



## Avadel Pharmaceuticals Reports Fourth Quarter and Full Year 2018 Financial Results

March 15, 2019

DUBLIN, Ireland, March 15, 2019 (GLOBE NEWSWIRE) -- Avadel Pharmaceuticals plc (Nasdaq: AVDL), a company focused on developing FT218 for sleep disorders, today announced its financial results for the fourth quarter and full year of 2018.

"We have recently announced a restructuring and other activities to focus our efforts and resources toward advancing our lead clinical-stage asset, FT218," said Greg Divis, Interim Chief Executive Officer of Avadel. "Cost savings generated by the restructuring, along with hospital product cash flow, are expected to extend our cash runway into 2021. In conjunction with the restructuring, we have engaged a third-party to review the FT218 development program with the goal of identifying opportunities to enhance the FT218 FDA submission. With a focused commitment to advancing FT218 and building shareholder value, we look forward to keeping you updated on our progress."

### Overview of fourth quarter and full year 2018 financial results:

Revenues for the fourth quarter 2018 were \$20.9 million, compared to \$34.8 million in the fourth quarter 2017. The decline on a year-over-year basis was primarily attributed to lower net selling prices across all of the Company's hospital products as a result of increased market competition. Noctiva revenues for the three and twelve months ended December 31, 2018 include an adjustment of \$1.4 million to account for higher estimated product returns largely due to Avadel Specialty Pharmaceutical, LLC's intention to exit the Noctiva product as announced on February 7, 2019.

Revenues by Product: (\$ in 000s)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Bloxiverz	\$ 4,159	\$ 8,055	\$ 20,850	\$ 45,596
Vazculep	9,819	8,281	42,916	38,187
Akovaz	5,676	15,507	33,759	80,617
Noctiva	(798	) —	1,204	—
Other	464	2,989	2,694	8,441
Total product sales	19,320	34,832	101,423	172,841
License revenue	1,600	(80	) 1,846	404
Total revenues	\$ 20,920	\$ 34,752	\$ 103,269	\$ 173,245

Research and development (R&D) expense was \$6.1 million in the fourth quarter of 2018 compared to \$11.3 million in the fourth quarter of 2017. For the full year 2018, R&D expense was \$39.3 million compared to \$33.4 million in 2017. The increase was primarily due to costs associated with the Phase 3 REST-ON clinical trial for FT218. A portion of the higher R&D spending, when compared to 2017, was due to R&D costs of approximately \$1.1 million associated with Noctiva. The Company continues to invest a substantial portion of its R&D budget on the FT218 development program.

Selling, general and administrative (SG&A) expense was \$23.2 million in the fourth quarter of 2018 compared to \$23.1 million for the fourth quarter of 2017. For the full year 2018, SG&A was \$100.4 million compared to \$58.9 million in 2017. This increase for the full year was primarily due to \$47.6 million of sales and marketing costs associated with the May 2018 launch of Noctiva, partially offset by \$8.7 million of lower SG&A expense related to the February 2018 divestiture of the Company's pediatric assets.

During the fourth quarter of 2018, the Company recorded an impairment charge of \$66.1 million to write-off the carrying value of the Noctiva intangible asset. The Company evaluated the long-term sales outlook of Noctiva and concluded that the associated cash flows did not support its carrying value. The February 6, 2019 Chapter 11 Bankruptcy filing of Avadel Specialty Pharmaceuticals, LLC, the subsidiary which markets, sells and distributes Noctiva, confirmed management's conclusion that the intangible asset was fully impaired as of December 31, 2018.

GAAP net loss for the fourth quarter of 2018 was \$63.9 million or \$1.72 per share compared to a net loss of \$8.2 million or \$0.21 per share for the same period in 2017. For the full year, 2018 GAAP net loss was \$95.3 million or \$2.55 per share compared to a net income of \$68.3 million or \$1.63 per diluted share in 2017.

