL PHARMACEUTICALS PLC UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS *(In thousands, except per share data)*

| | September 30, 2018 | December 31, 2017 |
|--|--------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 17,837 | \$ 16,564 |
| Marketable securities | 107,425 | 77,511 |
| Accounts receivable | 9,725 | 14,785 |
| Inventories | 6,030 | 6,157 |
| Prepaid expenses and other current assets | 6,859 | 8,958 |
| Total current assets | 147,876 | 123,975 |
| Property and equipment, net | 2,288 | 3,001 |
| Goodwill | 18,491 | 18,491 |
| Intangible assets, net | 69,339 | 92,289 |
| Research and development tax credit receivable | 6,168 | 5,272 |
| Other non-current assets | 24,844 | 10,249 |
| Total assets | \$ 269,006 | \$ 253,277 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 107 | \$ 111 |
| Current portion of long-term related party payable | 10,979 | 25,007 |
| Accounts payable | 11,399 | 7,477 |
| Deferred revenue | 1,720 | 2,007 |
| Accrued expenses | 20,698 | 50,926 |
| Other current liabilities | 2,116 | 1,011 |
| Total current liabilities | 47,019 | 86,539 |
| Long-term debt, less current portion | 114,382 | 156 |
| Long-term related party payable, less current portion | 27,713 | 73,918 |
| Other non-current liabilities | 14,150 | 7,084 |
| Total liabilities | 203,264 | 167,697 |
| Shareholders' equity: | | |
| Preferred shares, \$0.01 nominal value; 50,000 shares authorized at September 30, 2018 and December 31, 2017, respectively; none issued or outstanding at September 30, 2018 and December 31, 2017, respectively | — | — |
| Ordinary shares, nominal value of \$0.01; 500,000 shares authorized; 42,420 issued and 37,012 outstanding at September 30, 2018 and 41,463 issued and 39,346 outstanding at December 31, 2017 | 424 | 414 |
| Treasury shares, at cost, 5,408 and 2,117 shares held at September 30, 2018 and December 31, 2017, respectively | (49,998) | (22,361) |
| Additional paid-in capital | 433,097 | 393,478 |
| Accumulated deficit | (294,130) | (262,685) |
| Accumulated other comprehensive loss | (23,651) | (23,266) |
| Total shareholders' equity | 65,742 | 85,580 |
| Total liabilities and shareholders' equity | \$ 269,006 | \$ 253,277 |

AVADEL PHARMACEUTICALS PLC
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | Nine months ended September 30, | |
|--|---------------------------------|-----------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net (loss) income | \$ (31,445) | \$ 76,516 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,625 | 2,664 |
| Amortization of premiums on marketable securities | 2,889 | 653 |
| Remeasurement of related party acquisition-related contingent consideration | (17,036) | (30,107) |
| Remeasurement of related party financing-related contingent consideration | (1,432) | (2,988) |
| Amortization of debt discount and debt issuance costs | 3,402 | — |
| Change in deferred tax and income tax deferred charge | (4,675) | 322 |
| Stock-based compensation expense | 7,190 | 6,019 |
| Other adjustments | 117 | (1,076) |
| Net changes in assets and liabilities | | |

Cash flows from investing activities:

Cash flows from financing activities:

| | | | | |
|---|-----------|---|-----------|---|
| Effect of foreign currency exchange rate changes on cash and cash equivalents | (84 |) | 215 | |
| Net change in cash and cash equivalents | 1,273 | | (1,766 |) |
| Cash and cash equivalents at January 1, | 16,564 | | 39,215 | |
| Cash and cash equivalents at September 30, | \$ 17,837 | | \$ 37,449 | |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------|----------------------------------|-----------|---------------------------------|------------|
| Revenues by Product: | 2018 | 2017 | 2018 | 2017 |
| Bloxiverz | \$ 3,656 | \$ 9,920 | \$ 16,691 | \$ 37,541 |
| Vazculep | 8,759 | 9,573 | 33,097 | 29,906 |
| Akovaz | 5,991 | 18,561 | 28,083 | 65,110 |
| Noctiva | 1,047 | — | 2,002 | — |
| Other | 373 | 1,093 | 2,230 | 5,452 |
| Total product sales | 19,826 | 39,147 | 82,103 | 138,009 |
| License revenue | — | 528 | 246 | 484 |
| Total revenues | \$ 19,826 | \$ 39,675 | \$ 82,349 | \$ 138,493 |