The decrease in net income is largely attributable to lower revenues from the Company's hospital products, higher SG&A due to the 2018 launch of Noctiva, increased R&D spending on the Phase 3 REST-ON trial and the 2018 impairment charge related to the Noctiva intangible asset.

Non-GAAP<sup>1</sup> adjusted net loss for the fourth quarter of 2018 was \$17.0 million or \$0.46 per share compared to a non-GAAP adjusted net loss of \$10.0 million or \$0.25 per share in the same period last year. For the full year, 2018 non-GAAP adjusted net loss was \$74.2 million or \$1.99 per share compared to non-GAAP adjusted net income of \$13.8 million or \$0.33 per diluted share in 2017. Please see the Supplemental Information section within this document for a reconciliation of adjusted net income and adjusted per share amounts to the respective GAAP amounts.

Cash, cash equivalents and marketable securities were \$99.9 million as of December 31, 2018, compared to \$94.1 million as of December 31, 2017.

(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.

### 2019 Guidance:

As a result of the Company's recently announced restructuring, cash is anticipated to be sufficient to fund operations into 2021. The hospital products business is expected to generate revenues of between \$13 and \$15 million in the first quarter of 2019. However, due to increased competition from products launched, expected to be launched in 2019, and possible market price actions, revenues for 2019 could be below \$30 million. This possibility is incorporated into the cash runway guidance. Additionally, the Company anticipates submitting an NDA in March of 2019 on a fourth Hospital Product, AV001, which, if approved, could contribute revenues to Avadel in 2020.

### Conference Call:

A conference call to discuss these results has been scheduled for Friday, March 15, 2019 at 8:30 a.m. EDT. 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 7781559. A live audio webcast can be accessed by visiting the investor relations section of the Company's website, [www.avadel.com](http://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 branded specialty pharmaceutical company. The Company's primary focus is on the development and potential FDA approval for FT218, which is in a Phase 3 clinical trial for the treatment of narcolepsy patients suffering from excessive daytime sleepiness (EDS) and cataplexy. In addition, Avadel markets three sterile injectable drugs used in the hospital setting, which were developed under the Company's "unapproved marketed drug" (UMD) program. Avadel is headquartered in Dublin, Ireland with operations in St. Louis, Missouri and Lyon, France. For more information, please visit [www.avadel.com](http://www.avadel.com).

## Cautionary Disclosure Regarding Forward-Looking Statements

This press release 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. These forward-looking statements relate to our future expectations, beliefs, plans, strategies, objectives, results, conditions, financial performance, prospects, or other events. In some cases, forward-looking statements can be identified by the use of words such as "will," "may," "believe," "expect," "guidance," "anticipate," "estimate," "project" and similar expressions, and the negatives thereof (if applicable).

Our forward-looking statements are based on estimates and assumptions that are made within the bounds of our knowledge of our business and operations and that we consider reasonable. However, 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. Factors that could cause actual results to differ from expectations in our forward-looking statements include:

(a) risks relating to our 2018 net loss and recent restructuring plan, including risks relating to the following:

our ability to fully pursue our business strategy is limited due to a decrease in our available liquid assets;

our recent restructuring plan may not be as effective as we anticipate and may have unintended negative impacts;

further restructuring actions, if needed, may require third-party consents that may not be granted;

the Chapter 11 bankruptcy filing by our subsidiary Avadel Specialty Pharmaceuticals LLC may have unexpected adverse results; and

a management-directed third-party evaluation of our FT218 development program could result in changes that increase the cost of the program and further delay its completion;

(b) risks relating to the following:

our three products Bloxiverz®, Vazculep® and Akovaz®, which are not patent protected, and have a small number of customers for such products, produce a majority of our revenues, and such products could face further competition resulting in a loss of market share and/or forcing us to further reduce our prices for those products;

we could fail to develop our current "unapproved marketed drug" (UMD) product candidate, AV001, or future potential UMD product candidates, or competitors could develop such products and apply for FDA approval of such products before us;

we could experience failure or delay in completing the Phase III clinical trial for our FT-218 product, and if the FDA ultimately approves such product, the approval may not include any period of market exclusivity;