[illegible]

| | | | | | | | | | | |
|--|--------------|----------|--------|--------|----------|----------|-------------|-------------|-------------|--------------|
| Total revenues | 19,826 | — | — | — | — | — | — | — | — | 19,826 |
| Operating expenses: | | | | | | | | | | |
| Cost of products | 3,120 | — | — | — | — | — | — | — | — | 3,120 |
| Research and development expenses | 11,402 | — | — | — | — | — | — | — | — | 11,402 |
| Selling, general and administrative expenses | 24,829 | — | — | — | — | — | — | — | — | 24,829 |
| Intangible asset amortization | 1,620 | (1,620) | — | — | — | — | — | — | (1,620) | — |
| Gain - changes in fair value of related party contingent consideration | (7,115) | — | — | — | — | — | 7,115 | 3,182 | 10,297 | 3,182 |
| Restructuring costs | 65 | — | — | (65) | — | — | — | — | (65) | — |
| Total operating expenses | 33,921 | (1,620) | — | (65) | — | — | 7,115 | 3,182 | 8,612 | 42,533 |
| Operating (loss) income | (14,095) | 1,620 | — | 65 | — | — | (7,115) | (3,182) | (8,612) | (22,707) |
| Investment and other income, net | 208 | — | 7 | — | (53) | — | — | — | (46) | 162 |
| Interest expense | (3,000) | — | — | — | — | 1,383 | — | — | 1,383 | (1,617) |
| Other income - changes in fair value of related party payable | 425 | — | — | — | — | — | (425) | (484) | (909) | (484) |
| (Loss) income before income taxes | (16,462) | 1,620 | 7 | 65 | (53) | 1,383 | (7,540) | (3,666) | (8,184) | (24,646) |
| Income tax (benefit) provision | (691) | 341 | — | — | 4 | — | (186) | (145) | 14 | (677) |
| Net (loss) income | \$ (15,771) | \$ 1,279 | \$ 7 | \$ 65 | \$ (57) | \$ 1,383 | \$ (7,354) | \$ (3,521) | \$ (8,198) | \$ (23,969) |
| Net income (loss) per share - diluted ⁽¹⁾ | \$ (0.43) | \$ 0.03 | \$ — | \$ — | \$ — | \$ 0.04 | \$ (0.20) | \$ (0.10) | \$ (0.22) | \$ (0.65) |
| Weighted average number of shares outstanding - diluted | 36,904 | 36,904 | 36,904 | 36,904 | 36,904 | 36,904 | 36,904 | 36,904 | 36,904 | 36,904 |

(1) Net income (loss) per share - diluted is calculated by dividing Net income (loss) by the Weighted average number of shares outstanding - diluted. Note, when recalculated using this method, the balances in the Total adjustment and Adjusted GAAP columns may not cross-foot as a result of rounding to full precision.

**GAAP to Non-GAAP adjustments for the three-months ended
September 30, 2017**

| | <i>Exclude</i> | | | | <i>Include</i> | | | |
|------|-------------------------------|------------------------------|-----------------------|--|---|-------------------|---------------|--|
| GAAP | Intangible asset amortization | Foreign exchange (gain)/loss | Restructuring impacts | Contingent related party payable fair value remeasurements | Contingent related party payable paid/accrued | Total adjustments | Adjusted GAAP | |

Revenues:

| | | | | | | | | | |
|--|----------|--------|--------|----------|--------------|-------------|--------------|-----------|---|
| Product sales | \$39,147 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$39,147 | |
| License revenue | 528 | — | — | — | — | — | — | 528 | |
| Total revenues | 39,675 | — | — | — | — | — | — | 39,675 | |
| Operating expenses: | | | | | | | | | |
| Cost of products | 3,790 | — | — | — | — | — | — | 3,790 | |
| Research and development expenses | 8,095 | — | — | — | — | — | — | 8,095 | |
| Selling, general and administrative expenses | 11,563 | — | — | — | — | — | — | 11,563 | |
| Intangible asset amortization | 564 | (564 |) | — | — | — | (564 |) — | |
| Gain - changes in fair value of related party contingent consideration | (9,906 |) — | — | — | 9,906 | 7,264 | 17,170 | 7,264 | |
| Restructuring costs | (549 |) — | — | 549 | — | — | 549 | — | |
| Total operating expenses | 13,557 | (564 |) — | 549 | 9,906 | 7,264 | 17,155 | 30,712 | |
| Operating income (loss) | 26,118 | 564 | — | (549 |) (9,906 |) (7,264 |) (17,155 |) 8,963 | |
| Investment and other income, net | 977 | — | 133 | — | — | — | 133 | 1,110 | |
| Interest expense | (263 |) — | — | — | — | — | — | (263 |) |
| Other income - changes in fair value of related party payable | 768 | — | — | — | (768 |) (963 |) (1,731 |) (963 |) |
| Income (loss) before income taxes | 27,600 | 564 | 133 | (549 |) (10,674 |) (8,227 |) (18,753 |) 8,847 | |
| Income tax provision (benefit) | 5,921 | 201 | — | — | (507 |) (515 |) (821 |) 5,100 | |
| Net income (loss) | \$21,679 | \$363 | \$133 | \$ (549 |) \$ (10,167 |) \$ (7,712 |) \$ (17,932 |) \$3,747 | |
| Net income (loss) per share - diluted ⁽¹⁾ | \$0.52 | \$0.01 | \$ — | \$ (0.01 |) \$ (0.25 |) \$ (0.19 |) \$ (0.43 |) \$0.09 | |
| Weighted average number of shares outstanding - diluted | 41,339 | 41,339 | 41,339 | 41,339 | 41,339 | 41,339 | 41,339 | 41,339 | |