Servicing our \$143.75 million Exchangeable Senior Notes due 2023 may require a significant amount of cash, and we may not have sufficient cash or the ability to raise the funds necessary to settle exchanges of the 2023 Notes in cash, repay the Notes at maturity, or repurchase the 2023 Notes as required following a "fundamental change" event described in the indenture governing the 2023 Notes;

our products may not reach the commercial market or gain market acceptance;

we must invest substantial sums in research and development in order to remain competitive;

we depend on one or a limited number of providers to develop certain of our products and drug delivery technologies, to manufacture certain of our products and to provide certain raw materials used in our products;

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;

we face challenges in protecting intellectual property underlying our products and drug delivery technologies; and

we depend on key personnel to execute our business plan.

(c) the other risks and uncertainties described in the "Risk Factors" section of Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017 which we filed with the Securities and Exchange Commission on March 16, 2018.

Forward-looking statements speak only as of the date they are made and are not guarantees of future performance. Accordingly, you should not place undue reliance on forward-looking statements. We do not undertake any obligation to publicly update or revise the forward-looking statements contained in this Annual Report.

## 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. 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 payment obligations 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 December 31,		Twelve months ended December 31,	
	2018	2017	2018	2017
Revenues:				
Product sales	\$ 19,320	\$ 34,832	\$ 101,423	\$ 172,841
License revenue	1,600	(80)	1,846	404
Total revenues	20,920	34,752	103,269	173,245
Operating expenses:				
Cost of products	4,292	4,048	17,516	16,301
Research and development expenses	6,086	11,325	39,329	33,418
Selling, general and administrative expenses	23,200	23,056	100,359	58,860
Intangible asset amortization	1,623	1,967	6,619	3,659
(Gain) loss - changes in fair value of related party contingent consideration	(5,695)	(933)	(22,731)	(31,040)
Impairment of intangible asset	66,087	—	66,087	—
Restructuring costs	748	(631)	1,016	2,542
Total operating expenses	96,341	38,832	208,195	83,740
Operating (loss) income	(75,421)	(4,080)	(104,926)	89,505
Investment and other income, net	(393)	(426)	452	2,136
Interest expense	(3,045)	(263)	(10,622)	(1,052)
Other income (expense) - changes in fair value of related party payable	467	(917)	1,899	2,071
(Loss) income before income taxes	(78,392)	(5,686)	(113,197)	92,660
Income tax (benefit) provision	(14,533)	2,559	(17,893)	24,389
Net (loss) income	\$(63,859)	\$(8,245)	\$(95,304)	\$68,271
Net (loss) income per share - basic	\$(1.72)	\$(0.21)	\$(2.55)	\$1.69
Net (loss) income per share - diluted	(1.72)	(0.21)	(2.55)	1.63
Weighted average number of shares outstanding - basic	37,073	39,350	37,325	40,465
Weighted average number of shares outstanding - diluted	37,073	39,350	37,325	41,765

**AVADEL PHARMACEUTICALS PLC**

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

*(In thousands, except per share data)*

	December 31, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,325	\$ 16,564
Marketable securities	90,590	77,511
Accounts receivable	11,330	14,785
Inventories, net	4,770	6,157
Prepaid expenses and other current assets	8,836	8,958
Total current assets	124,851	123,975
Property and equipment, net	1,911	3,001
Goodwill	18,491	18,491
Intangible assets, net	1,629	92,289
Research and development tax credit receivable	7,272	5,272
Other non-current assets	36,146	10,249
Total assets	\$ 190,300	\$ 253,277
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		

Current liabilities:		
Current portion of long-term debt	\$ 106	\$ 111
Current portion of long-term related party payable	9,439	25,007
Accounts payable	3,503	7,477
Deferred revenue	114	2,007
Accrued expenses	21,695	50,926
Income taxes	73	414
Other current liabilities	3,453	597
Total current liabilities	38,383	86,539
Long-term debt, less current portion	115,734	156
Long-term related party payable, less current portion	19,401	73,918
Other non-current liabilities	14,002	7,084
Total liabilities	187,520	167,697
Shareholders' equity:		
Preferred shares, nominal value of \$0.01 per share; 50,000 shares authorized; none issued or outstanding at December 31, 2018 and December 31, 2017, respectively	—	—
Ordinary shares, nominal value of \$0.01 per share; 500,000 shares authorized; 42,720 issued and 37,313 outstanding at December 31, 2018, and 41,463 issued and 39,346 outstanding at December 31, 2017	427	414
Treasury shares, at cost, 5,407 and 2,117 shares held at December 31, 2018 and December 31, 2017, respectively	(49,998)	(22,361)
Additional paid-in capital	433,756	393,478
Accumulated deficit	(357,989)	(262,685)
Accumulated other comprehensive loss	(23,416)	(23,266)
Total shareholders' equity	2,780	85,580
Total liabilities and shareholders' equity	\$ 190,300	\$ 253,277

#### AVADEL PHARMACEUTICALS PLC

#### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Twelve months ended December 31,	
	2018	2017
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (95,304)	\$ 68,271
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	7,430	4,883
Impairment of intangible asset	66,087	—
Amortization of premiums on marketable securities	2,823	732
Remeasurement of related party acquisition-related contingent consideration	(22,731)	(31,040)
Remeasurement of related party financing-related contingent consideration	(1,899)	(2,071)
Amortization of debt discount and debt issuance costs	4,830	—
Change in deferred tax and income tax deferred charge	(19,153)	3,556
Stock-based compensation expense	7,852	8,072
Other adjustments	1,365	(968)
Net changes in assets and liabilities		
Accounts receivable	3,452	3,054
Inventories, net	711	(2,899)
Prepaid expenses and other current assets	3,577	(3,741)
Research and development tax credit receivable	(2,545)	(3,141)
Accounts payable & other current liabilities	(2,032)	595
Deferred revenue	(1,892)	(216)
Accrued expenses	(10,640)	13,187
Accrued income taxes	(341)	(786)
Earn-out payments for related party contingent consideration in excess of acquisition-date fair value	(19,468)	(31,636)
Royalty payments for related party payable in excess of original fair value	(2,838)	(4,429)
Other assets and liabilities	(2,000)	(4,761)
Net cash (used in) provided by operating activities	(82,716)	16,662
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(178)	(591)
Purchase of intangible assets	(20,000)	(53,111)
Proceeds from sales of marketable securities	359,507	189,009
Purchases of marketable securities	(376,310)	(151,005)
Net cash used in investing activities	(36,981)	(15,698)
<b>Cash flows from financing activities:</b>		
Proceeds from debt issuance	143,750	—
Payments for debt issuance costs	(6,190)	—

Earn-out payments for related party contingent consideration	(645	)	(1,246	)
Exercise of warrants	2,911		—	
Proceeds from issuance of ordinary shares and warrants	577		404	
Share repurchases	(27,637	)	(22,361	)
Other financing activities, net	(107	)	(115	)
Net cash provided by (used in) financing activities	112,659		(23,318	)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(201	)	(297	)
Net change in cash and cash equivalents	(7,239	)	(22,651	)
Cash and cash equivalents at January 1	16,564		39,215	
Cash and cash equivalents at December 31	\$ 9,325		\$ 16,564	

**AVADEL PHARMACEUTICALS PLC**  
**UNAUDITED SUPPLEMENTAL INFORMATION**

*(In thousands, except per share data)*

Revenue by Product:	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Bloxiverz	\$ 4,159	\$ 8,055	\$ 20,850	\$ 45,596
Vazculep	9,819	8,281	42,916	38,187
Akovaz	5,676	15,507	33,759	80,617
Noctiva	(798	) —	1,204	—
Other	464	2,989	2,694	8,441
Total product sales	19,320	34,832	101,423	172,841
License revenue	1,600	(80	) 1,846	404
Total revenues	\$ 20,920	\$ 34,752	\$ 103,269	\$ 173,245