(1) Net income (loss) per share - diluted is calculated by dividing Net income (loss) by the Weighted average number of shares outstanding - diluted. Note, when recalculated using this method, the balances in the Total adjustment and Adjusted GAAP columns may not cross-foot as a result of rounding to full precision.

GAAP to Non-GAAP adjustments for the nine-months ended September 30, 2018

| | GAAP | <i>Exclude</i> | | | | | <i>Include</i> | | | Adjusted GAAP |
|--|-----------|-------------------------------|------------------------------|-----------------------|---|---|--|---|-------------------|---------------|
| | | Intangible asset amortization | Foreign exchange (gain)/loss | Restructuring impacts | Equity securities unrealized (gain)/loss impact | Amortization of debt discount and debt issuance costs | Contingent related party payable fair value remeasurements | Contingent related party payable paid/accrued | Total adjustments | |
| Revenues: | | | | | | | | | | |
| Product sales | \$ 82,103 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 82,103 |
| License revenue | 246 | — | — | — | — | — | — | — | — | 246 |
| Total revenues | 82,349 | — | — | — | — | — | — | — | — | 82,349 |
| Operating expenses: | | | | | | | | | | |
| Cost of products | 13,224 | — | — | — | — | — | — | — | — | 13,224 |
| Research and development expenses | 33,243 | — | — | — | — | — | — | — | — | 33,243 |
| Selling, general and administrative expenses | 77,159 | — | — | — | — | — | — | — | — | 77,159 |
| Intangible asset amortization | 4,996 | (4,996 |) | — | — | — | — | — | (4,996 |) — |
| Gain - changes in fair value of related party contingent consideration | (17,036 |) | — | — | — | — | 17,036 | 14,032 | 31,068 | 14,032 |
| Restructuring costs | 268 | — | — | (268 |) | — | — | — | (268 |) — |

| | | | | | | | | | | | | | | | | |
|---|-------------|----------|---------|--------|---------|--------|----------|------------|---------|------------|---------|------------|---------|-------------|---------|---|
| Total operating expenses | 111,854 | (4,996 |) | — | (268 |) | — | — | 17,036 | 14,032 | 25,804 | 137,658 | | | | |
| Operating (loss) income | (29,505 |) | 4,996 | — | 268 | — | — | (17,036 |) | (14,032 |) | (25,804 |) | (55,309 |) | |
| Investment and other income, net | 845 | — | (153 |) | — | 133 | — | — | — | — | (20 |) | 825 | | | |
| Interest expense | (7,577 |) | — | — | — | — | 3,402 | — | — | — | 3,402 | (4,175 |) | | | |
| Other income - changes in fair value of related party payable | 1,432 | — | — | — | — | — | — | (1,432 |) | (2,032 |) | (3,464 |) | (2,032 |) | |
| (Loss) income before income taxes | (34,805 |) | 4,996 | (153 |) | 268 | 133 | 3,402 | (18,468 |) | (16,064 |) | (25,886 |) | (60,691 |) |
| Income tax (benefit) provision | (3,360 |) | 1,050 | — | — | (1 |) | — | (534 |) | (618 |) | (103 |) | (3,463 |) |
| Net (loss) income | \$ (31,445) | \$ 3,946 | \$ (153 |) | \$ 268 | \$ 134 | \$ 3,402 | \$ (17,934 |) | \$ (15,446 |) | \$ (25,783 |) | \$ (57,228) | | |
| Net income (loss) per share - diluted ⁽¹⁾ | \$ (0.84 |) | \$ 0.11 | \$ — | \$ 0.01 | \$ — | \$ 0.09 | \$ (0.48 |) | \$ (0.41 |) | \$ (0.69 |) | \$ (1.53 |) | |
| Weighted average number of shares outstanding - diluted | 37,410 | 37,410 | 37,410 | 37,410 | 37,410 | 37,410 | 37,410 | 37,410 | 37,410 | 37,410 | 37,410 | 37,410 | 37,410 | | | |