**GAAP to Non-GAAP adjustments for the three-months ended December 31, 2018**

	GAAP	<i>Exclude</i>							<i>Include</i>		Total adjustments	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	Impairment of intangible asset	Contingent related party payable fair value remeasurements	Contingent related party payable paid/accrued			
Revenues:												
Product sales	\$ 19,320	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 19,320
License revenue	1,600	—	—	—	—	—	—	—	—	—	—	1,600
Total revenues	20,920	—	—	—	—	—	—	—	—	—	—	20,920
Operating expenses:												
Cost of products	4,292	—	—	—	—	—	—	—	—	—	—	4,292
Research and development expenses	6,086	—	—	—	—	—	—	—	—	—	—	6,086
Selling, general and administrative expenses	23,200	—	—	—	—	—	—	—	—	—	—	23,200
Intangible asset amortization	1,623	(1,623	) —	—	—	—	—	—	—	—	(1,623	) —
(Gain) loss - changes in fair value of related party contingent consideration	(5,695	) —	—	—	—	—	—	5,695	3,193	8,888	3,193	
Impairment of intangible asset	66,087	—	—	—	—	—	(66,087	) —	—	(66,087	) —	
Restructuring costs	748	—	—	(748	) —	—	—	—	—	(748	) —	
Total operating expenses	96,341	(1,623	) —	(748	) —	—	(66,087	) 5,695	3,193	(59,570	) 36,771	
Operating (loss) income	(75,421	) 1,623	—	748	—	—	66,087	(5,695	) (3,193	) 59,570	(15,851	)

Investment and other income, net	(393 )	—	(60 )	—	822	—	—	—	—	762	369
Interest expense	(3,045 )	—	—	—	—	1,428	—	—	—	1,428	(1,617 )
Other income (expense) - changes in fair value of related party payable	467	—	—	—	—	—	—	(467 )	(518 )	(985 )	(518 )
(Loss) income before income taxes	(78,392 )	1,623	(60 )	748	822	1,428	66,087	(6,162 )	(3,711 )	60,775	(17,617 )
Income tax (benefit) provision	(14,533 )	340	—	—	—	—	13,879	(175 )	(151 )	13,893	(640 )
Net (loss) income	\$ (63,859 )	\$ 1,283	\$ (60 )	\$ 748	\$ 822	\$ 1,428	\$ 52,208	\$ (5,987 )	\$ (3,560 )	\$ 46,882	\$ (16,977 )
Net income (loss) per share - diluted <sup>(1)</sup>	\$ (1.72 )	\$ 0.03	\$ —	\$ 0.02	\$ 0.02	\$ 0.04	\$ 1.41	\$ (0.16 )	\$ (0.10 )	\$ 1.26	\$ (0.46 )
Weighted average number of shares outstanding - diluted	37,073	37,073	37,073	37,073	37,073	37,073	37,073	37,073	37,073	37,073	37,073

(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 December 31, 2017**

	<i>Exclude</i>							<i>Include</i>		Adjusted GAAP
	GAAP	Intangible asset amortization	Foreign exchange (gain)/loss	Restructuring impacts	License revenue adjustment	US tax reform impact	Contingent related party payable fair value remeasurements	Contingent related party payable paid/accrued	Total adjustments	
Revenues:										
Product sales	\$ 34,832	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 34,832
License revenue	(80 )	—	—	—	342	—	—	—	342	262
Total revenues	34,752	—	—	—	342	—	—	—	342	35,094
Operating expenses:										
Cost of products	4,048	—	—	—	—	—	—	—	—	4,048
Research and development expenses	11,325	—	—	—	—	—	—	—	—	11,325
Selling, general and administrative expenses	23,056	—	—	—	—	—	—	—	—	23,056
Intangible asset amortization	1,967	(1,967 )	—	—	—	—	—	—	(1,967 )	—
(Gain) loss - changes in fair value of related party contingent consideration	(933 )	—	—	—	—	—	933	6,067	7,000	6,067
Restructuring costs	(631 )	—	—	631	—	—	—	—	631	—
Total operating expenses	38,832	(1,967 )	—	631	—	—	933	6,067	5,664	44,496
Operating (loss) income	(4,080 )	1,967	—	(631 )	342	—	(933 )	(6,067 )	(5,322 )	(9,402 )
Investment and other income, net	(426 )	—	587	—	—	—	—	—	587	161
Interest expense	(263 )	—	—	—	—	—	—	—	—	(263 )
Other income (expense) - changes in fair value of related party payable	(917 )	—	—	—	—	—	917	(831 )	86	(831 )
(Loss) income before income taxes	(5,686 )	1,967	587	(631 )	342	—	(16 )	(6,898 )	(4,649 )	(10,335 )
Income tax (benefit) provision	2,559	706	—	—	—	(3,513 )	307	(438 )	(2,938 )	(379 )
Net (loss) income	\$ (8,245 )	\$ 1,261	\$ 587	\$ (631 )	\$ 342	\$ 3,513	\$ (323 )	\$ (6,460 )	\$ (1,711 )	\$ (9,956 )
Net income (loss) per share - diluted <sup>(1)</sup>	\$ (0.21 )	\$ 0.03	\$ 0.01	\$ (0.02 )	\$ 0.01	\$ 0.09	\$ (0.01 )	\$ (0.16 )	\$ (0.04 )	\$ (0.25 )

Weighted average number of shares outstanding - diluted	39,350	39,350	39,350	39,350	39,350	39,350	39,350	39,350	39,350	39,350
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(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 twelve-months ended December 31, 2018											
	Exclude								Include		
GAAP	Intangible asset amortization	Foreign exchange (gain)/loss	Restructuring impacts	Equity securities unrealized (gain)/loss impact	Amortization of debt discount and debt issuance costs	Impairment of intangible asset	Contingent related party payable fair value remeasurements	Contingent related party payable paid/accrued	Total adjustments	Adjusted GAAP	
Revenues:											
Product sales	\$ 101,423	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 101,423	
License revenue	1,846	—	—	—	—	—	—	—	—	1,846	
Total revenues	103,269	—	—	—	—	—	—	—	—	103,269	
Operating expenses:											
Cost of products	17,516	—	—	—	—	—	—	—	—	17,516	
Research and development expenses	39,329	—	—	—	—	—	—	—	—	39,329	
Selling, general and administrative expenses	100,359	—	—	—	—	—	—	—	—	100,359	
Intangible asset amortization	6,619	(6,619 )	—	—	—	—	—	—	(6,619 )	—	
(Gain) loss - changes in fair value of related party contingent consideration	(22,731 )	—	—	—	—	—	22,731	17,225	39,956	17,225	
Impairment of intangible asset	66,087	—	—	—	—	(66,087 )	—	—	(66,087 )	—	
Restructuring costs	1,016	—	—	(1,016 )	—	—	—	—	(1,016 )	—	
Total operating expenses	208,195	(6,619 )	—	(1,016 )	—	(66,087 )	22,731	17,225	(33,766 )	174,429	
Operating (loss) income	(104,926 )	6,619	—	1,016	—	66,087	(22,731 )	(17,225 )	33,766	(71,160 )	
Investment and other income, net	452	—	(213 )	—	955	—	—	—	742	1,194	
Interest expense	(10,622 )	—	—	—	—	4,830	—	—	4,830	(5,792 )	
Other income (expense) - changes in fair value of related party payable	1,899	—	—	—	—	—	(1,899 )	(2,550 )	(4,449 )	(2,550 )	
(Loss) income before income taxes	(113,197 )	6,619	(213 )	1,016	955	4,830	(24,630 )	(19,775 )	34,889	(78,308 )	
Income tax (benefit) provision	(17,893 )	1,390	—	—	(1 )	—	13,879	(709 )	(769 )	(4,103 )	
Net (loss) income	\$ (95,304 )	\$ 5,229	\$ (213 )	\$ 1,016	\$ 956	\$ 4,830	\$ (23,921 )	\$ (19,006 )	\$ 21,099	\$ (74,205 )	
Net income (loss) per share - diluted <sup>(1)</sup>	\$ (2.55 )	\$ 0.14	\$ (0.01 )	\$ 0.03	\$ 0.03	\$ 0.13	\$ 1.40	\$ (0.64 )	\$ (0.51 )	\$ (1.99 )	