GAAP to Non-GAAP adjustments for the nine-months ended September 30, 2017

| | <i>Exclude</i> | | | | | | | <i>Include</i> | | |
|--|----------------|-------------------------------|------------------------------|-----------------------|---------------------------------------|----------------------------|--|---|-------------------|---------------|
| | GAAP | Intangible asset amortization | Foreign exchange (gain)/loss | Restructuring impacts | Purchase accounting adjustments - FSC | License revenue adjustment | Contingent related party payable fair value remeasurements | Contingent related party payable paid/accrued | Total adjustments | Adjusted GAAP |
| Revenues: | | | | | | | | | | |
| Product sales | \$ 138,009 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 138,009 |
| License revenue | 484 | — | — | — | — | 1,100 | — | — | 1,100 | 1,584 |
| Total revenues | 138,493 | — | — | — | — | 1,100 | — | — | 1,100 | 139,593 |
| Operating expenses: | | | | | | | | | | |
| Cost of products | 12,253 | — | — | — | (46 |) | — | — | (46 |) 12,207 |
| Research and development expenses | 22,093 | — | — | — | — | — | — | — | — | 22,093 |
| Selling, general and administrative expenses | 35,804 | — | — | — | — | — | — | — | — | 35,804 |
| Intangible asset amortization | 1,692 | (1,692 |) | — | — | — | — | — | (1,692 |) — |
| Gain - changes in fair value of related party contingent | (30,107 |) | — | — | — | — | 30,107 | 25,396 | 55,503 | 25,396 |

| | | | | | | | | | | | | | | |
|---|-----------|----------|--------|----------|--------|----------|------------|--------|------------|--------|------------|--------|-----------|---|
| consideration | | | | | | | | | | | | | | |
| Restructuring costs | 3,173 | — | — | (3,173 |) | — | — | — | — | (3,173 |) | — | | |
| Total operating expenses | 44,908 | (1,692 |) | — | (3,173 |) | (46 |) | — | 30,107 | 25,396 | 50,592 | 95,500 | |
| Operating income (loss) | 93,585 | 1,692 | — | 3,173 | 46 | 1,100 | (30,107 |) | (25,396 |) | (49,492 |) | 44,093 | |
| Investment and other income, net | 2,562 | — | 127 | — | — | — | — | — | — | 127 | 2,689 | | | |
| Interest expense | (789 |) | — | — | — | — | — | — | — | — | (789 |) | | |
| Other income - changes in fair value of related party payable | 2,988 | — | — | — | — | — | (2,988 |) | (3,428 |) | (6,416 |) | (3,428 |) |
| Income (loss) before income taxes | 98,346 | 1,692 | 127 | 3,173 | 46 | 1,100 | (33,095 |) | (28,824 |) | (55,781 |) | 42,565 | |
| Income tax provision (benefit) | 21,830 | 603 | — | — | 17 | — | (1,776 |) | (1,822 |) | (2,978 |) | 18,852 | |
| Net income (loss) | \$ 76,516 | \$ 1,089 | \$ 127 | \$ 3,173 | \$ 29 | \$ 1,100 | \$ (31,319 |) | \$ (27,002 |) | \$ (52,803 |) | \$ 23,713 | |
| Net income (loss) per share - diluted ⁽¹⁾ | \$ 1.81 | \$ 0.03 | \$ — | \$ 0.08 | \$ — | \$ 0.03 | \$ (0.74 |) | \$ (0.64 |) | \$ (1.25 |) | \$ 0.56 | |
| Weighted average number of shares outstanding - diluted | 42,194 | 42,194 | 42,194 | 42,194 | 42,194 | 42,194 | 42,194 | 42,194 | 42,194 | 42,194 | 42,194 | 42,194 | | |

(1) Net income (loss) per share - diluted is calculated by dividing Net income (loss) by the Weighted average number of shares outstanding - diluted. Note, when recalculated using this method, the balances in the Total adjustment and Adjusted GAAP columns may not cross-foot as a result of rounding to full precision.



Avadel Pharmaceuticals plc