Weighted average number of shares outstanding - diluted	37,325	37,325	37,325	37,325	37,325	37,325	37,325	37,325	37,325	37,325	37,325
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(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 twelve-months ended December 31, 2017**

	<i>Exclude</i>							<i>Include</i>			
GAAP	Intangible asset amortization	Foreign exchange (gain)/loss	Restructuring impacts	Purchase accounting adjustments - FSC	License revenue adjustment	US tax reform adjustment	Contingent related party payable fair value remeasurements	Contingent related party payable paid/accrued	Total adjustments	Adjusted GAAP	
Revenues:											
Product sales	\$ 172,841	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 172,841	
License revenue	404	—	—	—	1,442	—	—	—	1,442	1,846	
Total revenues	173,245	—	—	—	1,442	—	—	—	1,442	174,687	
Operating expenses:											
Cost of products	16,301	—	—	—	(46 )	—	—	—	(46 )	16,255	
Research and development expenses	33,418	—	—	—	—	—	—	—	—	33,418	
Selling, general and administrative expenses	58,860	—	—	—	—	—	—	—	—	58,860	
Intangible asset amortization	3,659	(3,659 )	—	—	—	—	—	—	(3,659 )	—	
(Gain) loss - changes in fair value of related party contingent consideration	(31,040 )	—	—	—	—	—	31,040	31,463	62,503	31,463	
Restructuring costs	2,542	—	—	(2,542 )	—	—	—	—	(2,542 )	—	
Total operating expenses	83,740	(3,659 )	—	(2,542 )	(46 )	—	31,040	31,463	56,256	139,996	
Operating (loss) income	89,505	3,659	—	2,542	46	1,442	(31,040 )	(31,463 )	(54,814 )	34,691	
Investment and other income, net	2,136	—	714	—	—	—	—	—	714	2,850	
Interest expense	(1,052 )	—	—	—	—	—	—	—	—	(1,052 )	
Other income (expense) - changes in fair value of related party payable	2,071	—	—	—	—	—	(2,071 )	(4,259 )	(6,330 )	(4,259 )	
(Loss) income before income taxes	92,660	3,659	714	2,542	46	1,442	(33,111 )	(35,722 )	(60,430 )	32,230	
Income tax (benefit) provision	24,389	1,309	—	—	17	—	(3,513 )	(1,469 )	(2,260 )	18,473	
Net (loss) income	\$ 68,271	\$ 2,350	\$ 714	\$ 2,542	\$ 29	\$ 1,442	\$ (31,642 )	\$ (33,462 )	\$ (54,514 )	\$ 13,757	
Net income (loss) per share - diluted <sup>(1)</sup>	\$ 1.63	\$ 0.06	\$ 0.02	\$ 0.06	\$ —	\$ 0.03	\$ (0.76 )	\$ (0.80 )	\$ (1.31 )	\$ 0.33	



Weighted average number of shares outstanding - diluted	41,765	41,765	41,765	41,765	41,765	41,765	41,765	41,765	41,765	41,765	41,765
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(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